UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended March 31, 2021

OR

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

For the transition period from to

Commission File Number 001-38496

Canopy Growth Corporation

(Exact name of registrant as specified in its charter)

Canada	**N/A**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1 Hershey Drive **Smiths Falls, Ontario**	**K7A 0A8**
(Address of principal executive offices)	**(Zip Code)**

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

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

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

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was approximately $5.3 billion as of September 30, 2020 (the last business day of the registrant's most recently completed second fiscal quarter), based on the closing sale price of the common shares on the New York Stock Exchange on that date.

As of May 28**,** 2021, there were 382,978,187 common shares of the registrant outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this annual report on Form 10-K incorporates certain information by reference from the registrant's definitive proxy statement with respect to its 2021 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the close of the registrant's fiscal year.

Table of Contents

		Page
PART I		
Item 1.	Business	5
Item 1A.	Risk Factors	24
Item 1B.	Unresolved Staff Comments	54
Item 2.	Properties	54
Item 3.	Legal Proceedings	54
Item 4.	Mine Safety Disclosures	55
PART II		
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	56
Item 6.	Selected Financial Data	56
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	57
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	89
Item 8.	Financial Statements and Supplementary Data	90
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	90
Item 9A.	Controls and Procedures	90
Item 9B.	Other Information	91
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	92
Item 11.	Executive Compensation	92
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	92
Item 13.	Certain Relationships and Related Transactions, and Director Independence	92
Item 14.	Principal Accountant Fees and Services	92
PART IV		
Item 15.	Exhibits and Financial Statement Schedules	93
Item 16.	Form 10-K Summary	96
SIGNATURES		97
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES		F-1

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

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

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

Special Note Regarding Forward-Looking Statements

This Annual Report contains "forward-looking statements" within the meaning of Section 27A of the *Securities Act* of 1933, as amended (the "*Securities Act*"), and Section 21E of the *Securities Exchange Act* of 1934, as amended (the "*Exchange Act*"), 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:

- the uncertainties associated with the COVID-19 pandemic, including our ability, and the ability of our suppliers and distributors, to effectively manage the restrictions, limitations and health issues presented by the COVID-19 pandemic, the ability to continue our production, distribution and sale of our products and the demand for and use of our products by consumers, disruptions to the global and local economies due to related stay-at-home orders, quarantine policies and restrictions on travel, trade and business operations and a reduction in discretionary consumer spending;
- laws and regulations and any amendments thereto applicable to our business and the impact thereof, including uncertainty regarding the application of U.S. state and federal law to U.S. hemp (including 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 "USPTO"), the U.S. Department of Agriculture (the "USDA") and any state equivalent regulatory agencies over U.S. hemp (including CBD) products;
- expectations regarding the laws and regulations and any amendments thereto relating to the U.S. hemp industry in the U.S., including the promulgation of regulations for the U.S. hemp industry by the USDA and relevant state regulatory authorities;
- expectations regarding the potential success of, and the costs and benefits associated with, our acquisitions, joint ventures, strategic alliances, equity investments and dispositions;
- the Acreage Amended Arrangement (as defined below), including the occurrence or waiver (at our discretion) of the Triggering Event (as defined below) and the satisfaction or waiver of the conditions to closing the acquisition of Acreage (as defined below);
- the Supreme Arrangement (as defined below), including the timing of closing of the Supreme Arrangement and the satisfaction or waiver of the conditions to closing the Supreme Arrangement;
- the grant, renewal and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;
- our international activities and joint venture interests, including required regulatory approvals and licensing, anticipated costs and timing, and expected impact;
- our ability to successfully create and launch brands and further create, launch and scale cannabis-based products and U.S. hemp-derived consumer products in jurisdictions where such products are legal and that we currently operate in;
- the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, including CBD and other cannabinoids;
- the anticipated benefits and impact of the CBI Group Investments (as defined below) by Constellation Brands, Inc. ("CBI") and its affiliates (together, the "CBI Group");
- the potential exercise of the CBG Warrants (as defined below) held by the CBI Group, pre-emptive rights and/or top-up rights in connection with the CBI Group Investments, including proceeds to us that may result therefrom or the potential conversion of Canopy Notes (as defined below) held by the CBI Group in connection with the CBI Group Investments;
- expectations regarding the use of proceeds of equity financings, including the proceeds from the CBI Group Investments;
- the legalization of the use of cannabis for medical or recreational in jurisdictions outside of Canada, the related timing and impact thereof and our intentions to participate in such markets, if and when such use is legalized;
- our ability to execute on our strategy and the anticipated benefits of such strategy;
- the ongoing impact of the legalization of additional cannabis product types and forms for recreational use in Canada, including federal, provincial, territorial and municipal regulations pertaining thereto, the related timing and impact thereof and our intentions to participate in such markets;
- the ongoing impact of developing provincial, territorial and municipal regulations pertaining to the sale and distribution of cannabis, the related timing and impact thereof, as well as the restrictions on federally regulated cannabis producers participating in certain retail markets and our intentions to participate in such markets to the extent permissible;
- the timing and nature of legislative changes in the U.S. regarding the regulation of cannabis including tetrahydrocannabinol ("THC");

- the future performance of our business and operations;
- our competitive advantages and business strategies;
- the competitive conditions of the industry;
- the expected growth in the number of customers using our products;
- our ability or plans to identify, develop, commercialize or expand our technology and research and development ("R&D") initiatives in cannabinoids, or the success thereof;
- expectations regarding revenues, expenses and anticipated cash needs;
- expectations regarding cash flow, liquidity and sources of funding;
- expectations regarding capital expenditures;
- 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 expansion of our production and manufacturing, the costs and timing associated therewith and the receipt of applicable production and sale licenses;
- the expected growth in our growing, production and supply chain capacities;
- expectations regarding the resolution of litigation and other legal and regulatory proceedings, reviews and investigations;
- expectations with respect to future production costs;
- expectations with respect to future sales and distribution channels and networks;
- the expected methods to be used to distribute and sell our products;
- our future product offerings;
- the anticipated future gross margins of our operations;
- accounting standards and estimates;
- expectations regarding our distribution network;
- expectations regarding the costs and benefits associated with our contracts and agreements with third parties, including under our third-party supply and manufacturing agreements; and
- expectations on price changes in cannabis markets.

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

The forward-looking statements contained herein are based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including: (i) management's perceptions of historical trends, current conditions and expected future developments; (ii) our ability to generate cash flow from operations; (iii) general economic, financial market, regulatory and political conditions in which we operate; (iv) the production and manufacturing capabilities and output from our facilities and our joint ventures, strategic alliances and equity investments; (v) consumer interest in our products; (vi) competition; (vii) anticipated and unanticipated costs; (viii) government regulation of our activities and products including but not limited to the areas of taxation and environmental protection; (ix) the timely receipt of any required regulatory authorizations, approvals, consents, permits and/or licenses; (x) our ability to obtain qualified staff, equipment and services in a timely and cost-efficient manner; (xi) our ability to conduct operations in a safe, efficient and effective manner; (xii) our ability to realize anticipated benefits, synergies or generate revenue, profits or value from our recent acquisitions into our existing operations; (xiii) our ability to continue to operate in light of the COVID-19 pandemic and the impact of the pandemic on demand for, and sales of, our products and our distribution channels; and (xiv) 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 Annual Report and other reports we file with, or furnish to, the Securities and Exchange Commission (the "SEC") and other regulatory agencies and made by our directors, officers, other employees and other persons authorized to speak on our behalf. Such factors include, without limitation, changes in laws, regulations and guidelines and our compliance with such laws, regulations and guidelines; the risk that the COVID-19 pandemic may disrupt our operations and those of our suppliers and distribution channels and negatively impact the demand for and use of our products; consumer demand for cannabis and U.S. hemp products; our limited operating history; the risks and uncertainty regarding future product development; our reliance on licenses issued by and contractual arrangements with various federal, state and provincial governmental authorities; the risk that cost savings and any other synergies from the CBI Group Investments may not be fully realized or may take longer to realize than expected; risks

associated with jointly owned investments; risks relating to our current and future operations in emerging markets; future levels of revenues and the impact of increasing levels of competition; risks related to the protection and enforcement of our intellectual property rights; our ability to manage disruptions in credit markets or changes to our credit ratings; future levels of capital, environmental or maintenance expenditures, general and administrative and other expenses; the success or timing of completion of ongoing or anticipated capital or maintenance projects; business strategies, growth opportunities and expected investment; 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); 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, or threatened litigation or proceedings, on our business, financial condition, results of operations and cash flows; risks related to stock exchange restrictions; risks associated with divestment and restructuring; volatility in and/or degradation of general economic, market, industry or business conditions; our exposure to risks related to an agricultural business, including wholesale price volatility and variable product quality; third-party transportation risks; compliance with applicable environmental, economic, health and safety, energy and other policies and regulations and in particular health concerns with respect to vaping and the use of cannabis and U.S. hemp products in vaping devices; the anticipated effects of actions of third parties such as competitors, activist investors or federal, state, provincial, territorial or local regulatory authorities, or self-regulatory organizations; changes in regulatory requirements in relation to our business and products; and the factors discussed under the heading “Risk Factors” in this Annual Report. Readers are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements.

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

Item 1. Business.

Introduction

Canopy Growth is a leading cannabis company which produces, distributes and sells a diverse range of cannabis and hemp-based products for both recreational and medical purposes under a portfolio of distinct brands in Canada pursuant to the *Cannabis Act*, SC 2018, c 16 (the "*Cannabis Act*"), and globally pursuant to applicable international and Canadian legislation, regulations and permits. Our core operations are in Canada, the United States, and Germany.

We intend to maintain a leading position in the cannabis and related industries, as well as expand the reach of our products in our core markets. From product and process innovation, to market execution and everything in between, we are driven by a passion for leadership, a commitment to drive the industry forward, and above all else, providing medical and recreational cannabis consumers the best possible experience.

We are focused on unleashing the power of cannabis to improve lives and using a consumer-led approach, supported by industry-leading R&D, to provide a portfolio of differentiated products that offer unique experiences and effects to our consumers. We believe that this will establish a dominant business in our core markets, with the potential to generate a significant and sustained return on invested capital over the long-term. Our distinct cannabis brands include Tweed, Tokyo Smoke, Twd., DOJA, Simple Stash and Ace Valley in the recreational channel, with Spectrum Therapeutics, our medical brand, and First & Free, Martha Stewart, Quatreau and SurityPro, as part of our collection of health and wellness CBD products. Our curated cannabis product formats include dried flower, oil, soft-gel capsules, edibles, vapes and beverages as well as a wide range of cannabis accessories. In addition, our consumer products brands which include Storz & Bickel GmbH & Co., KG ("Storz & Bickel"), TWP UK Holdings Limited ("This Works") and BioSteel Sports Nutrition Inc. ("BioSteel") provide complementary and innovative product offerings.

As a responsible corporate citizen, we maintain initiatives in public education that are designed to help patients and consumers safely, effectively and responsibly use cannabis. Our initiatives include a partnership with Cannabis Amnesty, a non-profit focused on the disproportionate impact of cannabis prohibition in Canada, and a three-way partnership with the University of British Columbia and British Columbia Ministry of Mental Health and Addictions to create the Canopy Growth Professor of Cannabis Science in response to the need for novel substance use interventions in the midst of the overdose crisis.

Canopy Growth was incorporated pursuant to the provisions of the *Canada Business Corporations Act* on August 5, 2009 under the name LW Capital Pool Inc. The Corporation changed its name to Tweed Marijuana Inc. on March 26, 2014, and later to Canopy Growth Corporation on September 17, 2015. Prior to completing our qualifying transaction on April 3, 2014, Canopy Growth was a "capital pool company" under Policy 2.4 of the TSX Venture Exchange ("TSXV") Corporate Finance Manual. As a capital pool company, Canopy Growth had no assets other than cash and did not carry on any operations. On July 26, 2016, Canopy Growth graduated from the TSXV to the Toronto Stock Exchange (the "TSX"). On February 1, 2017, the trading symbol for the common shares on the TSX was changed to "WEED". On May 24, 2018, the common shares commenced trading on the New York Stock Exchange (the "NYSE") with the trading symbol "CGC." On the close of business on November 13, 2020, the common shares ceased trading on the NYSE and on November 16, 2020, the common shares commenced trading on The NASDAQ Global Select Market ("NASDAQ") at market open with the trading symbol "CGC".

Our principal executive offices are located at 1 Hershey Drive, Smiths Falls, Ontario, K7A 0A8. We conduct our business both through our wholly-owned subsidiaries as well as through a variety of joint ventures and other entities.

Business Segments

Through the fourth quarter of fiscal 2021, we had two operating segments, which were also our reportable segments: (i) cannabis, hemp and other consumer products; and (ii) RIV Capital Inc. (formerly Canopy Rivers Inc.) ("RIV Capital"). Following the completion of the RIV Arrangement (as defined below) in February 2021 and the completion of restructuring actions in the third and fourth quarters of fiscal 2021 associated with the ongoing end-to-end strategic review of our operations, we have changed the structure of our internal management financial reporting. Accordingly, in the fourth quarter of the year ended March 31, 2021, we report our financial results for two operating segments set out below, which are also our reportable segments:

(1) Global cannabis, which encompasses the production, distribution and sale of a diverse range of cannabis and cannabinoid-based consumer products in Canada and internationally pursuant to applicable international and domestic legislation, regulations and permits; and
(2) Other consumer products, which encompasses the production, distribution and sale of consumer products by Storz & Bickel, This Works, BioSteel, and other ancillary revenue sources.

Strategy

Our vision is to unleash the power of cannabis to improve lives. We will achieve this by harnessing the power of the plant, building a best-in-class CPG company, and fostering a purpose-driven atmosphere. Our approach involves operating with integrity, intention and values, with a business focus on insights, innovation and brands. To achieve this, we are dedicated to:

- Becoming a relentlessly consumer-centric organization by continuing to build world-class consumer insights and analytic capability, coupled with focused, leading-edge R&D and innovation to produce a differentiated product portfolio that will delight consumers. We intend to bring these products to our consumers through best-in-class sales execution.
- Focusing on markets and product categories with the highest and most tangible profit opportunities in the near term. Core markets are Canada, the United States and Germany, with industry focus on recreational and medical channels. Further, in the United States, in addition to our hemp-derived CBD product offerings, we are also focused on building the U.S. ecosystem in preparation for entry into the U.S. THC market when federally permissible.
- Capturing future opportunities in emerging markets and categories outside the core, where we deploy an asset-light approach that leverages local and/or regional suppliers for raw materials in jurisdictions and at times that are appropriate.
- Driving quality in all aspects of our operation to be positioned to deliver the right product, at the right time and at the right price from the right facility.
- Continuing to lead the industry and set industry standards. This includes initiating the next phase of the cannabis industry evolution and shaping how the industry evolves. We continue to give back to neighbours and communities through ongoing initiatives such as our partnership with National Expungement Week (“N.E.W”), a non-profit organization that provides record-clearing services and ancillary services to those who have been disproportionately impacted by the enforcement of the justice system across the United States. Our support over the last three years has empowered N.E.W to grow sustainably year over year – transforming from 18 events to over 40 events and building the capacity to provide year-round services, helping over 7,000 individuals to date.

The CBI Group Investments

In November 2017, June 2018, November 2018 and May 2020, we completed certain transactions with the CBI Group, whereby the CBI Group invested CDN$245 million, CDN$200 million, CDN$5.079 billion and CDN$245 million, respectively (the “CBI Group Investments”). As part of certain governance rights granted to the CBI Group in connection with certain of the CBI Group Investments, the CBI Group is entitled to, and has nominated, four directors to our board and has partnered with us as CBI’s exclusive global cannabis partner. The CBI Group Investments provided Canopy Growth with significant funding needed to build scale in countries pursuing federally permissible medical cannabis programs, while establishing the foundation needed to supply new recreational markets as cannabis becomes legal in markets around the world. See “The CBI Group Investments” below for more information on the CBI Group Investments and related agreements.

Credit Facility

On March 18, 2021, Canopy Growth and its direct, wholly-owned subsidiary 11065220 Canada, Inc. (together with Canopy Growth, the “Borrowers”) entered into a credit agreement (the “Credit Agreement”) with the lenders party thereto (the “Lenders”) and Wilmington Trust, National Association, as administrative agent and collateral agent for the Lenders. The Credit Agreement provides for a five-year senior secured term loan facility in an aggregate principal amount of US$750 million (the “Credit Facility”). Canopy Growth also has the ability to obtain up to an additional US$500 million of incremental senior secured debt pursuant to the Credit Agreement. The obligations of the Borrowers under the Credit Facility are guaranteed by material Canadian and U.S. subsidiaries of Canopy Growth. The Credit Facility is secured by substantially all of the assets, including material real property, of the Borrowers and each of the guarantors. The Credit Agreement contains representations and warranties, and affirmative and negative covenants, including a financial covenant requiring minimum liquidity of US$200 million at the end of each fiscal quarter. The gross proceeds, net of fees and expenses, will be used by Canopy Growth for working capital and general corporate purposes, including without limitation, growth investments, acquisitions, capital expenditures, and strategic initiatives. Please refer to “Part 1 – Business Overview - Recent Developments” under Item 7 of this Annual Report for more information on the Credit Agreement.

Supreme Acquisition

On April 7, 2021, we entered into an arrangement agreement (the “Supreme Arrangement Agreement”) with The Supreme Cannabis Company, Inc. (“Supreme Cannabis”), pursuant to which we have agreed to acquire all of the issued and outstanding common shares in the capital of Supreme Cannabis by way of a plan of arrangement under the *Canada Business Corporations Act* (the “Supreme Arrangement”). Supreme Cannabis is a producer of recreational, wholesale and medical cannabis products, with a global

diversified portfolio of distinct cannabis companies, products and brands. The Supreme Arrangement further adds premium brands to our portfolio, namely Supreme Cannabis' premium brands, 7ACRES and 7ACRES Craft Collective, which will complement our current consumer offering and will strengthen our brand portfolio, with both brands expected to continue to grow with further investment and expansion. Supreme Cannabis' Blissco and Truverra brands also add breadth to our market presence in both the recreational and medical markets. Lastly, Supreme Cannabis' hybrid-greenhouse cultivation facility at Kincardine, Ontario has a demonstrated capability of consistently producing premium flower from sought-after strains at low cost with significant potential for scaling. Please refer to "Part 1 – Business Overview—Acquisition of Supreme Cannabis" under Item 7 of this Annual Report for further discussion.

Canada

Recreational and Medical Cannabis Markets

We have realigned our infrastructure to better match market projections and are now focused on leveraging our capabilities and scale to achieve profitability in the medium term. Our strategy in Canada includes:

- Continuing the launch of our portfolio of our innovative second phase of recreational cannabis products, specifically, ingestible cannabis, cannabis extracts and cannabis topical products (referred to as "Cannabis 2.0") across Canada, which began in early 2020 with the introduction of our cannabis-infused beverages and edibles to the Canadian recreational cannabis market. Additional Cannabis 2.0 products have been subsequently introduced into the Canadian recreational cannabis market across the vape, edible and beverage categories, and new products will continue to be rolled-out in the coming year.
- Strengthening our connection with our consumers by offering brands and products that delight our consumers. This includes leveraging our consumer insights, intellectual property and product innovation capability, and cultivation and manufacturing infrastructure to consistently develop the highest-quality products at each price segment. The continued build-out of our branded Tweed and Tokyo Smoke retail store network where permissible across Canada, in addition to listings in third-party retail stores, allows us to educate consumers, build brand awareness and recognition, and establish direct connections with our consumers.
- Increasing our medical cannabis network and solidifying our position as a trusted leader in the Canadian medical cannabis market by offering a wide range of cannabis products across a variety of brands, formats and strains that serve the needs of our medical consumers. In April 2020, we announced that our Storz & Bickel Volcano Medic 2 was issued a medical license by Health Canada as an advanced cannabis vaporizer for medical use. As a result of this license, we can now distribute to medical institutions, clinics and patients in Canada, including distribution through Spectrum Therapeutics, our medical cannabis brand, distributed through an e-commerce shop.

Retail Store Strategy

The *Cannabis Act* provides provincial, territorial and municipal governments in Canada with the authority to prescribe regulations regarding retail and distribution of recreational cannabis. As such, the distribution model for recreational cannabis is prescribed by provincial and territorial regulations and differs in each jurisdiction. Some provinces have government-run retailers, while others have government-licensed retailers, and some have a combination of the two. All of our recreational sales are conducted according to the applicable provincial and territorial legislation and through applicable local agencies. We continue to monitor the developing legislation to identify opportunities for our brands.

As of May 28, 2021, we have 70 cannabis retail stores operating under the Tweed or Tokyo Smoke banner, of which 34 are corporate-owned stores and the balance are independently operated by our strategic partners pursuant to certain franchising arrangements. Tweed has 21 corporate-owned brick and mortar locations selling cannabis across Alberta, Manitoba, Newfoundland and Labrador and Saskatchewan and has a branded e-commerce presence in Manitoba, Nunavut and Saskatchewan. Tokyo Smoke operates 13 corporate-owned retail cannabis stores in Alberta and Manitoba and an e-commerce platform in Manitoba. Please refer to "Risk Factors" under Item 1A and "Part 1 – Business Overview—Update on COVID-19" under Item 7 of this Annual Report for further discussion.

In Ontario, we have entered into multi-year master licensing agreements to enable our development partners to expand our Tokyo Smoke and Tweed branded retail footprints. Our development partners currently operate 34 retail stores across the province. In addition, we are in the process of developing our Tweed farm gate store in Smiths Falls for which we have received our retail operator license from the Alcohol and Gaming Commission of Ontario.

European Medical Cannabis Market

Our primary strategy in the European medical cannabis market is to increase access to our medical cannabis products for medical customers in countries where it is federally permissible to do so, and to position ourselves as a trusted market leader in those countries.

Our Spectrum Therapeutics medical brand is a global leader in medical cannabis. Spectrum Therapeutics produces and distributes a diverse portfolio of medical cannabis products to healthcare practitioners and medical customers in Canada, and in several other countries where it is federally permissible to do so. Through our Spectrum Therapeutics brand, our strategy encompasses our medical channel in Germany, Poland and the Czech Republic. Dronabinol, a registered active pharmaceutical ingredient in Germany and certain other European countries, has allowed us to expand our portfolio of medical cannabis offerings for our customers in countries where permissible.

Australian Cannabis Market

We are still working to develop markets in Australia by focusing on an asset-light model which emphasizes use of third-party licenses. Through our global Spectrum Therapeutics brand, our non-infused brands such as BioSteel and This Works, our Storz & Bickel line, and our First & Free products, our strategy encompasses continuing the medical sales that began in Australia in May 2019 and supporting Australian patients through imports that are compliant with location regulation, providing Australian prescribers with the option of non-infused products including oils, soft gels and flower. In Australia, we are driven by a strong focus on quality, evidence, safety and education.

Commercialization Activities in the United States

The key elements of our U.S. commercialization strategy include:

- In June 2019, we implemented a plan of arrangement (the "Original Acreage Arrangement") pursuant to an arrangement agreement dated April 18, 2019, as amended on May 15, 2019, with Acreage (the "Acreage Arrangement Agreement"), a leading United States multi-state cannabis operator. In September 2020, following receipt of all required approvals, we entered into a second amendment to the Acreage Arrangement Agreement (the "Acreage Amending Agreement") and implemented an amended and restated plan of arrangement (the "Acreage Amended Arrangement"). Pursuant to the the Acreage Amended Arrangement, following the occurrence or waiver (at our discretion) of changes in U.S. federal law to permit the general cultivation, distribution, and possession of marijuana or to remove the regulation of such activities from the federal laws of the United States and subject to the satisfaction or waiver of the conditions set out in the Acreage Arrangement Agreement (as modified by the Acreage Amending Agreement), we (i) agreed to acquire approximately 70% of the issued and outstanding shares of Acreage, and (ii) obtained the right to acquire the other approximately 30% of the issued and outstanding shares of Acreage. The acquisition of Acreage, if completed, will provide a pathway into cannabis markets in the United States; however, Canopy Growth and Acreage will continue to operate as independent companies until completion of the Acreage Amended Arrangement. See "—U.S. Regulatory Framework—The Acreage Arrangement."
- In December 2019, we launched a line of hemp-derived CBD oils and softgels under the First & Free brand in certain U.S. states where not prohibited under state law. In April 2020, we launched our first line of topical products in certain U.S. states where not prohibited under state law.
- In September 2020, we launched a line of hemp-derived CBD oils, softgels and edibles under the licensed Martha Stewart® brand in certain U.S. states where permissible under state law.
- In October 2020, BioSteel announced the expansion of the company's U.S. footprint with industry leading distributors, Manhattan Beer and Reyes Beer Division for its ready-to-drink beverages available for sale across the United States.
- Following the successful launch of Martha Stewart® CBD, we launched Martha Stewart® CBD for Pet in January 2021 for sale in certain U.S. states where permissible under state law. The Martha Stewart® CBD for Pet product portfolio includes oil drops and soft-baked chews in three gourmet flavor combinations and formulas – Wellness, Calm and Mobility – designed to support pet mental and physical well-being.
- In February 2021, we launched SurityPro™ - A New Generation of CBD Products for Dogs in certain U.S. states where permissible under state law. The new generation of advanced pet specialty CBD products include soft chews and oil drops that support calm behavior, joint health and flexibility, healthy aging, and overall physical and mental well-being in dogs.
- In March 2021, we launched our first line of hemp-derived CBD beverages, under the Quatreau brand in certain U.S. states where not prohibited under state law. Following the launch of Quatreau, we executed a master distribution agreement in April 2021 with Southern Glazer's Wine & Spirits, a pre-eminent distributor of beverage alcohol in the U.S., as a distribution partner for our U.S. portfolio of hemp-derived CBD-infused beverages and Martha Stewart® and First & Free branded CBD products.
- Building recognition of our Tweed and Tokyo Smoke brands in advance of the potential future permissibility of cannabis in the United States. In connection with the Acreage Arrangement Agreement, Canopy Growth and Acreage executed a licensing agreement which provides Acreage with the ability to use Canopy Growth's intellectual property, on a no-fee basis. In

accordance with this licensing agreement, in December 2019, Acreage began selling certain Tweed-branded cannabis products at select dispensaries in Illinois, Maine, Massachusetts and Oregon. The licensing agreement was amended and restated by the A&R Acreage License (as defined below) on June 24, 2020 pursuant to which the licensors and Canopy Growth granted Acreage a non-exclusive right to use and sublicense certain systems, trademarks and intellectual property within the United States. See "—U.S. Regulatory Framework—The Acreage Arrangement." We, together with Acreage, plan on expanding the number of Tweed-branded product offerings into additional U.S. states in the second half of 2021. Any products sold by Acreage under the Tweed brand in the United States are cultivated and processed by Acreage at its facilities in the respective states in the United States where permissible under state laws.

Developing Intellectual Property and Innovative New Products

We have long believed that a significant opportunity exists to expand our total addressable market and create new consumer segments by developing innovative new recreational products that include cannabis and cannabinoids as ingredients catered to consumer need-states, such as sleep and relaxation, and consumption occasions. We have been continuously focused on conducting R&D of intellectual property related to:

- Innovation and new product development, including the Cannabis 2.0 products that have been or will be rolled-out across Canada and other markets where it is federally permissible.
- Creating novel applications for CBD. With the acquisition of BioSteel and This Works, we have added platforms that can be leveraged for infusing CBD, in the case of BioSteel, in sports nutrition and hydration beverages, and, in the case of This Works, in beauty, wellness, and sleep products, all in accordance with applicable state laws. BioSteel presently has a range of CBD-infused sports nutrition products in certain U.S. states, available exclusively through shopcanopy.com. This Works has also launched sleep, stress and skincare line extensions infused with CBD through its "deep sleep", "stress check", "morning expert" and "my wrinkles" product franchises.
- Creating evidence-based, protectable product formulations and driving these products through robust clinical and consumer studies towards the creation of new cannabis-based products, cannabis formulations and dose delivery systems.

Our intellectual property portfolio includes 178 issued patents and 230 patent applications as of May 28, 2021, covering plant genetics, post-growth processing (e.g. extraction, isolation and purification), equipment, synthetic chemistry (e.g. new chemical entities and synthetic pathways), formulations, human and animal health, edibles, packaging and vape devices.

Our Products

Cannabis

We produce and sell various cannabis products, including dried cannabis flower, oils & concentrates and softgel capsules. Our cannabis products are sold both in the direct-to-patient markets for medicinal use, as well as in the recreational market following the enactment of the *Cannabis Act*. Our cannabis products are sold under a variety of brand names described under "Brand Portfolio" below, and are intended to position us as a leader in both the medical and recreational markets.

Our cannabis products include:

- Dried Flower: we pride ourselves on growing high quality cannabis, which is packaged for sale as dried flower and pre-rolled joints. We sell dried flower in both the medical and recreational markets.
- Oils & Concentrates: using high-quality inputs, we produce cannabis extracts using state-of-the-art supercritical fluid CO2 extraction technologies to create cannabis oil products with different ratios of THC and CBD in order to meet the unique medical needs of our customers.
- Softgel Capsules: these capsules offer a convenient, precise and discrete dosing solution for those interested in consuming their cannabis in pill form, and are available in a variety of concentrates, from micro to full doses.

Cannabis 2.0 Products

The legalization and regulation of Cannabis 2.0 products in Canada was announced by the federal government on October 17, 2019, pursuant to certain amendments to the regulations under the *Cannabis Act*. We began shipping certain of our products in late December 2019, with the first wave of our cannabis-infused chocolates being available at retail locations in early January 2020. The first of our cannabis-infused beverage offerings were made available to consumers in March 2020. We introduced our vape pen power sources to customers in January 2020, with product availability varying based on provincial regulations. Additional vape products, including vape cartridges, were launched in March 2020 in participating provinces. Additional Cannabis 2.0 products have been subsequently introduced into the Canadian recreational cannabis market, and new products will continue to be rolled-out in the coming months. Our Cannabis 2.0 product offerings include:

- **Cannabis-infused beverages**, which are being produced in our licensed 150,000 square foot beverage facility in Smiths Falls. Through our extensive R&D efforts, we have developed a proprietary process that distills whole flower cannabis into a clear liquid that we refer to as "Distilled Cannabis," which is used as an active ingredient in our THC and CBD infused beverages. We offer our beverages in a variety of flavors and sizes under the Tweed, Quatreau, Houseplant and Deep Space brands. We believe that cannabis-infused beverages that offer sophisticated taste and dose control with a rapid onset and shorter duration can be tailored to meet specific outcomes across a variety of consumption occasions, while avoiding such things as weight gain, "hangover" effects and interactions with traditional pharmaceutical medications. While our products will contain THC, CBD or a combination of the two, up to the limit of 10 milligrams of THC per package, in accordance with the regulations under the *Cannabis Act*, we believe a standard serving of two to five milligrams of THC is ideal for consumers and allows for more control for the user, and therefore most of our cannabis-infused beverages will be available at this potency.

- **Cannabis-infused gummies**, which are being produced in our factory in Smiths Falls. This is a new production capability within our facility with initial market entry of Twd. Gummies that commenced in February 2021. These naturally-flavored, cannabis-infused soft chews are made using sativa and/or indica-dominant cannabis distillate and other simple ingredients. Current products in our gummies portfolio are sold with two to five soft chews per pack, each soft chew containing up to 5 milligrams of THC or CBD, offering a discreet and dosable cannabis experience. We offer our gummies in a variety of flavors and sizes under the Twd. and Ace Valley brands.

- **Cannabis-infused craft chocolates**, which are being produced in the same factory in Smiths Falls where Hershey Canada made chocolates for over 50 years. We have worked with chocolatiers to build and refine our chocolate manufacturing process and are selling two distinct products under the Tweed, and Tokyo Smoke brands. We have taken a "bean-to-bar" approach to our chocolates, sourcing our beans from Peru, the Dominican Republic and Colombia, and then roasting them onsite in Smiths Falls to achieve optimal flavor. Similar to our beverages and gummies, our chocolates contain specific amounts of specifically formulated cannabis up to a limit of 10 milligrams of THC per package.

- **Cannabis vapes**, including a range of proprietary hardware designed to bring reliable technology to the vaping category. We offer rechargeable and compact batteries designed for compatibility with 510-threaded cannabis concentrate vape cartridges. Our "510" vape concentrate cartridges are available in a variety of Tweed, Twd., and Ace Valley strains, and with a range of THC and CBD levels. In addition to the "510" cartridges, we offer Ace Valley branded all-in-one vape pens. We also offer Tokyo Smoke Luma rechargeable batteries and vape pods using our precise ceramic heating technology.

Recent reports on vape safety in North America underscore the importance of Canadian federal regulation for vape pen devices. Our vape cartridges use surgical-grade steel and specialized glass to ensure the reduction of heavy metal poisoning and contaminants leaching into the extract. Our vape products are produced using UL 8139 Certified Safe Manufacturing standards, meaning that each component of our hardware has been certified by Underwriters Laboratories ("UL"), or undergoing the review process with certification expected in advance of product on-sale dates. UL is a world leader in product safety testing and certification, and developed industry standard UL 8139 to help manufacturers address lithium battery hazards for vaping devices. UL 8139 evaluates the safety of the electrical, heating, battery and charging systems of these products. Further, our vapes are tamper-resistant and adhere to Health Canada's regulations. We are continually reviewing and testing all inputs to ensure the highest quality and reliability of cannabinoids, terpenes, and tamper-resistance features.

Hemp-Derived CBD Isolate Human Products

Our branded, hemp-derived CBD isolate products that have been brought to market in certain U.S. states where not prohibited under state law include: (i) our Martha Stewart line of hemp-derived CBD isolate products, including confections, oils, and softgels launched in September 2020, (ii) our Quatreau line of hemp-derived CBD isolate sparkling water launched in March 2021, (iii) First & Free line of hemp-derived CBD isolate products, including oils and softgels; (iv) BioSteel's line of "CBD for Sport" nutrition products; and (v) This Works' range of clinically-proven and 98% natural skincare boosters expertly blended with 1% pure hemp-derived CBD isolate, available for purchase at shopcanopy.com.

Developed as a result of our investments in technology and testing, our CBD isolate human products were created by extracting and isolating derivatives from the hemp plant to produce consistent CBD formulations that are packaged in easy-to-use formats. Our Martha Stewart, Quatreau, First & Free, and BioSteel CBD products are manufactured in the United States, contain 99% pure CBD isolate and less than 0.3% THC. This Works' Boosters CBD is extracted from high purity CBD isolate and is tested at three stages throughout our product development process, which ensures the product is pure, legal and highly effective. We are committed to selling high quality, tested and reliable products, and ensuring we make no claims unless clinically validated. This means selling our products only in U.S. states where we believe such sales are permissible under state law in order to ensure compliance with state consumer protection mandates and following the most stringent state laws regarding the sale of CBD.

Hemp-Derived Broad Spectrum CBD Pet Products

Our branded, hemp-derived broad spectrum CBD pet products that have been brought to market in certain U.S. states where not prohibited under state law include: (i) our Martha Stewart line of hemp-derived broad spectrum CBD dog chews launched in January 2021, (ii) our SurityPro line of hemp-derived broad spectrum CBD dog chews launched in January 2021.

As the leader in pet CBD research and science, Canopy Growth has conducted many studies into the safety and effects of cannabinoids in dogs and cats. Our studies demonstrate that the products are well-tolerated and can safely be used towards achieving positive health effects. To address the various needs in dogs, Canopy Growth has developed the Martha Stewart and SurityPro product lines. These products are made in the U.S., backed by science, and endorsed by the industry's leading authority on non-pharmaceutical animal health products, the National Animal Supplement Council ("NASC"). We follow all NASC guidelines – which require independent lab testing to confirm CBD concentration and the absence of pesticides, solvents, microbes, and heavy metals that can be detrimental to a pet's health.

Devices and Delivery Technology

In addition to the vape pens and cartridge products that we offer in the legal cannabis market in Canada, through Storz & Bickel we manufacture and sell medical cannabis delivery devices. Storz & Bickel has developed a factory that is certified internationally for the production of medical devices, and exports medically approved vaporizers and other similar devices to over 50 markets around the world. In April 2020, Health Canada issued a medical device license for Storz & Bickel's new "Volcano Medic 2," an advanced vaporizer device for medical use. This license permits distribution of the Volcano Medic 2 to medical institutions, clinics and patients in Canada, including distribution through Spectrum Therapeutics in Australia and Germany.

Brand Portfolio

We pride ourselves in a diverse brand platform making it possible for us to effectively reach target demographics. Our brands include brands that we own, as well as brands that we license from others, referred to as our "Affiliated Brands" below:

Global Cannabis		Other Consumer Products
• Tweed • DOJA • Ace Valley • Quatreau • Deep Space • First & Free • Surity Pro • Spectrum Therapeutics • Vert • Tokyo Smoke • TWD • Simple Stash	**Affiliated Brands** • Martha Stewart CBD • DNA Genetics • Houseplant • LBS	• BioSteel • Storz & Bickel • This Works

Global Cannabis

Tweed – Tweed is our flagship cannabis brand. Tweed products include dried flower, pre-rolls, vapes, oils, soft gels, edibles and beverages.

DOJA – Doja is a premium brand that is grown with care for a superior smoking experience. Doja products include dried flower and pre-rolls.

Ace Valley – Ace Valley is a cannabis brand focused on ready-to-enjoy products. We offer a range of well-designed pre-rolls, vapes and gummies across Canada.

Quatreau – Quatreau is a line of refreshing, naturally-flavored, cannabis-infused sparkling water beverages, offering THC and CBD options in Canada, and CBD-only options in the U.S.

Deep Space – Deep Space is a line of full-flavored cannabis-infused classic soft drink beverages with a higher dose of THC than other offerings across our portfolio, with 10 milligrams of THC per serving in a 222-milliliter mini can.

First & Free – First & Free is a pure CBD extract supplement brand that provides functional wellness solutions in oil and softgel formats.

SurityPro – SurityPro is a line of CBD products, soft chews and oil drops for dogs, combining CBD and known active ingredients to support key functional concerns of mobility, calmness and healthy aging.

Spectrum Therapeutics – Spectrum Therapeutics is our brand of medical cannabis products designed to optimize the therapeutic benefits of medical cannabis for pain, mood and sleep conditions. Branded products include cannabis oils, softgels and flower. Spectrum Therapeutics is also an e-commerce, multi-brand platform within the Canadian market.

Vert– Vert is a recreational cannabis brand, focused in the Canadian province of Quebec, that delivers locally-grown products to Quebec consumers. Vert products include dried flower and pre-rolls.

Tokyo Smoke – Tokyo Smoke is a retail, cannabis and cannabis accessory brand delivering immersive experiences to consumers through best-in-class retail stores and offering a range of unique branded and designed cannabis products.

TWD – Twd. is a value-forward brand that offers a lower price point without sacrificing quality. Twd. products include dried flower, pre-rolls, vapes, oils and edibles.

Simple Stash – Simple Stash is an ultra-value flower brand for the everyday consumer. Simple Stash products include dried flower and pre-rolls.

Affiliated Brands

Martha Stewart CBD – Combining gourmet flavors with state-of-the-art CBD, Martha Stewart's line includes wellness gummies, softgels and oils, and more recently as of 2021, a line of CBD soft baked chews for dogs.

DNA Genetics – DNA is a premium cannabis brand that offers superior genetics married with legacy market growing techniques. Products include dried flower and pre-rolls.

Houseplant – Houseplant is a premium cannabis brand founded by Seth Rogen and Evan Goldberg. Products include an assortment of dried flower, pre-rolls, and beverages.

LBS – LBS is a premier cannabis brand founded by entertainment icon Snoop Dogg. Products include dried flower and pre-rolls.

Other Consumer Products

BioSteel – BioSteel is a sports nutrition and hydration brand focused on making the healthiest products with clean labels and quality ingredients. Originally formulated for professional athletes, BioSteel products are now used by athletes and active individuals everywhere.

Storz & Bickel – Based in Tuttlingen, Germany, Storz & Bickel are designers and manufacturers of medically approved vaporizers, most notably the Volcano Medic and the Mighty Medic.

This Works – Founded in London, England, This Works offers a range of high-quality natural skincare and sleep solution products. Through a unique approach of formulating solutions that work in harmony with the 24-hour body clock, This Works has evolved its product lines beyond a traditional viewpoint to a more complete regimen.

Our Operations

Canadian Operations

Recreational

In fiscal 2021, we right sized our production footprint to better align with market demand. In December 2020, we closed five facilities in the following locations:

- Birch Hills, SK (outdoor grow operating site);
- Scarborough, ON (indoor operating site, although site maintained for R&D purposes);
- Bowmanville, ON (indoor operating site);

- Fredericton, NB (indoor operating site); and
- St. John's, NFLD (indoor non-operating).

These locations were shut down because we estimate that we can replace the estimated growth capacity with third party equivalent product at lower costs. We now operate a balanced portfolio of indoor and greenhouse facilities, at a lower average operating cost.

Our in-house manufacturing capabilities of recreational cannabis products have remained intact. We can process bulk cannabis flower, whether internally or externally sourced, into high quality cannabis flower products as well as a full spectrum of Cannabis 2.0 products produced from our internal extraction capacity. Such extracted cannabis oil is either turned into distillate or isolate which in turn feeds our manufacturing process for existing products as well as our innovation pipeline. We are confident that our production and manufacturing capabilities and know-how are sufficient to meet the diverse needs of our recreational and medical cannabis consumers in Canada.

Our innovation pipeline continues to focus on insights driven, consumer focused products that in some cases represent net new offerings and line extensions to product formats already in the market.

As the Canadian cannabis market matures, we expect to see opportunities to outsource manufacturing. Excess capacity at other cannabis producers presents Canopy Growth with an opportunity to accelerate speed to market, avoid capital investments until a critical sales volume is achieved, and provides us with surge capacity during peak periods. All of this resulting in a more streamlined, agile, and cost-effective supply chain.

Medical

Direct-to-Patient. Under the *Cannabis Act*, license holders are only able to distribute medical cannabis through the mail to registered customers. Through the Spectrum Therapeutics website, customers who have successfully registered with Tweed in accordance with the *Cannabis Act* are able to purchase products online and have them shipped directly to the address indicated on their registration document.

Access: We have developed several programs to improve access to medical cannabis for authorized patients. First, we provide an income-tested Compassionate Pricing Program whereby eligible low-income patients may obtain a 20% discount off regular prices of medical cannabis. We also have multiple offerings for veterans of the Canadian armed forces, including: a group of customer care agents dedicated to assisting veterans with registration, ordering and insurance coverage; pre-approval and direct billing of Veterans Affairs Canada ("VAC") to ensure uninterrupted access to medication; full coverage (through VAC) of all products offered in our online Spectrum Therapeutics medical shop, which means that veterans do not have to pay out of pocket for any product; special offers on our Storz & Bickel devices.

Health Care Professional Engagement: A key focus has been to develop a multifaceted approach to reach doctors, nurse practitioners, and other key health care providers through direct and indirect outreach. We have established a presence at certain major medical conferences; developed and deployed medical education programs with broad appeal on topics like chronic pain control, opioid sparing, and integration of medical cannabis into clinical practice; and engaged regional, national, and international key opinion leaders through scientific webinars aimed at peer-to-peer education. By leveraging our investment in real world studies and other clinical trials, we continue to strengthen our relationships with many of the leading names in cannabinoid science and medical cannabis, which includes recruitment for our Global Chronic Pain Patient Registry that began in Canada in late 2020.

In our effort to promote brand recognition without advertising our products directly to the public, we work closely with patient educators of specialty medical cannabis clinics and continue to hold community events (to the extent allowable within the regulatory environment), in order to build relationships and visibility for our brands.

Global Operations

In recent years, the actions of governments around the world have signaled a significant change in attitudes towards cannabis, have either formally legalized medical cannabis access or established government efforts to explore the legalization of medical cannabis access. Therefore, opportunities continue to exist for Canopy Growth to operate in jurisdictions where governments have established, or are actively moving towards, a legal framework. To support Canopy Growth's continued push toward profitability, operations across global incubator markets have been rationalized and realigned to support an asset-light model. Market entry will focus on using our non-infused products to support immediate revenue and establishing Canopy Growth in these markets as a leader in promoting a wellness focused lifestyle.

Europe

Our Spectrum Therapeutics medical brand continues to service the medical market in Europe with operations in Germany, Poland and the Czech Republic. Our European medical business operates primarily as a pharmacy model. Further, the corporate offices and production facility of Storz & Bickel are located in Tuttlingen, Germany.

United States

We will only conduct business activities related to growing or processing cannabis in jurisdictions when it is federally permissible to do so. Canopy Growth is not considered a U.S. Marijuana Issuer (as defined in the Canadian Securities Administrators Staff Notice 51-352 – Issuers with U.S. Marijuana-Related Activities (the "Staff Notice")) nor do we have material ancillary involvement in the U.S. cannabis industry in accordance with the Staff Notice. While we have several arrangements with U.S.-based companies that may themselves participate in the U.S. cannabis market, these relationships do not violate the federal laws of the United States respecting cannabis and in no manner involve Canopy Growth in any activities in the United States respecting cannabis. Where a non-controlled affiliate has expressed an intent to enter the U.S. cannabis market, we have taken steps to insulate ourselves from all economic and voting interests until such time as there are changes to the federal laws of the United States related to cannabis related activities. See "—U.S. Regulatory Framework—The Acreage Arrangement" and "Other United States Holdings" for further discussion.

We also own an industrial-scale facility in Batavia, Illinois that has been registered with the FDA and licensed by the state of Illinois for hemp processing. Our facility in Batavia, together with third-party contract manufacturers, is critical in processing the extract required to supply and sustain the broad portfolio of hemp-derived CBD products that we introduced to the U.S. market in December 2019 through the brand - First & Free. First & Free is a state-of-the art CBD Isolate product that comes in a variety of formats, including: soft gels capsules, oils drops and new line of CBD creams derived from 100% U.S.-grown hemp. Each 1.76 oz. tube contains 2500 mg of CBD, making First & Free the highest strength hemp-derived CBD topical cream on the U.S. market.

We have continued to expand our presence in the U.S. with new licenses for hemp manufacturing in Modesto, California. In October 2020, we entered into a hemp operating agreement with the City of Modesto to operate an industrial hemp manufacturing facility.

United Kingdom

In May 2019, we acquired This Works, an England-based company offering a range of natural skincare and sleep solution products. In addition, in October 2019, Spectrum Therapeutics received the necessary government licenses to store and distribute medical cannabis products in the United Kingdom, reducing prescription delivery times and allowing the importation of medical cannabis from our European and global networks.

Australia

Early in fiscal 2018, we launched our Australian operations and Spectrum Therapeutics began selling medical cannabis to doctors prescribing its products. On March 25, 2020, Canopy Growth Australia received its ODC Licenses for manufacturing and cultivation, and construction of a Victoria-based greenhouse and processing facility was completed in October 2020. Spectrum Therapeutics continues to support Australian medical customers through imports.

Additionally, we have registered and listed the Storz & Bickel medical devices on the Australian Register of Therapeutic Goods, as well as the Web Assisted Notification of Devices database in New Zealand. Canopy Growth has also received a tax exception in Australia for the successful classification of a Storz & Bickel medical device.

Government Contracts

In Canada, we sell cannabis and cannabis products to cannabis control authorities in all of the provinces and territories in Canada (other than Saskatchewan), where each such cannabis control authority is the sole wholesale distributor and in certain provinces, the sole retailer, of cannabis and cannabis products in the relevant province. We sell these products to the various cannabis control authorities under supply agreements that are subject to terms that allow for renegotiation of sale prices and termination at the election of the applicable cannabis control authority. In particular, the cannabis control authorities may in the future choose to stop purchasing our products, may change the prices at which they purchase our products, may return our products to us and, in certain circumstances, may cancel purchase orders at any time including after products have been shipped. For the year ended March 31, 2021, we had approximately CDN$218.5 million in sales to cannabis control authorities and no single one accounted for at least 10% of our net consolidated revenue.

Research and Development Activities and Intellectual Property

Intellectual Property

In addition to our medical and recreational brands as detailed above, the proprietary nature of, and protection for, our products, technologies and processes are a key aspect to our business. We rely on a combination of patents (utility and design), trademarks, copyrights and know-how to establish and protect our intellectual property. Our intellectual property portfolio includes 178 issued patents and 230 patent applications as of May 28, 2021 covering plant genetics, post-growth processing (e.g. extraction, isolation and purification), equipment, synthetic chemistry (e.g. new chemical entities and synthetic pathways), formulations, human and animal health, edibles, packaging and vape devices. We have established and will continue to build proprietary positions in all key aspects of our business. We invest heavily in our intellectual property and consider it to be one of the pillars of our value. The duration of the protection afforded by our registered intellectual property varies by the nature of the registration, but we manage renewals and notices on an on-going basis to ensure that our intellectual property is protected to the full extent possible under applicable law.

Clinical Trials

We conduct clinical research across several of our product segments in order to further develop and enhance our technical capacity and expertise.

Our human R&D division acts as a cannabis research incubator, focusing on developing and researching cannabis formulations and dose delivery systems. This division includes elements of product design and ingredient selection, formulation, safety, and efficacy testing for the support and development of standardized cannabis formulations and dose delivery systems across a range of products. Our R&D division is focused on furthering the science of cannabinoids, building upon our robust portfolio of intellectual property and providing evidence by way of clinical trials on what conditions cannabis can treat and what symptoms cannabis can improve. Studies focused on applications of our cannabis formulations include randomized placebo-controlled trials of one of our CBD-only formulations for (i) reducing anxiety associated with test taking and performance, and (ii) reducing biological and psychological fear reactions to a laboratory-based breathing challenge known to elicit fear. Other studies include Phase 1 clinical trials of the safety, pharmacokinetics, and pharmacodynamics of Spectrum Yellow oil and Spectrum Red softgels, and a Phase 3 study of the use of dronabinol to treat spasticity due to multiple sclerosis, with the aim of supporting registration of dronabinol within Germany. A large global study of Spectrum Therapeutics product prescription patterns, use, effects, and safety recently launched that will provide valuable information about how Spectrum Therapeutics products are being used by patients in Canada, Australia, and Germany, and will help refine product offerings for maximal therapeutic benefits. Other ongoing studies include several third-party investigator-initiated trials of cannabinoid-based therapies and products.

Pharmacovigilance

In the interest of patient safety and good pharmacovigilance practices, we have implemented a unique global pharmacovigilance and product safety program to capture, document and evaluate adverse events reported from the worldwide use of our medical cannabis products and our various Canadian recreational cannabis brands, including Tweed, Tokyo Smoke, DOJA and our CBD product lines such as First & Free and Martha Stewart CBD, as well as products sold by our operating subsidiaries BioSteel, This Works and Storz & Bickel.

Pharmacovigilance, also known as drug safety, is the science and activities relating to the detection, assessment, understanding and prevention of adverse effects or any other drug-related problems. Our product safety team works to ensure that new products are developed with consumer safety in mind.

The global pharmacovigilance program ensures that all employees are trained on how to identify and report adverse events. Data collected from various sources (including, but not limited to, spontaneous reporting, clinical trials, literature and health authorities' databases) are processed and analyzed in a centralized global safety database by our pharmacovigilance team, in compliance with global and local regulatory requirements.

Collected data is then used to perform signal detection activities (routinely, monthly and quarterly) and prepare periodic aggregate safety reports to evaluate the benefit-risk profile of our products.

Government Regulation

Canadian Regulatory Framework

On October 17, 2018, the *Cannabis Regulations* under the *Cannabis Act* came into force, and set out the following classes of licenses that authorized activities in relation to cannabis:

- a license for cultivation;
- a license for processing;
- a license for analytical testing;
- a license for sale for medical purposes;
- a license for research; and
- a cannabis drug license.

Prior to October 17, 2018, cannabis was governed by the *Controlled Drug and Substances Act* (Canada) ("CDSA"). Under the CDSA, the Access to Cannabis for Medical Purposes Regulations ("ACMPR") set out a framework to provide individuals with access to cannabis for medical purposes and was the governing legislation in respect of the production, sale and distribution of medical cannabis and related oil extracts in Canada. Although the ACMPR were repealed, the regulatory framework applicable to cannabis for medical purposes was substantially reproduced within the *Cannabis Act* with minimal changes.

Pursuant to the transitional provisions outlined in the *Cannabis Act*, we transitioned all licenses held under the ACMPR regulatory framework to the new *Cannabis Act*; therefore, all licenses remain active due to the regulatory change that occurred on October 17, 2018.

At the end of each term of their respective licenses, a license holder must submit an application for renewal to Health Canada containing information prescribed by the *Cannabis Act*.

The *Cannabis Act* legalized recreational cannabis use nationwide in Canada. It creates a legal framework for controlling the production, distribution, sale and possession of cannabis across Canada for both medical and recreational purposes. Subject to provincial or territorial restrictions, adults who are 18 years of age or older are legally able to:

- possess up to 30 grams of legal cannabis, dried or equivalent in non-dried form in public;
- share up to 30 grams of legal cannabis with other adults;
- buy dried or fresh cannabis and cannabis oil from a provincially licensed retailer;
- grow, from licensed seed or seedlings, up to four cannabis plants per residence for personal use; and
- make cannabis products, such as food and drinks, at home as long as organic solvents are not used to create concentrated products.

In the initial stage of the regulated recreational cannabis market, products available for sale were the same as those permitted in the medical cannabis market (dried flowers, oils and soft-gel and pre-rolled cannabis products). On October 17, 2019, the second phase of recreational cannabis products, specifically, edible cannabis products, cannabis extracts, and cannabis topical products, were legalized pursuant to certain amendments to the regulations under the *Cannabis Act*. Edible cannabis products, cannabis extracts, and cannabis topical products, which are now available for sale, are subject to additional regulatory requirements that include supplemental marketing and advertising rules, further restrictions on labelling and packaging, rules relating to ingredients of edible cannabis products and cannabis extracts, limits on THC content, and added production facility requirements.

Further, the current regime for medical cannabis will continue to allow access to cannabis to people who have the authorization of their healthcare provider.

Under the *Cannabis Act*, license holders are only able to distribute medical cannabis through the mail to registered customers. The *Cannabis Act* also provides provincial and municipal governments with the authority to prescribe regulations regarding retail and distribution of recreational cannabis, as well as the ability to alter some of the existing baseline requirements, such as increasing the minimum age for purchase and consumption. As the distribution and sale of cannabis for recreational purposes is regulated under the individual authority of each provincial and territorial government, regulatory regimes vary from jurisdiction to jurisdiction. In each of the provinces and territories, except for Saskatchewan, a provincial distributor is responsible for purchasing cannabis from producers and selling products to its regulated retail distribution channels.

The *Cannabis Act* mandates that three years following its coming into force, the Minister will cause a review of the legislation and its administration and operation, including a review of the impact of the legislation on public health, on the health and consumption habits of young persons, the impact of cannabis on Indigenous persons and communities, and the impact of the cultivation of cannabis plants in a dwelling-house. No later than 18 months after the review begins, the Minister must cause a report on the review, including any finding or recommendations, to be laid before each House of Parliament.

In addition, in each province and territory, other than Saskatchewan and Manitoba and Nunavut, the provincial body is solely responsible for online sales. However, as a result of the COVID-19 pandemic, many retail cannabis stores across the country have been operating under COVID restrictions which vary province to province and range from reduced in store capacity to mandated curbside pick up, click and collect or delivery only, including all of our corporate-owned stores in Newfoundland and Labrador, Manitoba, Alberta, and Saskatchewan. Please refer to "Risk Factors" under Item 1A and "Part 1 – Business Overview—Update on COVID-19" under Item 7 of this Annual Report for further discussion.

With respect to retail sales of cannabis, other than online sales, the provincial and territorial regulations in Prince Edward Island, Nova Scotia, Quebec and the Northwest Territories allow only for government-run cannabis stores, while the provincial and territorial regulations in Ontario, Manitoba, Saskatchewan, Alberta and Yukon leave the retail sale of cannabis, other than online sales, to the private sector. In Newfoundland and Labrador, British Columbia and Nunavut, provincial and territorial regulations allow for a hybrid model in which both public and private stores can operate. In New Brunswick, the provincial regulations currently allow only for government-run cannabis stores.

The *Cannabis Act* also includes several measures to help prevent youth from accessing cannabis, including both age restrictions and restrictions on the promotion of cannabis. Regulations under the *Cannabis Act* include the following labeling and branding requirements:

- plain packaging, including a standardized cannabis symbol on every label;
- mandatory health warning messages (including specifics regarding size, placement and appearance);
- a limit of one brand element aside from the brand name;
- no other image or graphic;
- the packaging and the label need to be a single, uniform color;
- use of fluorescent or metallic colors is prohibited;
- labels and packaging cannot have any embossing; and
- no inserts can be included.

The *Cannabis Act* also discourages youth cannabis use by prohibiting products that are appealing to youth, packaging or labeling cannabis in a way that makes it appealing to youth, selling cannabis through self-service displays or vending machines, or promoting cannabis, except in narrow circumstances, where young people cannot see the promotion. The new legislation also helps protect public health by creating strict safety and quality regulations.

In connection with the new framework for regulating cannabis in Canada, the Canadian federal government has introduced new penalties under the *Criminal Code* (Canada), including penalties for the illegal sale of cannabis, possession of cannabis over the prescribed limit, production of cannabis beyond personal cultivation limits, taking cannabis across the Canadian border, giving or selling cannabis to a youth and involving a youth to commit a cannabis-related offense.

U.S. Regulatory Framework

On February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular state's regulatory framework. All issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

In addition, on October 16, 2017, the TSX provided clarity regarding the application of Sections 306 (Minimum Listing Requirements) and 325 (Management) and Part VII (Halting of Trading, Suspension and Delisting of Securities) of the TSX Company Manual (collectively, the "TSX Requirements") to applicants and TSX-listed issuers with business activities in the cannabis sector. In TSX Staff Notice 2017-0009, the TSX notes that issuers with ongoing business activities that violate U.S. federal law regarding cannabis are not in compliance with the TSX Requirements. These business activities may include:

- direct or indirect ownership of, or investment in, entities engaging in activities related to the cultivation, distribution or possession of cannabis in the United States,
- commercial interests or arrangements with such entities,
- providing services or products specifically targeted to such entities, or
- commercial interests or arrangements with entities engaging in providing services or products to U.S. cannabis companies.

The TSX reminded issuers that, among other things, should the TSX find that a listed issuer is engaging in activities contrary to the TSX Requirements, the TSX has the discretion to initiate a delisting review.

Unlike in Canada, which has uniform federal legislation governing the cultivation, distribution, sale and possession of cannabis under the *Cannabis Act*, in the United States, cannabis is regulated at both the federal and state levels. Notwithstanding the permissive regulatory environment of cannabis in some states, cannabis continues to be categorized as a Schedule I controlled substance under the *Controlled Substances Act* ("CSA"), making it illegal under federal law in the United States to cultivate, distribute, or possess cannabis. This means that while state law in certain U.S. states may take a permissive approach to medical and/or recreational use of cannabis, the CSA may still be enforced by U.S. federal law enforcement officials against citizens and businesses of those states for activity that is legal under state law.

As a result of the conflicting views between state legislatures and the U.S. federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was first addressed in August 2013 when then Deputy Attorney General James Cole authored a memorandum (the "Cole Memorandum"), noting that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. The Cole Memorandum was later rescinded by U.S. Attorney General Jeff Sessions under the Trump Administration.

On March 11, 2021, Merrick Garland was appointed as U.S. Attorney General. At his confirmation hearing, he said, "It does not seem to me a useful use of limited resources that we have, to be pursuing prosecutions in states that have legalized and that are regulating the use of marijuana, either medically or otherwise". He has not yet reissued the Cole Memorandum, however, or issued substitute guidance. In the fiscal 2021 omnibus spending bill, Congress included the Rohrabacher-Farr amendment which prohibits the Department of Justice from spending funds to interfere with the implementation of state medical cannabis laws until September 30, 2021. Please refer to "Risk Factors" under Item 1A of this Annual Report for further discussion.

Additionally, under U.S. federal law it may, under certain circumstances, be a violation of federal money laundering statutes for financial institutions to accept any proceeds from cannabis sales or any other Schedule I controlled substances. Certain Canadian banks are similarly reluctant to transact business with U.S. cannabis companies, due to the uncertain legal and regulatory framework characterizing the industry at present. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to U.S. cannabis businesses. Under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan or any other service could be found guilty of money laundering or conspiracy. Despite these laws, in February 2014, the Financial Crimes Enforcement Network ("FCEN") of the U.S. Treasury Department issued a memorandum (the "FCEN Memo") providing instructions to banks seeking to provide services to cannabis-related businesses. The FCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memo.

Multiple legislative reforms related to cannabis and cannabis-related banking are currently being considered by the federal government in the United States. Examples include the Strengthening the Tenth Amendment Through Entrusting States Act, the Marijuana Opportunity, Reinvestment and Expungement Act and the Secure and Fair Enforcement Banking Act. There can be no assurance that any of these pieces of legislation will become law in the United States.

While we have several arrangements with U.S.-based companies that may themselves participate in the United States cannabis market, these relationships do not violate the federal laws of the United States respecting cannabis and in no manner involve Canopy Growth in any activities in the United States respecting cannabis. As discussed below, certain entities in which we hold securities may operate in the United States cannabis industry, however, our investment in such entities has been structured such that we hold non-participating, non-voting securities that are only exercisable or exchangeable upon cannabis becoming legal or permissible in the United States under federal law. Further, we have developed specific plans related to establishing business operations in the United States in the event cannabis becomes federally permissible which are discussed below.

On December 20, 2018, the 2018 Farm Bill was signed into law in the United States. The 2018 Farm Bill, among other things, defines industrial hemp, removes industrial hemp and its cannabinoids, including CBD derived from industrial hemp but excluding THC, from the CSA and allows for industrial hemp production and sale in the United States. The FDA has retained authority over the addition of CBD to products that fall within the *Food, Drug and Cosmetic Act* (the "FDCA"). So far, the FDA has stated that (a), to date, it has approved only one CBD product (a prescription drug to treat two forms of epilepsy), (b) it has seen only limited data about CBD safety and the data it has seen points to risks that need to be considered before taking CBD for any reason, (c) some CBD products are being marketed with unproven medical claims and are of unknown quality and (d) it is currently illegal to market CBD by adding it to a food or labeling it as a dietary supplement. Since the passage of the 2018 Farm Bill, the FDA has periodically issued warning letters to CBD companies, which have been sent for the most part to companies making unfounded medical claims related to major diseases regarding their products. Courts have found that the FDA's position on

CBD amounts to guidance, and have stayed cases until FDA issues final regulations. Some states take the position that CBD products are not legally permitted to be sold, but increasingly more states are allowing CBD foods, beverages, and supplements to be sold in-state and issuing more comprehensive regulations for the testing and labelling of those products.

There can be no assurance that the FDA will approve CBD as an additive to products under the FDCA. However, the FDA has expressed a willingness to take a flexible regulatory approach to foster the development of hemp-derived products such as CBD. On February 26, 2020, then-FDA Commissioner Stephen Hahn said, "We know one thing, the American people are using CBD products. People are using these products. We're not going to be able to say you can't use these products. It's a fools' game to try to even approach that." The FDA has indicated that any regulations allowing CBD in regulated products will have to fit under the confines of current law and further legislation will likely be required. A pending House bill with bipartisan support, the Hemp and Hemp-Derived CBD Consumer Protection and Market Stabilization Act of 2021, would allow hemp and hemp-derived CBD to be legally marketed in dietary supplements.

The passage of the 2018 Farm Bill has allowed us to advance our hemp interests in the United States. In New York State, we are awaiting proposed hemp cannabinoid regulations, which once final, should lead to significant investment in New York.

The Acreage Arrangement

On June 27, 2019, Canopy Growth and Acreage implemented the Original Acreage Arrangement pursuant to the Acreage Arrangement Agreement, which granted Canopy Growth the right (and obligation) to acquire, subject to the satisfaction or waiver of certain conditions contained in the Acreage Arrangement Agreement, all of the issued and outstanding securities of Acreage contingent on the occurrence or waiver of the 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"). Pursuant to the Acreage Arrangement Agreement, upon the implementation of the Original Acreage Arrangement, shareholders of Acreage and certain other securityholders received an upfront payment of US$300 million. In connection with the Original Acreage Arrangement, Canopy Growth and Acreage executed a licensing agreement (the "Original Acreage Licensing Agreement") which provides Acreage with the ability to use Canopy Growth's brands, along with other intellectual property, on a no-fee basis. In accordance with the Original Acreage Licensing Agreement, in December 2019 Acreage began selling certain Tweed-branded cannabis products at select dispensaries in Illinois, Maine, Massachusetts and Oregon. Any products sold by Acreage under the Tweed brand in the United States are cultivated and processed by Acreage at its facilities in the respective states in the United States where permissible under state laws.

On June 24, 2020, Canopy Growth and Acreage entered into a proposal agreement (the "Proposal Agreement") in order to, among other things, implement the Acreage Amended Arrangement. In September 2020, Acreage obtained the requisite approvals of the shareholders of Acreage and the Supreme Court of British Columbia and on September 23, 2020, Canopy Growth and Acreage entered into the Acreage Amending Agreement and implemented the Acreage Amended Arrangement. The Acreage Amended Arrangement provides for, among other things, the following:

(a) a capital reorganization of Acreage, pursuant to which (i) each outstanding Acreage Class A subordinated voting share ("Acreage Existing SVS") was exchanged for 0.7 of an Acreage Fixed Share (as defined below) and 0.3 of an Acreage Floating Share (as defined below); (ii) each outstanding Acreage Class B proportionate voting share ("Acreage Existing PVS") was exchanged for 28 Acreage Fixed Shares and 12 Acreage Floating Shares; and (iii) each outstanding Acreage Class C multiple voting share ("Acreage Existing MVS") was exchanged for 0.7 of an Acreage Fixed Multiple Share (as defined below) and 0.3 of an Acreage Floating Share;

(b) following the occurrence or waiver (at our discretion) of the Triggering Event and subject to the satisfaction or waiver of the conditions set out in the Acreage Arrangement Agreement (as modified by the Acreage Amending Agreement), we will acquire all of the Class E subordinated voting shares (the "Acreage Fixed Shares") based on an amended exchange ratio equal to 0.3048 of a Canopy Growth Share for each Acreage Fixed Share, subject to adjustment in accordance with the Acreage Amended Arrangement;

(c) upon the occurrence or waiver (at our discretion) of the Triggering Event and subject to the satisfaction or waiver of the conditions set out in the Acreage Arrangement Agreement (as modified by the Acreage Amending Agreement), we will have the right exercisable for a period of 30 days thereafter, to acquire all of the Class D subordinated voting shares (the "Acreage Floating Shares") for cash or Canopy Growth Shares or a combination thereof, in our discretion, at a price equal to the 30-day volume weighted average trading price of the Acreage Floating Shares, subject to a minimum price of US$6.41 per Acreage Floating Share;

(d) immediately prior to the acquisition of the Acreage Fixed Shares, each Class F multiple voting shares (each, an "Acreage Fixed Multiple Share") will automatically be exchanged for one Acreage Fixed Share and thereafter be acquired by us;

(e) if the occurrence or waiver of the Triggering Event does not occur within by September 23, 2030, our rights will terminate; and

(f) we made a payment to certain securityholders of Acreage of approximately US$37.5 million.

We also entered into an amended and restated license agreement (the "A&R Acreage License") in connection with the Proposal Agreement to amend and restate the Original Acreage Licensing Agreement. Pursuant to the A&R Acreage License, Acreage has the non-exclusive right to use and sublicense the intellectual property that is subject to the A&R Acreage License within the United States.

We also advanced US$50 million to Universal Hemp, LLC, a wholly-owned subsidiary of Acreage ("Acreage Hempco") on September 23, 2020, pursuant to a secured debenture (the "Hempco Debenture"). In accordance with the terms of the Hempco Debenture, the funds cannot be used, directly or indirectly, in connection with or for any cannabis or cannabis-related operations in the United States, unless and until such operations comply with all applicable laws of the United States. The Hempco Debenture bears interest at a rate of 6.1% per annum, matures September 23, 2030, or such earlier date in accordance with the terms of the Hempco Debenture.

The acquisition of Acreage, if completed, will provide a pathway into cannabis markets in the United States; however, Canopy Growth and Acreage will continue to operate as independent companies until the acquisition of Acreage is completed.

Other U.S. Holdings

While we do not engage in activities in the United States relating to cultivating and distributing cannabis so long as cannabis remains illegal under United States federal law, certain companies that we have invested in may operate in the United States cannabis industry, provided that the securities held by Canopy Growth are non-participating and non-voting securities that are only convertible, exercisable, or exchangeable for common shares upon cannabis becoming legal or permissible in the United States under federal law. For instance, TerrAscend and SLANG Worldwide Inc. ("SLANG") have interests in cannabis-related business in the United States, we have undertaken steps to structure our security holdings in these entities to insulate Canopy Growth from engaging in any unlawful United States cannabis-related activities.

Canopy Growth holds conditionally exchangeable shares (the "TerrAscend Exchangeable Shares") and common share purchase warrants in the capital of TerrAscend as well as an option (the "TerrAscend Option") to acquire common shares of TerrAscend. The TerrAscend Exchangeable Shares are not entitled to voting rights, dividends or other rights upon dissolution of TerrAscend but are convertible into common shares of TerrAscend upon receipt of the approval of the stock exchanges upon which Canopy Growth's securities are listed and following either changes in United States federal laws regarding the cultivation, distribution or possession of cannabis or changes in the policies of the stock exchanges upon which Canopy Growth's securities are listed with respect to such activities. The TerrAscend Exchangeable Shares do not provide (and there are no related contractual rights that would otherwise provide) us with any right to dividends, entitlements upon dissolution of TerrAscend, cash flow or other current economic entitlements, voting rights or any form of control over the business, affairs, operation or financial condition of TerrAscend. The TerrAscend warrants and the TerrAscend Option described above are only exercisable upon the occurrence or waiver of the Triggering Event (see "Recent Developments" below for further information regarding the TerrAscend Option).

Similarly, Canopy Growth holds conditionally exercisable warrants in the capital of SLANG. Canopy Growth is not permitted to exercise the warrants without, among other things, receipt of the approval of the stock exchanges upon which Canopy Growth's securities are listed and following the date that the growth, cultivation, production, sale, use and consumption of cannabis and cannabis-related products are permitted in the United States for any and all purposes (including medical, therapeutic and recreational) under all applicable federal laws of the United States, including the CSA.

We may also acquire rights, options or other securities in entities that are currently engaged in activities in the United States related to cultivating and distributing cannabis that are only exercisable, convertible, or exchangeable for common shares following the date that the federal laws in the United States in regards to cannabis are amended and/or, if applicable, the date that the stock exchange(s) upon which the common shares are listed permit the investment in an entity that is involved in the cultivation or distribution of marijuana in the United States, provided that we (i) do not provide funds to such entities, and (ii) are not entitled to voting rights, dividends, or other rights upon dissolution in connection with the holding of such rights, options, or other securities. We may also invest in or loan funds to subsidiaries of entities that are currently engaged in activities in the United States related to cultivating and distributing cannabis, provided that (i) such subsidiaries do not engage in activities in the United States related to cultivating and distributing cannabis, and (ii) the funds invested or loaned to such entity are only used for lawful purposes and not in connection with activities in the United States related to cultivating and distributing cannabis.

We monitor the activities of TerrAscend, SLANG and other entities in which we are invested for compliance with United States cannabis laws and would make similar arrangements, if necessary, to ensure our ongoing compliance with United States federal laws.

There is a risk that our interpretation of laws, regulations and guidelines, including, but not limited to, the *Cannabis Act*, the associated regulations, various United States state regulations and applicable stock exchange rules and regulations may differ from those of others, including those of government authorities, securities regulators and stock exchanges. In addition, we have and will endeavor to cause the entities that we invest in, to only conduct business and invest in entities in federally legal jurisdictions by including appropriate representations, warranties and covenants in our agreements with such entities. Any violation of these

terms would result in a breach of the applicable agreement between such entity and us and, accordingly, may have a material adverse effect on our business, operations and financial condition. In particular, we may be required to divest its interest in an entity or risk significant fines, penalties, administrative sanctions, convictions, settlements or delisting from the TSX and/or NASDAQ and there is no assurance that any divestiture will be completed on terms favorable to us, or at all. Please refer to "Risk Factors" under Item 1A of this Annual Report for further discussion.

Competition

Health Canada issues licenses to cultivate, process and/or sell cannabis under the *Cannabis Act*. When considering the competitive landscape for cannabis production, cultivation and sale, each license issued by Health Canada is connected to a specific entity and a specific property, so to commence a new production site, an entity must apply for a new license. With the demand for legal cannabis increasing and given the early stage of the recreational cannabis market, as more Cannabis 2.0 products are launched, we expect that new competitors will enter the market. In the recreational market, we compete on the basis of quality, price, brand recognition, consistency and variety of cannabis products with the same competitive factors that apply in the medical market, in addition to physician familiarity with cannabis products.

Certain companies in the Canadian cannabis market have elected to enter into contract manufacturing arrangements with licensed producers pursuant to which the licensed producer cultivates, processes and sells cannabis under the brand of the contracting company without the contracting company being required to own its own cannabis production assets. This can reduce the barriers to entry for branding companies and increase the number of cannabis products available to consumers; however, such arrangements are contingent on procuring favorable terms under manufacturing arrangements with licensed producers and are still subject to the ongoing requirements of maintaining cannabis production assets.

In addition, there are illegal growers and retailers of cannabis, operating in the illicit market that, while operating illegally, still act as competitors by either diverting customers away due to product choice, perceived quality of product, convenience of access or price point.

In regards to hemp-derived CBD, with the increased interest in CBD in Canada, the United States and internationally, the hemp-derived CBD market will likely continue to expand. Market entrants in Canada and the United States face regulatory hurdles which may impede access to the market, as well as regulatory uncertainty surrounding the treatment of CBD in both the U.S. and Canada.

Internationally, the capacity of cannabis companies to operate is limited to those countries which have legalized aspects of the production, distribution, sale and use of cannabis. We continue to seek out opportunities internationally by engaging with local cannabis and business experts.

Our BioSteel, This Works and Storz & Bickel subsidiaries, are each subject to their own unique competitive considerations.

The CBI Group Investments

On November 2, 2017, Greenstar Canada Investment Limited Partnership ("Greenstar"), a wholly-owned subsidiary of CBI, invested CDN$245 million in Canopy Growth in exchange for (i) 18,876,901 common shares; and (ii) 18,876,901 common share purchase warrants exercisable at an exercise price per common share of CDN$12.9783 (the "Greenstar Warrants").

In connection with our offering of 4.25% convertible senior notes due 2023 (the "Canopy Notes") pursuant to an indenture dated June 20, 2018, among Canopy Growth, GLAS Trust Company LLC and Computershare Trust Company of Canada, Greenstar purchased CDN$200 million worth of Canopy Notes, which are convertible in certain circumstances and subject to certain conditions into an aggregate of 4,151,540 common shares.

On November 1, 2018, CBG Holdings LLC ("CBG"), a wholly-owned subsidiary of CBI, invested CDN$5.079 billion in Canopy Growth in exchange for (i) 104,500,000 common shares at a price of CDN$48.60 per common share, and (ii) 139,745,453 common share purchase warrants (the "CBG Warrants"), of which 88,472,861 CGB Warrants (the "Tranche A Warrants") had an exercise price of CDN$50.40 and were exercisable until November 1, 2021 and the remaining 51,272,592 CBG Warrants (the "Original Tranche B Warrants") had an exercise price based on the five-day volume weighted average price of the common shares on the TSX at the time of exercise and will become immediately exercisable only following the exercise of the Tranche A Warrants.

In connection with the Acreage Arrangement Agreement, Canopy Growth and CBG entered into a consent agreement dated April 18, 2019 (the "Consent Agreement") pursuant to which Canopy Growth agreed to (a) the extension of the expiry date of the Tranche A Warrants from November 1, 2021 until November 1, 2023, (b) the extension of the expiry date of the Original Tranche B Warrants from November 1, 2021 until November 1, 2026; and (c) the amendment of the exercise price for 38,454,444 of the Original Tranche B Warrants, such that 38,454,444 Tranche B Warrants (as defined below) will be exercisable to acquire one common share at a price of CDN$76.68 rather than the five-day volume weighted average trading price of the common shares at the time of exercise.

On May 1, 2020, the Greenstar Warrants were exercised on May 1, 2020, for aggregate gross proceeds of approximately CDN$245 million.

As of May 28, 2021, the CBI Group holds, in the aggregate, 142,253,802 common shares, 139,745,453 CBG Warrants and CDN$200 million principal amount of Canopy Notes. The common shares held by the CBI Group represent approximately 37.1% of the issued and outstanding common shares. Assuming full exercise of the CBG Warrants and full conversion of the Canopy Notes, the CBI Group would hold 286,150,795 common shares, representing approximately 54.3% of the issued and outstanding common shares (assuming no other changes in Canopy Growth's issued and outstanding common shares), calculated in accordance with applicable securities laws.

Investor Rights Agreement

Canopy Growth and the CBI Group also entered into the second amended and restated investor rights agreement dated April 18, 2019 among CBG, Greenstar and Canopy Growth (the "New Investor Rights Agreement"), which amended the first amended and restated investor rights agreement dated November 1, 2018 between CBG, Greenstar and Canopy Growth, pursuant to which the CBI Group has certain governance rights which are summarized below.

Pursuant to the New Investor Rights Agreement, the CBI Group is entitled to designate four nominees for election or appointment to our board of directors for so long as the CBI Group holds a specified number of common shares or securities convertible into common shares (the "Target Number of Shares"). Additionally, under the New Investor Rights Agreement, the CBI Group has certain pre-emptive rights as well as certain top-up rights in order to maintain its pro rata equity ownership position in Canopy Growth in connection with any offering or distribution of securities by Canopy Growth (subject to certain exceptions).

The New Investor Rights Agreement provides that so long as the CBI Group continues to hold at least the Target Number of Shares, our board of directors will not: (i) propose or resolve to change the size of the board, except where otherwise required by law, or with the consent of CBG; or (ii) present a slate of board nominees to shareholders for election that is greater than or fewer than seven directors. In addition, the New Investor Rights Agreement provides that, subject to certain conditions, so long as the CBI Group continues to hold at least the Target Number of Shares, the CBI Group will adhere to certain non-competition restrictions including that we will be their exclusive strategic vehicle for cannabis products of any kind anywhere in the world (subject to limited exceptions. Further, the CBI Group agreed, for a limited period of time and subject to certain exceptions, to certain post-termination, non-competition restrictions, which include not pursuing other cannabis opportunities and not directly or indirectly participating in a competing business anywhere in the world.

Pursuant to the New Investor Rights Agreement, for so long as the CBI Group continues to hold at least the Target Number of Shares, we will not, without the prior written consent of CBG, among other things, (a) consolidate or merge into or with another person or enter into any other similar business combination, including pursuant to any amalgamation, arrangement, recapitalization or reorganization, other than a consolidation, merger or other similar business combination of any wholly-owned subsidiary or an amalgamation or arrangement involving a subsidiary with a another person in connection with a permitted acquisition; (b) acquire any shares or similar equity interests, instruments convertible into or exchangeable for shares or similar equity interests, assets, business or operations with an aggregate value of more than CDN$250 million, in a single transaction or a series of related transactions; (c) sell, transfer, lease, pledge or otherwise dispose of any of its or any of its subsidiaries' assets, business or operations (in a single transaction or a series of related transactions) in the aggregate with a value of more than CDN$20 million; or (d) make any changes to our policy with respect to the declaration and payment of any dividends on the common shares.

In accordance with the New Investor Rights Agreement, CBI Group will be permitted, prior to the exercise or expiry of all of the CBG Warrants, to purchase up to 20,000,000 common shares (subject to customary adjustments for share splits, consolidations or other changes to the outstanding share capital of a similar nature): (i) on the TSX, NASDAQ or any other stock exchange, marketplace or trading market on which the common shares are then listed; or (ii) through private agreement transactions with existing holders of common shares, provided that CBG must promptly notify Canopy Growth of any acquisition of common shares.

The New Investor Rights Agreement will terminate upon the earlier of: (i) the mutual consent of the parties; (ii) the date on which the CBI Group owns less than 33,000,000 common shares; and (iii) the date of a non-appealable court order terminating the New Investor Rights Agreement under certain circumstances.

Consent Agreement

In addition to the amendments to the CBG Warrants, pursuant to the Consent Agreement, we agreed that without the prior written consent of CBG, such consent not to be unreasonably withheld, we will not (i) exercise our right to acquire all of the issued and outstanding shares of Acreage prior to the Triggering Event; (ii) amend, modify, supplement or restate the Acreage Arrangement Agreement; or (iii) waive any terms, covenants or conditions set forth in the Acreage Arrangement Agreement.

In addition, we agreed that, in the event that CBG exercises the Tranche A Warrants in full, we will purchase the lesser of (i) 27,378,866 common shares, and (ii) common shares with a value of CDN$1,582,995,262, during the period commencing on April 18, 2019 and ending on the date that is 24 months after the date that CBG exercises all of the Tranche A Warrants. If, for any reason, we do not purchase for cancellation the common shares within such period, we are required to pay to CBG an amount (the "Credit Amount"), as liquidated damages, equal to the difference between: (i) CDN$1,582,995,262; and (ii) the actual purchase price we paid in purchasing common shares pursuant to the Consent Agreement. The Credit Amount will reduce the aggregate exercise price otherwise payable by CBG upon each exercise of the Tranche B Warrants and the Tranche C Warrants (as defined below)).

We also agreed that if the CBI Group receives any notification or communication of any violation or contravention of applicable law or any liability to the CBI Group under applicable law or any notification or communication that would be expected to result in a violation or contravention of applicable law or any actual liability to the CBI Group under applicable law, as a result of the license agreement between us and Acreage, CBG has the right to direct and cause us to terminate the license agreement in accordance with its terms, provided that we will have an opportunity to cure any such violation, contravention or liability and CBG will be required to take all commercially reasonable efforts to assist us in addressing such violation, contravention or liability.

Concurrent with the execution of the Proposal Agreement, on June 24, 2020, Canopy Growth and CBG entered into a second consent agreement (the "Second Consent Agreement"). As the transactions contemplated by the Proposal Agreement may result in certain taxes owing by CBG or its affiliates, we agreed, pursuant to the Second Consent Agreement, to indemnify CBG and its affiliates for such taxes and losses incurred in relation to such taxes, subject to certain exceptions.

Human Capital Resources

As of March 31, 2021, we had 3,259 total employees, including 2,362 full-time employees in Canada. As of March 31, 2021, we had 897 employees outside of Canada, including in the United States. Our employees in production roles are critical to the success of our key markets. As of March 31, 2021, we had a total of 1,260 employees in production roles in Canada, 65 in the United States, 177 in Europe, and 1 in Brazil. As of March 31, 2021, a total of 21 employees are unionized in Canada and 79 in Europe.

Our Total Rewards programs are designed to attract, motivate, recognize, and retain the talent we need to realize our vision and deliver on our growth expectations, while holistically supporting total employee well-being. Our Total Rewards philosophy includes rewarding employees competitively, treating our employees fairly, and providing the flexibility needed to cultivate greatness.

In order to support our employees during the COVID-19 pandemic, we initiated a number of mental-health programs and offered supplemental resources that are available to all of our employees. In addition, we have established a COVID-19 Management Committee and implemented various measures to reduce the spread of the virus including requiring that our non-production employees work from home, restricting visitors to production locations, screening employees with infrared temperature readings and requiring them to complete health questionnaires on a daily basis before they enter facilities, implementing social distancing measures at our production locations, enhancing facility cleaning protocols, and encouraging employees to adhere to preventative measures recommended by the World Health Organization ("WHO").

Fostering a culture of accountability and compliance is also central to our human resource management. All of our employees complete annual training on applicable corporate policies including our Code of Business Conduct and Ethics, Whistleblower Protection Policy, Insider Trading Policy and Anti-Bribery and Anti-Corruption Policy.

Website Access to Reports

We maintain a website at www.canopygrowth.com. We are providing the address to our website solely for the information of investors. The information contained on our website is not a part of, nor is it incorporated by reference into this Annual Report. Through our website, we make available, free of charge, our annual proxy statement, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish them to the SEC. The SEC maintains a website that contains these reports at www.sec.gov.

Item 1A. Risk Factors.

An investment in us involves a number of risks. In addition to the other information contained in this Annual Report and in other filings we make, investors should give careful consideration to the following risk factors. Any of the matters highlighted in these risk factors could adversely affect *our business, results of operations and financial condition, causing an investor to lose all, or part of, its, his or her investment. The risks and uncertainties described below are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows and consequently the price of our securities could be materially and adversely affected.*

Risk Factor Summary

- We have a limited operating history and our growth strategy may not be successful.
- We may not be able to achieve or maintain profitability and may continue to incur losses in the future.
- Our products are new; 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 entry into new markets is subject to risks normally associated with the conduct of business in foreign countries.
- Our business has been and may be adversely affected by the COVID-19 pandemic.
- Our businesses face highly competitive conditions.
- Intellectual property is key to our growth strategy and we may be unable to obtain or enforce our intellectual property rights.
- CBI has significant influence over us and may acquire 143,896,933 additional common shares.
- The price of our common stock 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.

Risks Relating to Our Growth Strategy

We and certain of our subsidiaries have limited operating history and therefore we are subject to many of the risks common to early-stage enterprises.

We have a limited history of operations and are in an early stage of development as we attempt to create a global infrastructure to capitalize on the opportunity in the cannabis industry. Accordingly, we are subject to many of the risks common to early-stage enterprises, including under-capitalization, limitations with respect to personnel, other resources and lack of revenue. Our limited operating history may also make it difficult for investors to evaluate our prospects for success. There is no assurance that we will be successful and our likelihood of success must be considered in light of our stage of operations.

We may not be able to successfully manage our growth.

We have completed our initial investment phase and have begun pivoting to a focused execution phase, and may be subject to growth-related risks, including capacity constraints and pressure on our internal systems and controls, which may place significant strain on our operational and managerial resources. In addition, we are subject to a variety of business risks generally associated with developing companies. Our ability to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expand, train and manage our employee base. There can be no assurances that we will be able to manage growth successfully. Our inability to manage growth successfully could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

We may not be able to achieve or maintain profitability and may continue to incur losses in the future.

We have incurred losses in recent periods. We had negative operating cash flow for the fiscal years ended March 31, 2021, March 31, 2020, and March 31, 2019. We may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, we expect to continue to increase our capital investments and operating expenses as we implement initiatives to continue to grow our business. If our revenues do not increase to offset these expected increases in costs and operating expenses, we will not be profitable. If our revenue declines or fails to grow at a rate faster than our operating expenses, and we are unable to secure funding under terms that are favorable or acceptable to us, or at all, we will not be able to achieve and maintain profitability in future periods. As a result, we may continue to generate losses. We may not achieve profitability in the future and, even if we do become profitable, we might not be able to sustain that profitability. There is no assurance that future revenues will be sufficient to generate the funds required to continue operations without external funding.

Risks Relating to Our Products

There is limited long-term data with respect to the efficacy, side effects and safety of our products and future clinical research studies on the effects of cannabis, hemp and cannabinoids and cannabis-based products may lead to conclusions that dispute or conflict with our understanding and belief regarding their benefits, viability, safety, efficacy, dosing and social acceptance.

Research in Canada, the United States and internationally regarding the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, U.S. hemp or isolated cannabinoids (such as CBD and THC) in dietary supplements, food or cosmetic products remains in early stages. There have been relatively few clinical trials on the benefits of cannabis, U.S. hemp or isolated cannabinoids and there is limited long-term data with respect to efficacy, side effects and/or interaction of these substances with human or animal biochemistry. As a result, our products could have unexpected side effects or safety concerns, the discovery of which could lead to civil litigation, regulatory actions and even possibly criminal enforcement actions. In addition, if the products we sell do not or are not perceived to have the effects intended by the end user, this could have a material adverse effect on our business, financial condition and results of operations. See also "—We may be subject to, or prosecute, litigation in the ordinary course of business.", "—We may be subject to product liability claims." and "—Our products have in the past and may in the future be subject to recalls."

The statements made by us, including in this Annual Report, concerning the potential benefits of cannabis, U.S. hemp and isolated cannabinoids are based on published articles and reports and therefore are subject to the experimental parameters, qualifications and limitations in such studies that have been completed. Although we believe that the existing public scientific literature generally supports our beliefs regarding the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, U.S. hemp and cannabinoids, future research and clinical trials may cast doubt or disprove such beliefs, or could raise or heighten concerns regarding, and perceptions relating to, cannabis, U.S. hemp and cannabinoids, which could have a material adverse effect on the demand for our products with the potential to lead to a material adverse effect on our business, financial condition and results of operations. Given these risks, uncertainties and assumptions, undue reliance should not be placed on such literature. In particular, the FDA has raised several questions regarding the safety of CBD and gaps in the public scientific literature supporting the use of CBD by the general population.

Required clinical trials of cannabis-based medical products and treatments are novel terrain with very limited or non-existent clinical trials history; we face a significant risk that any trials will not result in commercially viable products and treatments.

We are required to conduct clinical trial of our products under applicable laws. Clinical trials are expensive, time consuming and difficult to design and implement. Regulatory authorities may suspend, delay or terminate any clinical trials we commence at any time, may require us, for various reasons, to conduct additional clinical trials, or may require a particular clinical trial to continue for a longer duration than originally planned. Clinical trials face many risks, including, among others:

- lack of effectiveness of any formulation or delivery system during clinical trials;
- discovery of serious or unexpected toxicities or side effects experienced by trial participants or other safety issues;
- slower than expected subject recruitment and enrollment rates in clinical trials;
- delays or inability in manufacturing or in obtaining sufficient quantities of materials for use in clinical trials due to regulatory and manufacturing constraints;
- delays in obtaining regulatory authorization to commence a trial, including licenses required for obtaining and using cannabis for research, either before or after a trial is commenced;
- unfavorable results from ongoing pre-clinical studies and clinical trials;
- trial participants or investigators failing to comply with study protocols;
- trial participants failing to return for post-treatment follow-up at the expected rate;
- sites participating in an ongoing clinical study withdraw, requiring us to engage new sites; and
- third-party clinical investigators declining to participate in our clinical studies, not performing the clinical studies on the anticipated schedule, or acting in ways inconsistent with the established investigator agreement, clinical study protocol or good clinical practices.

Any of the foregoing could cause our products or treatments not to be commercially viable which could have a material adverse effect on our business, results of operations and financial condition.

The controversy surrounding vaporizers and vaporizer products may materially and adversely affect the market for vaporizer products and expose us to litigation and additional regulation.

There have been a number of highly publicized cases involving lung and other illnesses and deaths that appear to be related to vaporizer devices and/or products used in such devices (such as vaporizer liquids). The focus is currently on the vaporizer devices, the manner in which the devices were used and the related vaporizer device products - THC, nicotine, other substances in vaporizer liquids, possibly adulterated products and other illegal unlicensed cannabis vaporizer products. Some states, provinces, territories and cities in Canada and the United States have already taken steps to prohibit the sale or distribution of vaporizers, restrict the sale and

distribution of such products or impose restrictions on flavors or use of such vaporizers. This trend may continue, accelerate and expand.

Cannabis vaporizers in Canada are regulated under the *Cannabis Act* and Cannabis Regulations. Negative public sentiment may prompt regulators to decide to further limit or defer the industry's ability to sell cannabis vaporizer products, and may also diminish consumer demand for such products. For instance, Health Canada has proposed new regulations that would place stricter limits on the advertising and promotion of vaping products and make health warnings on vaping products mandatory, although such regulations explicitly exclude cannabis and cannabis accessories. The provincial governments in Quebec, Alberta and Newfoundland and Labrador have imposed provincial regulatory restrictions on the sale of cannabis vape products. These actions, together with potential deterioration in the public's perception of cannabis containing vaping liquids, may result in a reduced market for our vaping products. There can be no assurance that we will be able to meet any additional compliance requirements or regulatory restrictions, or remain competitive in face of unexpected changes in market conditions.

This controversy could well extend to non-nicotine vaporizer devices and other product formats. Any such extension could materially and adversely affect our business, financial condition, operating results, liquidity, cash flow and operational performance. Litigation pertaining to vaporizer products is accelerating and that litigation could potentially expand to include our products, which would materially and adversely affect our business, financial condition, operating results, liquidity, cash flow and operational performance.

Future research may lead to findings that vaporizers, electronic cigarettes and related products are not safe for their intended use.

Vaporizers, electronic cigarettes and related products were recently developed and therefore the scientific or medical communities have had a limited period of time to study the long-term health effects of their use. Currently, there is limited scientific or medical data on the safety of such products for their intended use and the medical community is still studying the health effects of the use of such products, including the long-term health effects. If the scientific or medical community were to determine conclusively that use of any or all of these products pose long-term health risks, market demand for these products and their use could materially decline. Such a determination could also lead to litigation, reputational harm and significant regulation. Loss of demand for our product, product liability claims and increased regulation stemming from unfavorable scientific studies on cannabis vaporizer products could have a material adverse effect on our business, results of operations and financial condition.

We are subject to risks and uncertainty regarding our U.S. hemp operations.

A small part of our business involves products containing U.S. hemp. There is substantial uncertainty concerning the legal status of U.S. hemp and U.S. hemp products containing U.S. hemp-derived ingredients, including CBD. The status of products derived from the cannabis or hemp plant, under both federal and state law depends on the THC content of the plant or derivative (including whether the plant meets the statutory definition of "industrial hemp" or "hemp"), the part of the plant from which an individual or entity produces the derivative (including whether the plant meets the statutory definition of "marijuana" under the CSA), whether the cultivator, processor, manufacturer or product marketer engages in cannabis-related activities for research versus purely commercial purposes, as well as the form and intended use of the product. The mere presence of a cannabinoid (such as CBD) is not dispositive as to whether the product is legal or illegal. The FDA, for instance, has approved drugs containing synthetic THC, though not naturally derived THC. There may be difficulty in maintaining consistent strains with consistent low levels of THC sufficient to meet U.S. regulatory requirements.

Under U.S. federal law, products containing CBD may be unlawful if derived from cannabis (including hemp with a concentration greater than 0.3% on a dry weight basis), or if derived from U.S. hemp grown outside the parameters of an approved U.S. hemp pilot program or U.S. hemp cultivated in violation of the 2018 Farm Bill. Even after enactment of the 2018 Farm Bill, the DEA may not treat all products containing U.S. hemp-derived ingredients, including CBD, as exempt from the Controlled Substances Act. If the DEA takes action against us or other participants in the U.S. hemp industry, this could have a material and adverse effect on our business, financial condition, operating results, liquidity, cash flow and operational performance. The number of competitors in the U.S. hemp industry is expected to increase, which could negatively impact our market share and demand for our products. Additionally, if the United States takes steps to legalize cannabis, the impact of such a development could result in new entrants into the market and increased levels of competition.

Additionally, the U.S. hemp industry may be impacted by perceived similarities or differences between U.S. hemp and cannabis. Consumers, vendors, landlords/lessors, industry partners or third-party service providers may incorrectly perceive U.S. hemp products as cannabis, thereby confusing them for having the THC content of cannabis or for being illegal under U.S. federal law which potentially impacts our ability to sell our products or obtain the necessary services or supplies to manufacture, store or transport our products.

We may also be required to obtain and maintain certain permits, licenses and approvals in the jurisdictions where we source, process, or sell products derived from U.S. hemp. We may be unable to obtain or maintain any necessary licenses, permits or approvals. Additional government licenses are currently, and in the future, may be, required in connection with our operations, in addition to other unknown permits and approvals which may be required, including with respect to our other Rest of World operations.

To the extent such permits, and approvals are required and not obtained, we may be prevented from operating and/or expanding our business, which could have a material adverse effect on our business, financial condition and results of operations.

Additionally, U.S. hemp plants can be vulnerable to various pathogens including bacteria, fungi, viruses and other miscellaneous pathogens. Such instances often lead to reduced crop quality, stunted growth and/or death of the plant. Moreover, U.S. hemp is "phytoremediative" (meaning that it may extract toxins or other undesirable chemicals or compounds from the ground in which it is planted). Various regulatory agencies have established maximum limits for pathogens, toxins, chemicals and other compounds that may be present in agricultural materials. If U.S. hemp used in our products is found to have levels of pathogens, toxins, chemicals or other undesirable compounds that exceed permitted limits, it may have to be destroyed. Should the U.S. hemp used in our products be lost due to pathogens, toxins, chemicals or other undesirable compounds, or if we or our suppliers are otherwise unable to obtain U.S. hemp for use in our products on an ongoing basis, it may have a material and adverse effect on our business, financial condition, operating results, liquidity, cash flow and operational performance.

Furthermore, some of our products that are intended to primarily contain U.S. hemp-derived CBD, or other products, may contain trace amounts of THC. THC is an illegal or controlled substance in many jurisdictions, including under the federal laws of the U.S. Whether or not ingestion of THC (at low levels or otherwise) is permitted in a particular jurisdiction, there may be adverse consequences to consumers of our U.S. hemp products who test positive for any amounts of THC, even trace amounts, because of the presence of unintentional amounts of THC in our U.S. hemp products. In addition, certain metabolic processes in the body may negatively affect the results of drug tests. As a result, we may have to recall our products from the market. Positive tests for THC may adversely affect our reputation, our ability to obtain or retain customers and individuals' participation in certain athletic or other activities. A claim or regulatory action against us based on such positive test results could materially and adversely affect our business, financial condition, operating results, liquidity, cash flow and operational performance.

We are subject to risks and uncertainty regarding future product development.

We expect to derive a portion of our future revenues from the sale of new products, including Cannabis 2.0 products, some of which are still being actively developed and put into production. If we fail to adequately meet market demand for such products in a timely fashion, it may adversely impact our profitability.

Our products have in the past and may in the future be subject to recalls.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. For example, we initiated one voluntary recall on May 9, 2019 for LBS Ocean View (Sativa) Whole Cannabis, Dried Cannabis, Net Weight 3.5 g, Lot OVI8305SPB, packaged on April 8, 2018, because the date on the packaging was incorrect. The date on the label was listed as 2018-AL-08 but should have been listed as 2019-AL-08.

If any of our products are recalled due to an alleged product defect or for any other reason, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. All customers who are potentially impacted would be notified, corrective actions would be put in place, and existing product and procedures would be re-tested and examined. We may also lose a significant amount of sales and may not be able to replace those sales at an acceptable margin, or at all. In addition, a product recall may require significant management attention. Although we have detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one or more of our products were subject to recall, our reputation and the reputation of that product could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for our products and could have a material adverse effect on our business, results of operations and financial condition. Additionally, product recalls may lead to increased scrutiny of our operations by Health Canada, the FDA, the DEA or other regulatory agencies, requiring further management attention and potential legal fees and other expenses. Furthermore, any product recall affecting the cannabis or U.S. hemp industries more broadly could lead consumers to lose confidence in the safety and security of the products sold by participants in these industries generally, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Regulation and Compliance

We operate in highly regulated industries where the regulatory environments are rapidly developing and we may not always succeed in complying fully with applicable regulatory requirements in all jurisdictions where we carry on business.

Our business and activities are heavily regulated in all jurisdictions where we carry on business. Our operations are subject to various laws, regulations and guidelines by governmental authorities (including, in Canada, Health Canada and analogous provincial and local regulatory agencies and, in the U.S., the FDA, the USDA, DEA and FTC and analogous state agencies) relating to, among other things, the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of cannabis, U.S. hemp and cannabis-based products, and also including laws, regulations and guidelines relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment (including relating to emissions and discharges to water, air and land, and the handling and disposal of hazardous and non-hazardous materials and wastes). Our operations may also be affected in varying

degrees by government regulations with respect to, but not limited to, price controls, export controls, controls on currency remittance, increased income taxes, restrictions on foreign investment and government policies rewarding contracts to local competitors or requiring domestic producers or vendors to purchase supplies from a particular jurisdiction. Laws, regulations and guidelines, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over our activities, including the power to limit or restrict business activities as well as impose additional disclosure requirements on our products and services.

Achievement of our business objectives is contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all necessary regulatory approvals for the production, storage, transportation, sale, import and export, as applicable, of our products. The cannabis and U.S. hemp industries are still new industries and, in Canada, in particular the *Cannabis Act*, is a new regime that has no close precedent in Canadian law. Similarly, outside of Canada, the regulatory environments in jurisdictions legalizing the import, cultivation, production and sale of cannabis and cannabis products are new and are still being developed without close precedent in such jurisdictions. The effect of relevant governmental authorities' administration, application and enforcement of their respective regulatory regimes and delays in obtaining, or failure to obtain, applicable regulatory approvals which may be required may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on our business, financial condition and results of operations. For example, in the U.S., registered federal trademark protection is only available for goods and services that can be lawfully used in interstate commerce; the USPTO is not currently approving any trademark applications for cannabis, or certain goods containing U.S. hemp-derived CBD (such as dietary supplements and food) until the FDA and the USDA provides clearer guidance on the regulation of such products.

The regulatory environment for our products is rapidly developing, and the need to build and maintain robust systems to comply with different and changing regulations in multiple jurisdictions increases the possibility that we may violate one or more applicable requirements. While we endeavor to comply with all relevant laws, regulations and guidelines, any failure to comply with the regulatory requirements applicable to our operations could subject us to negative consequences, including, civil and criminal penalties, damages, fines, the curtailment or restructuring of our operations, asset seizures, revocation or imposition of additional conditions on licenses to operate our business, the denial of regulatory applications (including, in the U.S., by other regulatory regimes that rely on the positions of the DEA, FDA and USDA in the application of their respective regimes), the suspension or expulsion from a particular market or jurisdiction or of our key personnel, or the imposition of additional or more stringent inspection, testing and reporting requirements, any of which could materially adversely affect our business and financial results. In the United States, failure to comply with FDA and USDA requirements (and analogous state agencies) may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm our reputation, require us to take, or refrain from taking, actions that could harm our operations or require us to pay substantial amounts of money, harming our results of operations, financial condition and cash flows. Increasingly, communication and coordination among regulators has led in other industries to coordinated responses to regulatory and licensure applications. To the extent that regulators coordinate responses to license applications and regulatory conditions, limitations or denials of licenses in one jurisdiction may lead to denials in other jurisdictions. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources, negatively impact our future growth plans and opportunities or have a material adverse impact on our business, financial condition and results of operations.

If our U.S. hemp business activities are found to be in violation of any of U.S. federal, state or local laws or any other governmental regulations, in addition to the items described above:

- we may be subject to "Warning Letters," fines, penalties, administrative sanctions, settlements, injunctions, product recalls and/or other enforcement actions arising from civil, administrative or other proceedings initiated that could adversely affect our business, financial condition, operating results, liquidity, cash flow and operational performance;

- the profits or revenues derived therefrom could be subject to money laundering statutes, including the Money Laundering Control Act, which could result in significant disruption to our U.S. hemp business operations and involve significant costs, expenses or other penalties; and

- our suppliers, service providers and distributors may elect, at any time, to breach or otherwise cease to participate in supply, service or distribution agreements, or other relationships, on which our operations rely.

We and our joint ventures and strategic investments are reliant on required licenses, authorizations, approvals and permits for our ability to grow, process, store and sell cannabis which are subject to ongoing compliance, reporting and renewal requirements and we may also be required to obtain additional licenses, authorizations, approvals and permits in connection with our business.

We are dependent on our existing licenses from Health Canada in order to grow, store and sell cannabis. These licenses are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of these licenses or failure to maintain these licenses could have a material adverse impact on our business, financial condition and operating results. There can be no guarantee that a license will be extended or renewed or, if extended or renewed, that it will be extended or renewed on terms that are favorable to us or that Health Canada will not revoke the licenses. Should we fail to comply with requirements of the licenses, should Health Canada not extend or renew the licenses, should we renew the licenses on different terms (including not allowing for

anticipated capacity increases) or should the licenses be revoked, our business, financial condition and results of the operations will be materially adversely affected.

In addition, our ability to grow our business is dependent on securing and maintaining certain new licenses, particularly retail licenses and licenses in international jurisdictions. Failure to comply with the requirements of any license application or failure to obtain and maintain the appropriate licenses with the relevant authorities would have a material adverse impact on our business, financial condition and results of operations. There can also be no guarantees that regulatory authorities will issue the required licenses to us.

Changes in the laws, regulations and guidelines governing cannabis and U.S. hemp may adversely impact our business.

Our current operations are subject to various laws, regulations and guidelines promulgated by governmental authorities (including, in Canada, Health Canada and, in the U.S., the FDA, the USDA, DEA, FTC and USPTO) relating to the marketing, acquisition, manufacture, packaging/labeling, management, transportation, storage, sale and disposal of cannabis or U.S. hemp but also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment (including relating to emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes). Additionally, our growth strategy continues to evolve as regulations governing the cannabis industry in the jurisdictions in which we operate become more fully developed. Interpretation of these laws, rules and regulations and their application to our operations is ongoing. No assurance can be given that new laws, regulations and guidelines will not be enacted or that existing laws, regulations and guidelines will not be amended, repealed or interpreted or applied in a manner which could require extensive changes to our operations, increase compliance costs, give rise to material liabilities or a revocation of our licenses and other permits, restrict the growth opportunities that we currently anticipate or otherwise limit or curtail our operations. For example, the *Cannabis Act* requires the federal government to conduct a review of the *Cannabis Act* beginning in October 2021. This statutory review may lead to the amendment, removal or addition of provisions in or to the *Cannabis Act* which could adversely affect our business. Amendments to current laws, regulations and guidelines governing the production, sale and use of cannabis and cannabis-based products, more stringent implementation or enforcement thereof or other unanticipated events, including changes in political conditions and/or regimes or political instability, currency controls, fluctuations in currency exchange rates and rates of inflation, labor unrest, changes in taxation laws, regulations and policies, restrictions on foreign exchange and repatriation, governmental regulations relating to foreign investment and the cannabis business more generally, and changes in attitudes toward cannabis, are beyond our control and could require extensive changes to our operations, which in turn may result in a material adverse effect on our business, financial condition and results of operations.

While the production of cannabis in Canada is under the regulatory oversight of the Canadian federal government, the distribution of recreational cannabis in Canada falls within the jurisdiction of the provincial and territorial governments. The impact of the legislation regulating recreational cannabis passed in such provinces and territories on the cannabis industry and on our business plans and operations is uncertain. Certain Canadian provinces and territories have announced certain restrictions that are more stringent than the federal rules or regulations such as bans on cannabis edibles, raising minimum age of purchase and flavor restrictions. For example, Quebec, Newfoundland and Labrador and Prince Edward Island do not currently permit sales of cannabis vaporizers and Quebec limits the sale of other high THC non-edible cannabis products. In addition, the distribution and retail channels and applicable rules and regulations in the provinces continue to evolve and our ability to distribute and retail cannabis and cannabis products in Canada is dependent on the ability of the provinces and territories of Canada to establish licensed retail networks and outlets. In response to the COVID-19 pandemic, various provinces and territories have introduced a variety of response measures which have impacted their respective cannabis regimes, which include in certain jurisdictions: forced store closures, restrictions or bans on in-store shopping experiences, and the authorization of private delivery services. There is no guarantee that the applicable legislation regulating the distribution and sale of cannabis for recreational purposes, including as amended to respond to the COVID-19 pandemic, will allow for the growth opportunities we currently anticipate.

Furthermore, additional countries continue to pass laws that allow for the production and distribution of cannabis in some form or another. We have some subsidiaries, investments, joint ventures and strategic alliances in place outside of Canada and the United States, which may be affected if more countries legalize cannabis. See “Business—U.S. Regulatory Framework—The Acreage Arrangement.” Increased international competition and limitations placed on us by Canadian regulations might lower the demand for our products on a global scale. We also face competition in each jurisdiction outside of Canada and the United States where we have subsidiaries, investments, joint ventures and strategic alliances with local companies that have more experience, more in-depth knowledge of local markets or applicable laws, regulations and guidelines or longer operating histories in such jurisdictions.

We are subject to certain restrictions of the TSX and Nasdaq which may constrain our ability to expand our business internationally.

Our common shares are listed on the TSX and Nasdaq. We must comply with the TSX and Nasdaq requirements or guidelines when conducting business, especially when pursuing international opportunities in the United States.

On October 16, 2017, the TSX provided clarity regarding the application of the TSX Requirements to TSX-listed issuers with business activities in the cannabis sector. In TSX Staff Notice 2017-0009, the TSX notes that issuers with ongoing business activities that violate U.S. federal law regarding cannabis are not in compliance with the TSX Requirements. The TSX reminded issuers that,

among other things, should the TSX find that a listed issuer is engaging in activities contrary to the TSX Requirements, the TSX has the discretion to initiate a delisting review. Although we do not conduct any operations in the United States with respect to cannabis, failure to comply with the TSX Requirements could result in a delisting of our common shares from the TSX or the denial of an application for certain approvals, such as to have additional securities listed on the TSX, which could have a material adverse effect on the trading price of our common shares and could have a material adverse effect on our business, financial condition and results of operations.

While Nasdaq has not issued official rules specific to the cannabis or hemp industry, stock exchanges in the United States, including Nasdaq, have historically refused to list certain cannabis related businesses, including cannabis retailers, that operate primarily in the United States. Failure to comply with any requirements imposed by Nasdaq could result in the delisting of our common shares from Nasdaq or denial of any application to have additional securities listed on Nasdaq, which could have a material adverse effect on the trading price of our common shares.

We are constrained by law in our ability to market and advertise our products.

Our marketing and advertising are subject to regulation by various regulatory bodies in the jurisdictions we operate. In Canada, the development of our business and related results of operations may be hindered by applicable regulatory restrictions on sales and marketing activities. For example, the regulatory environment in Canada limits our ability to compete for market share in a manner similar to other industries. If we are unable to effectively market our products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for our products, our sales and results of operations could be adversely affected. See "Business–Canadian Regulatory Framework."

In the United States, our advertising is subject to regulation by the FTC under the Federal Trade Commission Act as well as the FDA under the Federal Food, Drug, and Cosmetic Act and USDA, including as amended by the Dietary Supplement Health and Education Act of 1994, and by state agencies under analogous and similar state and local laws. In recent years, the FTC, the FDA, USDA and state agencies have initiated numerous investigations of food and dietary supplement products both because of their CBD content and based on allegedly deceptive or misleading marketing claims and have, on occasion, issued "Warning Letters" or instituted enforcement actions due to such claims. Some U.S. states also permit content, advertising and labeling laws to be enforced by state attorneys general, who may seek civil and criminal penalties, relief for consumers, class action certifications, class wide damages and recalls of products sold by us. There has also been a recent increase in private litigation that seeks, among other things, relief for consumers, class action certifications, class wide damages and recalls of products. We have been subject to such litigation in Canada and may be subject to additional private class action litigation. Any actions against us by governmental authorities or private litigants could have a material and adverse effect on our business, financial condition, operating results, liquidity, cash flow and operational performance.

We could be adversely affected by violations of the Corruption of Foreign Public Officials Act (Canada), the U.S. Foreign Corrupt Practices Act and other similar anti-bribery laws.

Our business is subject to the Corruption of Foreign Public Officials Act (Canada) and the U.S. Foreign Corrupt Practices Act ("FCPA") and other similar laws which generally prohibit companies and employees from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. In addition, we are or will be subject to the anti-bribery laws of any other countries in which we conduct business now or in the future. Our employees or other agents may, without our knowledge and despite our efforts, engage in conduct prohibited under our policies and procedures and under anti-bribery laws, for which we may be held responsible. Our policies mandate compliance with these anti-corruption and anti-bribery laws. However, there can be no assurance that our internal control policies and procedures will always protect us from recklessness, fraudulent behavior, dishonesty or other inappropriate acts committed by our affiliates, employees, contractors or agents. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

Cannabis is a controlled substance in the United States and therefore subject to the Controlled Substances Import and Export Act.

We are indirectly involved in ancillary activities related to the cannabis industry in jurisdictions in the United States where local state law permits such activities and, by virtue of, among other transactions, the Acreage Amended Arrangement and our holding of securities in the capital of TerrAscend, we may be indirectly associated with the cultivation, processing or distribution of cannabis in the United States. In the United States, cannabis is regulated at both the federal and state levels. To our knowledge, there are to date a total of 36 states, and the District of Columbia, that have now legalized cannabis in some form, including California, Nevada, New York, New Jersey, Washington and Florida. Although several states allow the sale of cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA and, as such, cultivation, distribution, sale and possession of cannabis violates federal law in the United States. The inconsistency between federal and state laws and regulations may result in a loss of the value of our investments and alliances in these businesses.

As a result of the Sessions Memorandum, federal prosecutors have prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities and, as a result, it

is uncertain how active federal prosecutors will be in relation to such activities. There can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

On March 11, 2021, Merrick Garland was appointed as U.S. Attorney General. At his confirmation hearing, he said, "It does not seem to me a useful use of limited resources that we have, to be pursuing prosecutions in states that have legalized and that are regulating the use of marijuana, either medically or otherwise". He has not yet reissued the Cole Memorandum, however, or issued substitute guidance. In the fiscal 2021 omnibus spending bill, Congress included the Rohrabacher-Farr amendment which prohibits the Department of Justice from spending funds to interfere with the implementation of state medical cannabis laws until September 30, 2021.

While state law in certain U.S. states may take a permissive approach to medical and/or recreational use of cannabis, the CSA may still be enforced by U.S. federal law enforcement officials against individuals and companies operating in those states for activity that is legal under state law. If the Department of Justice opted to pursue a policy of aggressively enforcing U.S. federal law against financiers or equity owners of cannabis-related businesses, then both Acreage and TerrAscend, for instance, could face (i) seizure of their cash and other assets used to support or derived from their business activities; and/or (ii) the arrest of its employees, directors, officers, managers and/or investors, who could face charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA by virtue of providing financial support to state-licensed or permitted cultivators, processors, distributors, and/or retailers of cannabis. In addition, under such an aggressive enforcement policy, the Department of Justice could allege that we and our board of directors, and potentially our shareholders, "aided and abetted" violations of federal law as a result of the Acreage Arrangement or other transactions involving us. In these circumstances, we may lose our entire investment and directors, officers and/or our shareholders may be required to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings initiated by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on us, including our reputation and ability to conduct business, the listing of our securities on the TSX, Nasdaq or other exchanges, our financial position, operating results, profitability or liquidity or the market price of our listed securities. Overall, an investor's contribution to and involvement in our activities may result in federal civil and/or criminal prosecution, including forfeiture of his or her entire investment.

We are subject to a number of federal, state, and foreign environmental and safety laws and regulations that may expose us to significant costs and liabilities.

Our operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. Accordingly, we will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in costs for corrective measures, penalties or restrictions on our production operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations or give rise to material liabilities, which could have a material adverse effect on our business, financial condition and results of operations.

We received a notice from the Ontario Ministry of the Environment indicating that in order to be in compliance with the Canadian Environmental Protection Act and related regulations, we must obtain an Environmental Compliance Approval under Section 9 of the Canadian Environmental Protection Act. We filed an application for an Environmental Compliance Approval within the time required by the Ontario Ministry. On May 8, 2017, we received notice that the Ontario Ministry has begun their technical review of the application and as of the date of this Annual Report, it is still under review.

Our employees or investors could face detention, denial of entry or lifetime bans from United States for their business associations with us.

Cannabis remains illegal under U.S. federal law. Individuals employed at or investing in cannabis companies could face detention, denial of entry or lifetime bans from the United States for their business associations with cannabis businesses. Entry to the United States is granted at the sole discretion of the U.S. Customs and Border Protection ("CBP") officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers that previous use of cannabis, or any substance prohibited by U.S. federal laws, could result in denial of entry to the United States. Business or financial involvement in the cannabis industry in Canada or in the United States could also be reason enough for CBP officers to deny entry. On September 21, 2018, CBP released a statement outlining its position with respect to enforcement of the laws of the U.S. It stated that Canada's legalization of cannabis will not change CBP enforcement of U.S. laws regarding controlled substances and because cannabis continues to be a controlled substance under U.S. law, working in or facilitating the proliferation of the cannabis industry in U.S. states or Canada may affect admissibility to the United States. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the United States for reasons unrelated to the cannabis industry will generally be admissible to the United States; however, if such person is found to be

coming into the United States for reasons related to the cannabis industry, such person may be deemed inadmissible. Employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in Canada or the United States (such as us), who are not U.S. citizens, face the risk of being barred from entry into the United States for life. Despite the fact that our U.S. hemp activities are legal pursuant to the 2018 Farm Bill, due to the nature of the business as a whole, individuals employed by or investing in us could face a such a ban.

Anti-money laundering and other banking laws and regulations can limit our ability to access financing and hamper our growth.

We are subject to a variety of domestic and international laws and regulations pertaining to money laundering, financial recordkeeping and proceeds of crime, including the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities internationally.

In the event that any of our operations or investments, any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations or investments were found to be in violation of money laundering legislation, such transactions may be viewed as proceeds of crimes under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize our ability to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while we have no current intention to declare or pay dividends in the foreseeable future, in the event that a determination was made that proceeds obtained by us could reasonably be shown to constitute proceeds of crime, we may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

In February 2014, the FCEN of the U.S. Department of the Treasury issued the FCEN Memo. The FCEN Memo states that in some circumstances, it may not be appropriate to prosecute banks that provide services to marijuana-related businesses for violations of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on Cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memo. Under U.S. federal law, banks or other financial institutions that provide a Cannabis-related business with a checking account, debit or credit card, small business loan, or any other service could be found guilty of money laundering, aiding and abetting, or conspiracy. As a result, we may have limited or no access to banking or other financial services in the United States. The inability or limitation on our ability to open or maintain bank accounts in the United States, to obtain other banking services and/or accept credit card and debit card payments may make it difficult to operate and conduct our business as planned in the United States. Although multiple legislative reforms related to cannabis and cannabis-related banking are currently being considered by the federal government in the United States, such as the Strengthening the Tenth Amendment Through Entrusting States Act, the Marijuana Opportunity, Reinvestment and Expungement Act and the Secure and Fair Enforcement Banking Act, there can be no assurance that any of these pieces of legislation will become law in the United States.

Risks Relating to Entry into New Markets

Our expansion plans into the United States rely on the success of the Acreage Arrangement, and we cannot guarantee that the Acreage Arrangement will close in the near future, or at all, and even if closed, that we will achieve the expected benefits of the transaction.

Our expansion plans into the United States are currently based on the Acreage Amended Arrangement. See “Business—U.S. Regulatory Framework—The Acreage Arrangement” for additional information regarding the Acreage Arrangement. The effectiveness of the Acreage Amended Arrangement is subject to certain conditions, including, among other things, that U.S. federal law is amended 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 and the receipt of the certain regulatory approvals. Such conditions have not yet occurred. See “—Cannabis is a controlled substance in the United States and therefore subject to the Controlled Substances Import and Export Act.” There is no guarantee that U.S. federal law will be amended to legalize cannabis in the near future, or at all. Additionally, the regulatory approval processes may take a lengthy period of time to complete, which could delay closing of the Acreage Arrangement.

Certain of these conditions, including the U.S. federal legalization of cannabis, are outside of our control. There can be no certainty, nor can we provide any assurance, that all conditions precedent to the consummation of the acquisition will be satisfied or waived, or, if satisfied or waived, when they will be satisfied or waived and, accordingly, the Acreage Amended Arrangement may not be completed. If, for any reason, the Acreage Amended Arrangement is not completed or its completion is materially delayed and/or the Acreage Arrangement Agreement (as modified by the Acreage Amending Agreement) is terminated, the market price of our common shares may be materially adversely affected. In such events, our business, financial condition or results of operations could also be subject to various material adverse consequences, including that we would remain liable for costs relating to the Acreage Amended Arrangement.

Even if we do acquire the Acreage Fixed Shares and, if applicable, the Acreage Floating Shares, the intended benefits of the Acreage Amended Arrangement may not be realized. The Acreage Amended Arrangement poses risks for our ongoing operations, including, among others, (i) that senior management’s attention may be diverted from the management of daily operations to the

integration of the Acreage operations, (ii) costs and expenses associated with any undisclosed or potential liabilities, (iii) that the Acreage business may not perform as well as anticipated and (iv) that unforeseen difficulties may arise in integrating the Acreage business.

We cannot assure you that the Acreage Amended Arrangement will be accretive to us in the near term or at all. Furthermore, if we fail to realize the intended benefits of Acreage Amended Arrangement, the market price of our common shares could decline to the extent that the market price reflects those benefits.

Controlled substance and other legislation and treaties may restrict or limit our ability to research, manufacture and develop a commercial market for our products outside of the jurisdictions in which we currently operate and our expansion into such jurisdictions is subject to risks.

Approximately 250 substances, including cannabis, are listed in the Schedules annexed to the UN Single Convention, the Convention on Psychotropic Substances (Vienna, 1971) and the Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (introducing control on precursors) (Vienna, 1988). The purpose of these listings is to control and limit the use of these drugs according to a classification of their therapeutic value, risk of abuse and health dangers, and to minimize the diversion of precursor chemicals to illegal drug manufacturers. The 1961 UN Single Convention on Narcotic Drugs, as amended in 1972 classifies cannabis as a Schedule I ("substances with addictive properties, presenting a serious risk of abuse") narcotic drug and as further amended by the December 2020 Commission on Narcotic Drugs, a Schedule IV ("the most dangerous substances, already listed in Schedule I, which are particularly harmful and of extremely limited medical or therapeutic value") narcotic drug. The 1971 UN Convention on Psychotropic Substances classifies THC as a Schedule I psychotropic substance (substances presenting a high risk of abuse, posing a particularly serious threat to public health which are of very little or no therapeutic value). Many countries are parties to these conventions, which govern international trade and domestic control of these substances, including cannabis. They may interpret and implement their obligations in a way that creates legal obstacles to our obtaining manufacturing and/or marketing approval for our products in those countries. These countries may not be willing or able to amend or otherwise modify their laws and regulations to permit our products to be manufactured and/or marketed and achieving such amendments to the laws and regulations may take a prolonged period of time. There can be no assurance that any market for our products will develop in any jurisdiction in which we do not currently have operations. We may face new or unexpected risks or significantly increase our exposure to one or more existing risk factors, including economic instability, political instability, changes in laws and regulations and the effects of competition. These factors may limit our capability to successfully expand our operations into such jurisdictions and may have a material adverse effect on our business, financial condition and results of operations.

Investments and joint ventures outside of Canada and the United States are subject to the risks normally associated with any conduct of business in foreign countries, including varying degrees of political, legal and economic risk.

Much of our exposure to markets in jurisdictions outside of Canada and the United States is through investments and joint ventures. These investments and joint ventures are subject to the risks normally associated with any conduct of business in foreign and/or emerging countries including political risks; civil disturbance risks; changes in laws or policies of particular countries, including those relating to royalties, duties, imports, exports and currency; the cancellation or renegotiation of contracts; the imposition of royalties, net profits payments, tax increases or other claims by government entities, including retroactive claims; a disregard for due process and the rule of law by local courts; the risk of expropriation and nationalization; delays in obtaining or the inability to obtain necessary governmental permits or the reimbursement of refundable tax from fiscal authorities.

Threats or instability in a country caused by political events including elections, change in government, changes in personnel or legislative bodies, foreign relations or military control present serious political and social risk and instability causing interruptions to the flow of business negotiations and influencing relationships with government officials. Changes in policy or law may have a material adverse effect on our business, financial condition and results of operations. The risks include increased "unpaid" state participation, higher energy costs, higher taxation levels and potential expropriation.

Other risks include the potential for fraud and corruption by suppliers or personnel or government officials which may implicate us, compliance with applicable anti-corruption laws, including the FCPA and the Corruption of Foreign Public Officials Act (Canada) by virtue of our operating in jurisdictions that may be vulnerable to the possibility of bribery, collusion, kickbacks, theft, improper commissions, facilitation payments, conflicts of interest and related party transactions and our possible failure to identify, manage and mitigate instances of fraud, corruption or violations of our code of conduct and applicable regulatory requirements.

There is also the risk of increased disclosure requirements; currency fluctuations; restrictions on the ability of local operating companies to hold Canadian dollars, U.S. dollars or other foreign currencies in offshore bank accounts; import and export regulations; increased regulatory requirements and restrictions; increased health-related regulations; limitations on the repatriation of earnings or on our ability to assist in minimizing our expatriate workforce's exposure to double taxation in both the home and host jurisdictions; and increased financing costs.

These risks may limit or disrupt our joint ventures, strategic alliances or investments, restrict the movement of funds, cause us to have to expend more funds than previously expected or required or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation, and may materially adversely affect our businesses, financial position and/or results of operations. In addition, the enforcement by us of our legal rights in foreign countries, including rights to

exploit our properties or utilize our permits and licenses and contractual rights may not be recognized by the court systems in such foreign countries or enforced in accordance with the rule of law.

We may invest in companies, or engage in joint ventures, in countries with developing economies. It is difficult to predict the future political, social and economic direction of the countries in which we operate, and the impact government decisions may have on our business. Any political or economic instability in the countries in which we operate could have a material and adverse effect on our business, financial condition and results of operations.

Our use of joint ventures may expose us to risks associated with jointly owned investments.

We currently operate parts of our business through joint ventures with other companies, and we may enter into additional joint ventures and strategic alliances in the future. Joint venture investments may involve risks not otherwise present for investments made solely by us, including: (i) we may not control the joint ventures; (ii) our joint venture partners may not agree to distributions that we believe are appropriate; (iii) where we do not have substantial decision-making authority, we may experience impasses or disputes with our joint venture partners on certain decisions, which could require us to expend additional resources to resolve such impasses or disputes, including litigation or arbitration; (iv) our joint venture partners may become insolvent or bankrupt, fail to fund their share of required capital contributions or fail to fulfil their obligations as a joint venture partner; (v) the arrangements governing our joint ventures may contain certain conditions or milestone events that may never be satisfied or achieved; (vi) our joint venture partners may have business or economic interests that are inconsistent with ours and may take actions contrary to our interests; (vii) we may suffer losses as a result of actions taken by our joint venture partners with respect to our joint venture investments; (viii) it may be difficult for us to exit a joint venture if an impasse arises or if we desire to sell our interest for any reason; and (ix) our joint venture partners may exercise termination rights under the relevant agreements. Any of the foregoing risks could have a material adverse effect on our business, financial condition and results of operations. In addition, we may, in certain circumstances, be liable for the actions of our joint ventures or joint venture partners. Any of the foregoing risks could have a material adverse effect on our business, financial condition and results of operations.

There can be no assurance that our current and future acquisitions, strategic alliances, investments or expansions of scope of existing relationships will have a beneficial impact on our business, financial condition and results of operations.

We currently have, and may in the future enter into, additional acquisitions, strategic alliances or investments with third parties that we believe will complement or augment our existing business. Our ability to complete acquisitions or strategic alliances is dependent upon, and may be limited by, the availability of suitable candidates and capital. In addition, acquisitions or strategic alliances could present unforeseen integration obstacles or costs, may not enhance our business, and/or may involve risks that could adversely affect us, including significant amounts of management time that may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances. Future acquisitions or strategic alliances could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that future acquisitions or strategic alliances will achieve, or that our existing acquisitions or strategic alliances will continue to achieve, the expected benefits to our business or that we will be able to consummate future acquisitions or strategic alliances on satisfactory terms, or at all. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

In addition, future acquisitions, including the acquisition of Acreage (if the Acreage Arrangement is completed), could result in future issuances of our securities, including up to 171,227,420 common shares that may be issued in the future in connection with the closing of the Acreage Arrangement and the associated top-up right of the CBI Group pursuant to the New Investor Rights Agreement. Such issuances of securities may have an adverse effect on the market price of the common shares. See "—Our expansion plans into the United States rely on the success of the Acreage Arrangement, and we cannot guarantee that the Acreage Arrangement will close in the near future, or at all."

We are subject to risks relating to our current and future operations in emerging markets.

We have operations in various emerging markets, such as Latin America and the Caribbean, and may have operations in additional emerging markets in the future. Such operations expose us to the socio-economic conditions as well as the laws governing the cannabis industry in such countries. Inherent risks with conducting foreign operations include, but are not limited to: high rates of inflation; extreme fluctuations in currency exchange rates, military repression; war or civil war; social and labor unrest; organized crime; hostage taking; terrorism; violent crime; expropriation and nationalization; renegotiation or nullification of existing licenses, approvals, permits and contracts; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political norms, banking and currency controls and governmental regulations that favor or require us to award contracts in, employ citizens of, or purchase supplies from, the jurisdiction.

Governments in certain foreign jurisdictions intervene in their economies, sometimes frequently, and occasionally make significant changes in policies and regulations. Changes, if any, in cannabis industry policies or shifts in political attitude in the countries in which we operate may adversely affect our operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, importation of product and supplies, income and other taxes, royalties, the repatriation of profits, expropriation of

property, foreign investment, maintenance of licenses, approvals and permits, environmental matters, land use, land claims of local people, water use and workplace safety. Failure to comply strictly with applicable laws, regulations and local practices could result in loss, reduction or expropriation of licenses, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

We continue to monitor developments and policies in the emerging markets in which we operate and assess the impact thereof to our operations; however, such developments cannot be accurately predicted and could have an adverse effect on our operations or profitability.

Risks Relating to Competition, Performance and Operations

Our business and results of operations have been adversely affected and may continue to be adversely impacted by the COVID- pandemic.

The outbreak of the novel coronavirus, or COVID-19, which has been declared by the WHO to be a "pandemic", has spread across the globe and is impacting worldwide economic activity. COVID-19 has severely restricted the level of economic activity around the world and in all countries in which we or our affiliates operate. For instance, economic activity in Alberta, one of our key markets, has significantly declined due to the reduction in oil prices, a key component of the Alberta economy, which has led to less discretionary consumer spending and lower spending on cannabis products. A public health epidemic, including COVID-19, or the fear of a potential pandemic, poses the risk that we or our employees, contractors, suppliers, and other partners may be prevented from conducting business activities for an indefinite period of time, and our customers may be prevented from purchasing our products, due to shutdowns, "stay at home" mandates or other preventative measures that may be requested or mandated by governmental authorities. The governments of many countries, states, cities and other geographic regions have taken such preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. Temporary closures of businesses have been ordered and numerous other businesses have temporarily closed voluntarily. Such actions are creating disruption in global supply chains, increasing rates of unemployment and adversely impacting many industries. The outbreak could have a continued adverse impact on economic and market conditions and trigger a period of global economic slowdown. As a result, all of the above-described factors (and other political and economic factors) can have a material and adverse effect on spending patterns of our customers and on our business, financial condition and results of operations.

The effect of COVID-19 could include additional closures of our facilities or the facilities of our suppliers and other vendors in our supply chain and other preventive and protective measures in our supply chain. If the pandemic persists, closures or other restrictions on the conduct of business operations of our third-party manufacturers, suppliers or vendors could further disrupt our supply chain. While we have not yet experienced delays in shipping, the increased global demand on shipping and transport services may cause us to experience delays in the future which could impact our ability to obtain materials or deliver our products in a timely manner. These factors could otherwise disrupt our operations and could have an adverse effect on our business, financial condition and results of operations. In various jurisdictions in Canada, cannabis retailers have been restricted to conducting sales via curbside pickup and online delivery or are reducing opening hours, staff onsite and reducing the number of customers allowed in-store for cannabis retailers that continue to be open.

Retailers of our products in Canada and the United States have in some cases been determined to be, and may in other cases be deemed in the future, nonessential and be required to close or choose to suspend or significantly curtail their operations due to health and safety concerns for their employees. Further, those retail operations that we have been able to reopen may be closed in the future in the event that governments reinstitute closures for public health reasons. Even if our production facilities remain open, mandatory or voluntary self-quarantines and travel restrictions may limit our employees' ability to get to our facilities, and this, together with impacts on our supply chain and the uncertainty produced by the rapidly evolving nature of COVID-19, may result in reduced or suspended production. Those types of restrictions could also impact the abilities of customers in certain Canadian jurisdictions or the United States to continue to have access to our products. Quarantines, shelter-in-place and similar government orders, or the perception that such orders, shutdowns or other restrictions on the conduct of business operations could occur could impact personnel at third-party manufacturing facilities in Canada and the United States and other countries, or the availability or cost of materials, which would disrupt our supply chain, in particular in relation to our supply of masks, gowns and other protective equipment used at our facilities due to the global shortage of such protective equipment and materials.

As a result of COVID-19, we have implemented work-from-home policies for certain employees and the effects of our work-from-home policies may negatively impact productivity, disrupt access to books and records, increase cybersecurity risks and disrupt our business, and we do not yet know when we will be able to return to the office. In addition, the effects of COVID-19 may delay our R&D programs and our ability to execute on certain of our strategic plans involving construction. So long as measures to combat COVID-19 stay in effect, we expect COVID-19 to negatively affect our results of operations. The global impact of COVID-19 continues to evolve rapidly, and the extent of its effect on our operational and financial performance will depend on future developments, which are highly uncertain, including the duration, scope and severity of the pandemic, the actions taken to contain or mitigate its impact, and the direct and indirect economic effects of the pandemic and related containment measures, among others.

Any positive impacts from preventive measures, vaccines or treatments for COVID-19 may be not be realized due to mutations in the COVID-19 virus, adverse side effects, difficulties in implementation or distribution or other factors, so there can be no assurance that such preventive measures, vaccines or treatments will have a material impact on the Corporation's business, financial condition or results of operations. Furthermore, any subsequent "wave" or mutated strains of COVID-19 or the spread of other pathogens could also exacerbate the risks described in this risk factor. Even after the pandemic subsides, our businesses could also be negatively impacted should the effects of COVID-19 lead to changes in consumer behavior, including as a result of a decline in discretionary spending. During the past year, financial conditions for the cannabis industry have faced increased volatility. Moreover, future events could cause global financial conditions to suddenly and rapidly destabilize, and governmental authorities may have limited resources to respond to such future crises. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. Any sudden or rapid destabilization of global economic conditions could negatively impact our ability to obtain equity or debt financing or make other suitable arrangements to finance our projects. If increased levels of volatility continue, there is a rapid destabilization of global economic conditions or a prolonged recession resulting from the pandemic, it would likely materially affect our business and the value of our common shares.

We may not be able to supply the provincial purchasers in various provinces and territories of Canada with our products in the quantities or prices anticipated, or at all.

Our current revenues are largely dependent upon our supply contracts with the various Canadian provinces and territories. There are many factors which could impact our contractual agreements with the provinces and territories, including but not limited to availability of supply, product selection and the popularity of our products with retail customers. If our supply agreements with certain Canadian provinces are amended, terminated or otherwise altered, our sales and operating results could be adversely affected, which could have a material adverse effect on our business, operating results and financial condition.

Our supply arrangements with provincial purchasers, each of which we understand to be substantially similar in all material respects with the supply arrangements entered into with the other license holders in the Canadian cannabis industry, do not contain any binding minimum purchase obligations on the part of the relevant provincial purchaser.

We expect purchase orders to be primarily driven by end-consumer demand for our products and the relevant provincial purchaser supply at the relevant time. Accordingly, we cannot predict the quantities of our products that will be purchased by the provincial purchasers, or if our products will be purchased at all. Provincial purchasers may change the terms of the supply agreements at any time during the supply relationship including on pricing, have broad rights of return of products and are under no obligation to purchase our products or maintain any listings of our products for sale. As a result, provincial purchasers have a significant amount of control over the terms of the supply arrangements.

The effect of the legalization of recreational cannabis in Canada on the medical cannabis market in Canada is still uncertain, and it may have a significant negative effect upon our medical cannabis business if our existing or future medical-use customers decide to purchase products available in the recreational market instead of purchasing medical-use products from us.

On October 17, 2018, the *Cannabis Act* came into effect. The *Cannabis Act* allows individuals over the age of 18 to legally purchase, process and cultivate limited amounts of cannabis for recreational use in Canada, subject to provincial and territorial age restrictions which may increase the age of purchase in the province or territory. As a result, individuals who rely upon the medical cannabis market to supply their medical cannabis and cannabis-based products may cease this reliance, and instead turn to the recreational cannabis market to supply their cannabis and cannabis-based products. Factors that will influence this decision include the price of medical cannabis products in relation to similar recreational cannabis products, the amount of active ingredients in medical cannabis products in relation to similar recreational cannabis products, the types of cannabis products available to adult users and limitations on access to recreational cannabis products imposed by the regulations under the *Cannabis Act* and the legislation governing the distribution and sale of cannabis that has been enacted by the individual provinces and territories of Canada. The impact of the legalization of recreational cannabis in Canada on the medical cannabis market is uncertain, and while we cannot predict its impact on our sales and revenue prospects, it may be adverse.

The recreational cannabis market in Canada has in the past been and may in the future become oversupplied following the recent implementation of the Cannabis Act and the related legalization of cannabis for recreational use.

As a result of the recent implementation of the *Cannabis Act* and the legalization of adult cannabis use, numerous additional cannabis producers have and may continue to enter the Canadian market. We and such other cannabis producers have in the past produced and may in the future produce more cannabis than is needed to satisfy the collective demand of the Canadian medical and recreational markets, and we may be unable to export that over-supply into other markets. As a result, the available supply of cannabis could exceed demand, which could result in a significant decline in the market price for cannabis, which could have a material adverse effect on our business, financial condition and results of operations.

We must rely largely on our own market research and internal data to forecast sales and market demand and market prices which may differ from our forecasts.

Given the early stage of the cannabis and U.S. hemp industries, we rely largely on our own market research and internal data to forecast industry trends and statistics as detailed forecasts are, with certain exceptions, not generally available from other sources. A failure in the demand for our products to materialize as a result of competition, technological change, change in the regulatory or legal landscape or other factors could have a material adverse effect on our business, financial condition and results of operations.

We may be unsuccessful in competing in the legal recreational cannabis market in Canada.

We face competition from existing license holders licensed under the *Cannabis Act*. Certain of these competitors may have significantly greater financial, production, marketing, R&D and technical and human resources than we do. As a result, our competitors may be more successful than us in gaining market penetration and market share in the recreational cannabis industry in Canada. Our commercial opportunity in the recreational market could be reduced or eliminated if our competitors produce and commercialize products for the recreational market that, among other things, are safer, more effective, more convenient or less expensive than the products that we may produce, have greater sales, marketing and distribution support than our products, enjoy enhanced timing of market introduction and perceived effectiveness advantages over our products and receive more favorable publicity than our products. If our recreational products do not achieve an adequate level of acceptance by the recreational market, we may not generate sufficient revenue from these products, and our proposed recreational business may not become profitable.

The *Cannabis Act* allows individuals over the age of 18 to legally cultivate, propagate, harvest and distribute up to four cannabis plants per household provided that each plant meets certain requirements, although various restrictions on these activities exist in certain provinces and territories. If we are unable to effectively compete with other suppliers to the recreational cannabis market, or a significant number of individuals take advantage of the ability to cultivate and use their own cannabis, our recreational business may be negatively impacted.

In addition, the *Cannabis Act* allows for licenses to be granted for outdoor cultivation, which may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices, as capital expenditure requirements related to outdoor growing are typically much lower than those associated with indoor growing. Such results may also have a material adverse impact on our business, financial condition and result of operation.

The Canadian excise duty framework may affect profitability.

Canada's excise duty framework imposes an excise duty and various regulatory-like restrictions on certain cannabis products sold in Canada. We currently hold licenses issued by the Canada Revenue Agency ("CRA") required to comply with this excise framework. Any change in the rates or application of excise duty to cannabis products sold by us, and any restrictive interpretations by the CRA or the courts of the regulatory-like restrictions contained in the Excise Act, 2001 (which may be different than those contained in the *Cannabis Act*) may affect our profitability and ability to compete in the market.

Failure to establish and maintain effective internal control over financial reporting may result in our 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 our common shares.

We are responsible for establishing and maintaining adequate internal control over financial reporting, which is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP (as defined below). Because we are implementing new financial control and management systems, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A failure to prevent or detect errors or misstatements may result in a decline in the price of our common shares and harm our ability to raise capital in the future.

If our management is unable to certify the effectiveness of our internal controls or if material weaknesses or significant deficiencies in our internal controls are identified, we could be subject to regulatory scrutiny and a loss of public confidence, which could harm our business and cause a decline in the price of our common shares. In connection with our reporting requirements in Canada, we reported in our Form 40-F for the fiscal years ended March 31, 2018 and 2019, that our internal control over financial reporting was not effective due to a material weakness. In addition, due to the same material weakness, we reported that our disclosure controls and procedures were not effective as of March 31, 2018 and 2019. As disclosed under "Controls and Procedures" in our Annual Report on Form 40-F for the fiscal year ended March 31, 2019, as of March 31, 2019, management concluded that a material weakness existed in internal controls over company-wide "End User Computer" spreadsheets. This material weakness was initially identified as of March 31, 2017. The accounting complexities encountered in financial reporting rely on complex spreadsheets, most significantly around the valuation of inventory and biological assets and the related classification of line items on the consolidated statements of operations. Spreadsheets are inherently prone to error due to their manual nature. Our controls related to spreadsheets did not address all risks associated with access security, data entry and evidence of review of completed spreadsheets.

In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to accurately report our financial performance on a timely basis, which could cause a decline in the price of our common shares and

harm our ability to raise capital. Failure to accurately report our financial performance on a timely basis could also jeopardize our listing on the TSX or Nasdaq. Delisting of our common shares on any exchange would reduce the liquidity of the market for our common shares, which would reduce the price of and increase the volatility of the price of our common shares.

We do not expect that our disclosure controls and procedures and internal control over financial reporting will prevent all error or fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results could be materially adversely affected, which could also cause investors to lose confidence in our reported financial information, which in turn could result in a reduction in the trading price of our common shares.

In addition, acquisitions can pose challenges in implementing the required processes, procedures and controls in the new operations. Companies that are acquired by us, including Acreage (if the Acreage Arrangement is completed), may not have disclosure controls and procedures or internal control over financial reporting that are as thorough or effective as those required by the securities laws that currently apply to us.

We are subject to liability arising from any fraudulent or illegal activity by our employees, contractors and consultants.

We are exposed to the risk that our employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to us that violates: (i) applicable laws and regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse of federal, state and provincial laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for us to identify and deter misconduct by our employees and other third parties, and the precautions taken by us to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are brought against us, and we are not successful in defending us or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and the curtailment of our operations, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our cannabis cultivation and U.S. hemp operations are subject to risks inherent in the agricultural business.

Our business involves the growing of cannabis, an agricultural product, in certain jurisdictions where that activity is permitted. As such, our business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks that may create crop failures and supply interruptions for our customers.

Weather conditions and climate, which can vary substantially from year to year, may have a significant impact on the size and quality of the harvest of the crops processed and sold by us. Such adverse weather patterns could result in more permanent disruptions in the quality and size of the available crop, which could adversely affect our business. Like other agricultural products, the quality of cannabis grown outdoors is affected by weather and the environment, which can change the quality or size of the harvest. If a weather event is particularly severe, such as a major drought or hurricane, the affected harvest could be destroyed or damaged to an extent that it would be less desirable to our customers, which would result in a reduction in revenues. If such an event is also widespread, it could affect our ability to acquire the quantity of products required by customers. In addition, other items can affect the marketability of cannabis grown outdoors, including, among other things, the presence of non-cannabis related material, genetically modified organisms and excess residues of pesticides, fungicides and herbicides.

Significant increases or decreases in the total harvest will impact the sales of our products and, consequently, the profits and results of our operations. High degrees of quality variance can also affect processing velocity and capacity utilization, as the processes required to potentially upgrade lower or more variable quality product can slow overall processing times. There can be no assurance that natural elements will not have a material adverse effect on the production of our products.

Our cannabis cultivation operations are vulnerable to rising energy costs and dependent upon key inputs.

Our cannabis cultivation operations consume considerable energy, making us vulnerable to rising energy costs. Rising or volatile energy costs may have a material adverse effect on our business, financial condition and results of operations.

In addition, our business is dependent on a number of key inputs and their related costs, including raw materials and supplies related to our growing operations, as well as electricity, water and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact our financial condition and operating results. Any

inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on our business, financial condition and operating results.

We, or the cannabis and U.S. hemp industries more generally, may receive unfavorable publicity or become subject to negative consumer perception.

We believe that the cannabis and U.S. hemp industries are highly dependent upon broad social acceptance and consumer perception regarding the safety, efficacy and quality of the cannabis and U.S. hemp products, as well as consumer views concerning regulatory compliance. Consumer perception of our products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention, market rumors or speculation and other publicity regarding the consumption of cannabis and U.S. hemp products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis or U.S. hemp markets or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the cannabis industry, and therefore demand for our products and services, our business, financial condition, results of operations and cash flows.

Our dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the demand for our products, and our business, financial condition, results of operations and cash flows. Further, adverse publicity, reports or other media attention regarding the safety, efficacy and quality of cannabis or U.S. hemp in general, or our products specifically, or associating the consumption or use of cannabis or U.S. hemp with illness or other negative effects or events, could have such a material adverse effect on us. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views on our operations and activities, whether true or not, and the cannabis and U.S. hemp industries in general, whether true or not. Social media permits user-generated content to be distributed to a broad audience which can respond or react, in near real time, with comments that are often not filtered or checked for accuracy. Accordingly, the speed with which negative publicity (whether true or not) can be disseminated has increased dramatically with the expansion of social media. The dissemination of negative or inaccurate posts, comments or other user-generated content about us on social media (including those published by third-parties) could damage our brand, image and reputation or how the cannabis or U.S. hemp industries are perceived generally, which could have a detrimental impact on the market for our products and thus on our business, financial condition and results of operations.

In addition, certain well-funded and significant businesses may have strong economic opposition to the cannabis or U.S. hemp industries. Lobbying by such groups, and any resulting inroads they might make in halting or rolling back the cannabis and U.S. hemp movements, could affect how the cannabis or U.S. hemp industries are perceived by others and could have a detrimental impact on the market for our products and thus on our business, financial condition and results of operations.

Moreover, the parties with which we do business may perceive that they are exposed to reputational risk as a result of our cannabis or U.S. hemp related business activities. Failure to establish or maintain business relationships could have a material adverse effect on our business, financial condition and results of operations.

Any third-party service provider or supplier could suspend or withdraw its services to us if it perceives that the potential risks exceed the potential benefits to such services. For example, we face challenges making U.S. dollar wire transfers or engaging any third-party service provider or supplier with a substantial presence where cannabis is not federally legal (including the United States). While we have other banking relationships and believe that the services can be procured from other institutions, we may in the future have difficulty maintaining existing, or securing new, bank accounts or clearing services, service providers or other suppliers.

Although we take care in protecting our image and reputation, we do not ultimately have control over how we or the cannabis or U.S. hemp industries are perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to our overall ability to advance our business strategy and realize on our growth prospects, thereby having a material adverse impact on our business, financial condition and results of operations.

We may not successfully execute our business strategy.

An important part of our business strategy involves expanding operations in international markets, including in markets where we currently do not operate. We may be unable to pursue this strategy in the future at the desired pace or at all. We may be unable to, among other things, identify suitable companies to acquire or invest in; complete acquisitions on satisfactory terms; successfully expand our infrastructure and sales force to support growth; achieve satisfactory returns on acquired companies, particularly in countries where we do not currently operate; or enter into successful business arrangements for technical assistance or management expertise outside of North America.

In addition, the process of integrating acquired businesses, particularly in new markets, may involve unforeseen difficulties, such as loss of key employees, and may require a disproportionate amount of management's attention and financial and other

resources. We can give no assurance that we will ultimately be able to effectively integrate and manage the operations of any acquired business, including Acreage (if the Acreage Arrangement is completed), or realize anticipated synergies. The failure to successfully integrate the cultures, operating systems, procedures and information technologies of an acquired business could have a material adverse effect on our business, financial condition or results of operations.

If we succeed in expanding our existing businesses, such expansion may place increased demands on management, operating systems, internal controls and financial and physical resources. If not managed effectively, these increased demands may adversely affect the services provided to customers. In addition, our personnel, systems, procedures and controls may be inadequate to support future operations, particularly with respect to operations in countries outside of North America. Consequently, in order to manage growth effectively, we may be required to increase expenditures to increase our physical resources, expand, train and manage our employee base, improve management, financial and information systems and controls, or make other capital expenditures. Our business, financial condition and results of operations could be adversely affected if we encounter difficulties in effectively managing the budgeting, forecasting and other process control issues presented by future growth.

The markets that we operate in are increasingly competitive and we may compete for market share with other companies, both domestically and internationally, that may have longer operating histories and more financial resources, manufacturing and marketing experience than us.

The markets for cannabis and U.S. hemp are competitive and evolving and we face intense competition from both existing and emerging companies that offer similar products. Some of our current and potential competitors may have longer operating histories, greater financial, marketing and other resources and larger customer bases than us. In addition, there is potential that the cannabis and U.S. hemp industries will undergo consolidation, creating larger companies with financial resources, manufacturing and marketing capabilities and product offerings that are greater than ours. As a result of this competition, we may be unable to maintain our operations or develop them as currently proposed on terms we consider acceptable, or at all. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect our business, financial condition and results of operations. For example, we may not be able to enter into supply agreements or negotiate favorable prices. If we are unable to achieve our business objectives, such failure could materially and adversely affect our business, financial condition and results of operations. Moreover, competitive factors may result in us being unable to enter into desirable arrangements with new partners, to recruit or retain qualified employees or to acquire the capital necessary to fund our capital investments.

Given the rapid changes affecting global, national and regional economies generally, and the cannabis and U.S. hemp industries in particular, we may not be able to create and maintain a competitive advantage in the marketplace. Our success will depend on our ability to respond to, among other things, changes in the economy, regulatory conditions, market conditions and competitive pressures. Any failure by us to anticipate or respond adequately to such changes could have a material and adverse effect on our business, financial condition, operating results, liquidity, cash flow and operational performance.

In Canada, the number of licenses granted, and the number of license holders ultimately authorized by Health Canada could also have an impact on our operations. We expect to face additional competition from new market entrants that are granted licenses under the *Cannabis Act* or existing license holders which are not yet active in the industry. If a significant number of new licenses are granted by Health Canada in the near term, we may experience increased competition for market share and may experience downward price pressure on our products as new entrants increase production. We may also face competition from illegal cannabis dispensaries that are selling cannabis to individuals despite not having a valid license. Despite raids of dispensaries, many dispensaries are still in operation, providing additional competition.

If the number of users of medical and/or recreational cannabis increases, the demand for products will increase and we expect that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, we will require a continued high level of investment in R&D, sales and customer support. We may not have sufficient resources to maintain R&D, sales and customer support efforts on a competitive basis which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, the Canadian federal authorization of home cultivation, outdoor grow, and the easing of other barriers to entry into a Canadian recreational cannabis market, could materially and adversely affect our business, financial condition, results of operations or growth prospects.

Additionally, the legal landscape for medical and recreational cannabis is changing internationally. More countries have passed laws that allow for the production and distribution of medical cannabis in some form or another, and some of these countries may pass laws allowing for the production and distribution of recreational cannabis as well. Increased international competition could materially and adversely affect our business, operations or growth prospects.

We face competition from the illegal cannabis market.

We face competition from illegal market operators that are unlicensed and unregulated, and that are selling cannabis and cannabis products, including products with higher concentrations of active ingredients, using flavors or other additives or engaging in advertising and promotion activities that we are not permitted to. As these illegal market participants do not comply with the regulations governing the cannabis industry, their operations may also have significantly lower costs. The perpetuation of the illegal market for cannabis may have a material adverse effect on our business, results of operations, as well as the perception of cannabis use.

We are subject to risks related to the protection and enforcement of our intellectual property rights, and we may be unable to protect or enforce our intellectual property rights.

The ownership and protection of our intellectual property rights is a significant aspect of our future success. Currently we rely on trade secrets, technical know-how, proprietary information and certain patent filings to maintain our competitive position. We try to protect our intellectual property by strategically seeking and obtaining registered protection where possible, developing and implementing standard operating procedures to protect trade secrets, technical know-how and proprietary information, and entering into agreements with parties that have access to our inventions, trade secrets, technical know-how and proprietary information, such as our partners, collaborators, employees and consultants, to protect confidentiality and ownership. We also seek to preserve the integrity and confidentiality of our inventions, trade secrets, technical know-how and proprietary information by maintaining physical security of our premises and physical and electronic security of our information technology systems, and we seek to protect our trademarks and the goodwill associated therewith by monitoring and enforcing against unauthorized use of our trademarks.

It is possible that we will inadvertently disclose or otherwise fail or be unable to protect our inventions, trade secrets, technical know-how or proprietary information, or will fail to identify our inventions or trademarks as patentable or registrable intellectual property, or fail to obtain patent or registered trademark protection therefor. Any such disclosure or failure could have a material adverse effect on our business.

We may be unable to protect our inventions, trade secrets, and other intellectual property from discovery or unauthorized use.

In relation to our agreements with parties that have access to our intellectual property, any of these parties may breach their obligations to us, and we may not have adequate remedies for such breach. In relation to our security measures, such security measures may be breached and we may not have adequate remedies for such breach. In addition, our intellectual property that has not yet been applied for or registered may otherwise become known to, or be independently developed by, competitors, or may already be the subject of applications for intellectual property registrations filed by our competitors, which may have a material adverse effect on our business, financial condition and results of operations.

We cannot provide any assurances that our inventions, trade secrets, technical know-how and other proprietary information will not be disclosed in violation of agreements, or that competitors will not otherwise gain access to our intellectual property or independently develop and file applications for intellectual property rights in a manner that adversely impacts our intellectual property rights. Unauthorized parties may attempt to replicate or otherwise obtain and use our inventions, trade secrets, technical know-how and proprietary information. Policing the unauthorized use of our current or future intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as we may be unable to effectively monitor and evaluate the products being distributed by our competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. Additionally, if the steps taken to identify and protect our trade secrets are inadequate, we may be unable to enforce our rights in them against third parties.

Our intellectual property rights may be invalid or unenforceable under applicable laws, and we may be unable to have issued or registered, and unable to enforce, our intellectual property rights.

The laws and positions of intellectual property offices administering such laws regarding intellectual property rights relating to cannabis and cannabis-related products are constantly evolving, and there is uncertainty regarding which countries will permit the filing, prosecution, issuance, registration and enforcement of intellectual property rights relating to cannabis and cannabis-related products.

Specifically, we have sought trademark protection in many countries, including Canada, the United States and others. Our ability to obtain registered trademark protection for cannabis and cannabis-related goods and services (including hemp and hemp-related goods and services), may be limited in certain countries outside of Canada, including the U.S., where registered federal trademark protection is currently unavailable for trademarks covering the sale of cannabis products or certain goods containing U.S. hemp-derived CBD (such as dietary supplements and foods) until the FDA provides clearer guidance on the regulation of such products; and including Europe, where laws on the legality of cannabis use are not uniform, and trademarks cannot be obtained for products that are “contrary to public policy or accepted principles of morality.” Accordingly, our ability to obtain intellectual property rights or enforce intellectual property rights against third-party uses of similar trademarks may be limited in certain countries.

Moreover, in any infringement proceeding, some or all of our current or future trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for our benefit, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of our current or future trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect our business, financial condition and results of operations.

We cannot offer any assurances about which, if any, patent applications will issue, the breadth of any such patent or whether any issued patents will be found invalid or unenforceable or which of our products or processes will be found to infringe upon the

patents or other proprietary rights of third parties. Any successful opposition to future issued patents could deprive us of rights necessary for the successful commercialization of any new products or processes that we may develop.

In addition, there is no guarantee that any patent or other intellectual property applications that we file will result in registration or any enforceable intellectual property rights or the breadth of such protection. Further, there is no assurance that we will find all potentially relevant prior art relating to any patent applications that we file, which may prevent a patent from issuing from a patent application or invalidate any patent that issues from such application. Even if patents do successfully issue, and cover our products and processes, third parties may challenge their validity, enforceability or scope, which may result in such patents being narrowed, found unenforceable or invalidated. Furthermore, even if they are unchallenged, any patent applications and future patents may not adequately protect our intellectual property rights, provide exclusivity for our products or processes or prevent others from designing around any issued patent claims. Any of these outcomes could impair our ability to prevent competition from third parties, which could materially and adversely affect our business, financial condition and results of operations.

We may be subject to allegations that we are in violation of third-party intellectual property rights, and we may be found to infringe third-party intellectual property rights, possibly without the ability to obtain licenses necessary to use such third-party intellectual property rights.

Other parties may claim that our products infringe on their intellectual property rights, including with respect to patents, and our operation of our business, including our development, manufacture and sale of our goods and services, may be found to infringe third-party intellectual property rights. There may be third-party patents or patent applications with claims to products or processes related to the manufacture, use or sale of our products and processes. There may be currently pending patent applications, some of which may still be confidential, that may later result in issued patents that our products or processes may infringe. In addition, third parties may obtain patents in the future and claim that use of our inventions, trade secrets, technical know-how and proprietary information, or the manufacture, use or sale of our products infringes upon those patents. Third parties may also claim that our use of our trademarks infringes upon their trademark rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders, other equitable relief, and/or require the payment of damages, any or all of which may have an adverse impact on our business. In addition, we may need to obtain licenses from third parties who allege that we have infringed on their lawful rights. Such licenses may not be available on terms acceptable to us, and we may be unable to obtain any licenses or other necessary or useful rights under third-party intellectual property.

Our germplasm collection is a key piece of our intellectual property, and we may be unable to protect, register or enforce our intellectual property rights in germplasm, and may infringe third-party intellectual property rights with respect to germplasm, possibly without the ability to obtain licenses necessary to use such third-party intellectual property rights.

Germplasm, including seeds, clones and cuttings, is the genetic material used to produce our crops and to create new cannabis varieties. We use our germplasm collection and advanced breeding technologies to produce cannabis varieties with superior performance. We rely on parental varieties for the success of our breeding program. Although we believe that the parental germplasm is proprietary to us, we may need to obtain licenses from third parties who may allege that we have appropriated their germplasm or their rights to such germplasm. Such licenses may not be available on terms acceptable to us, and we may be unable to obtain any licenses or other necessary or useful rights under third-party intellectual property. We seek to protect our parental germplasm, as appropriate, relying on intellectual property rights, including rights related to inventions (patents and plant breeders' rights), trade secrets, technical know-how and proprietary information. There is a risk that we will fail to protect such germplasm or that we will fail to register rights in relation to such germplasm.

We also seek to protect our parental germplasm, and commercial varieties from pests and diseases and enhance plant productivity and fertility, and we conduct research into products that protect against crop pests and fungal diseases. There are several reasons why new product concepts in these areas may be abandoned, including greater than anticipated development costs, technical difficulties, regulatory obstacles, competition, inability to prove the original concept, lack of demand and the need to divert focus, from time to time, to other initiatives with perceived opportunities for better returns. The processes of breeding, development and trait integration are lengthy, and the germplasm we test may not be selected for commercialization. The length of time and the risk associated with breeding may affect our business. Our sales depend on our germplasm. Commercial success frequently depends on being the first company to the market, and many of our competitors are also making considerable investments in similar new and improved cannabis germplasm products. Consequently, there is no assurance that we will develop and deliver new cannabis germplasm products to the markets we serve on a timely basis.

Finally, we seek to protect our germplasm and commercial varieties from accidental release, theft, misappropriation and sabotage by maintaining physical security of our premises and through contractual rights with our employees and certain of our independent contractors, consultants and licensees. However, such security measures may be insufficient or breached, and our employees, independent contractors, consultants and licensees may engage in the inadvertent disclosure, theft, misappropriation or sabotage. We may not have adequate remedies in the case of any such security breach, inadvertent disclosure, theft, misappropriation or sabotage.

We receive licenses to use some third-party intellectual property rights, and the failure of the owner of such intellectual property to properly maintain or enforce the intellectual property underlying such licenses, or our inability to maintain such licenses, could have a material adverse effect on our business, financial condition and performance.

We are party to licenses granted by third parties, including the brands for Houseplant, Martha Stewart CBD, LBS and DNA Genetics, that give us rights to use third-party intellectual property that is necessary or useful to our business. Our success will depend, in part, on the ability of the applicable licensor to maintain and enforce its licensed intellectual property against other third parties, particularly intellectual property rights to which we have secured exclusive rights. Without protection for the intellectual property we have licensed, other companies might be able to offer substantially similar products for sale, or utilize substantially similar processes or publicity and marketing rights, any of which could have a material adverse effect on our business, financial condition and results of operations.

Any of our licensors may allege that we have breached our license agreements with those licensors, whether with or without merit, and accordingly seek to terminate our applicable licenses. If successful, this could result in our loss of the right to use applicable licensed intellectual property, which could adversely affect our ability to commercialize our products or services, as well as have a material adverse effect on our business, financial condition and results of operations.

We may not be able to secure adequate or reliable sources of funding required to operate our business.

There is no guarantee that we will be able to achieve our business objectives. Our continued development may require additional financing. The failure to raise such capital could result in a delay or indefinite postponement of our current business objectives or in our inability to continue to operate our business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to us. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of our common shares. In addition, from time to time, we may enter into transactions to acquire assets or the equity of other companies. These transactions may be financed wholly or partially with debt, which may temporarily increase our debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions or other strategic joint venture opportunities.

We could have difficulty transitioning the operations of businesses that we have acquired and will acquire.

The success of our acquisitions, including Acreage (if the Acreage Arrangement is completed), depends upon our ability to transition any businesses that we acquire. The transitioning of acquired business operations could disrupt our business by causing unforeseen operating difficulties, diverting management's attention from day-to-day operations and requiring significant financial resources that would otherwise be used for the ongoing development of our business. The difficulties of transitions could be increased by the necessity of coordinating geographically dispersed organizations, coordinating personnel with disparate business backgrounds and managing different corporate cultures, or discovering previously unknown liabilities. In addition, we could be unable to retain key employees or customers of the acquired businesses. We could face transition issues including those related to operations, internal controls, information systems and operational functions of the acquired companies and we also could fail to realize cost efficiencies or synergies that we anticipated when selecting our acquisition candidates or these acquisitions could fail to complete successfully. Any of these items could adversely affect our results of operations.

Our production facilities are integral to our operations and any adverse changes or developments affecting our facilities may impact our business, financial condition and results of operations.

Our activities and resources are focused on various production and manufacturing facilities including in Canada, the United States (for U.S. hemp products), Denmark and Australia. The licenses held by us are specific to individual facilities. Adverse changes or developments affecting any facility, including but not limited to a breach of security, an outbreak of a communicable illness (such as COVID-19) or a force majeure event, could have a material and adverse effect on our business, financial condition, prospects and results of operations. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by regulatory agencies, could also have an impact on our ability to continue operating under our licenses or the prospect of renewing our licenses or could result in a revocation of our licenses.

All facilities continue to operate with routine maintenance. We bear many, if not all, of the costs of maintenance and upkeep at our facilities, including replacement of components over time. Our operations and financial performance may be adversely affected if we and our facilities are unable to keep up with maintenance requirements.

Certain contemplated capital expenditures in Canada, including the construction of additional growing rooms and the expansion of cannabis oil extraction capacity, will require Health Canada approval. There is no guarantee that Health Canada will approve the contemplated expansion and/or renovation, which could adversely affect our business, financial condition and results of operations.

We may not be successful in maintaining the consumer brand recognition and loyalty of our products.

We compete in a market that relies on innovation and the ability to react to evolving consumer preferences. Consumers in the cannabis market have demonstrated a degree of brand loyalty, but suppliers must continue to adapt their products in order to maintain their status among customers as the market evolves. Our continued success depends in part on our ability and our supplier's ability to continue to differentiate the brand names we represent, own or license and maintain similarly high levels of recognition with target consumers. Trends within the cannabis industry change often and our failure to anticipate, identify or react to changes in these trends could, among other things, lead to reduced demand for our products.

Regulations have recently been and are likely to continue to be enacted in the future that would make it more difficult to appeal to consumers or to leverage the brands that we distribute, own or license. For example, the Canadian federal regulatory regime requires plain packaging on cannabis products in order to prohibit testimonials, lifestyle branding and packaging that is appealing to youth. The restriction on the use of logos and brand names on cannabis products could have a material adverse impact on our business, financial condition and results of operations, as it may be difficult to establish brand loyalty. In addition, the *Cannabis Act* allows for licenses to be granted for outdoor cultivation, which may reduce start-up capital required for new entrants in the cannabis industry. Outdoor cultivation may also ultimately lower prices, as capital expenditure requirements related to outdoor growing are typically much lower than those associated with indoor growing. Such results may also have a material adverse impact on our business, financial condition and result of operation.

Furthermore, even if we are able to continue to distinguish our products, there can be no assurance that the sales, marketing and distribution efforts of our competitors will not be successful in persuading consumers of our products to switch to their products. Some of our competitors have greater access to resources than we do, which better positions them to conduct market research in relation to branding strategies or costly marketing campaigns. Any loss of consumer brand loyalty to our products or in our ability to effectively brand our products in a recognizable way will have a material effect on our ability to continue to sell our products and maintain our market share, which could have a material adverse effect on our business, results of operations and financial condition.

If we fail to obtain and retain high-visibility sponsorship or endorsement arrangements with celebrities, or if the reputation of any of the celebrities that we partner with is impaired, our business may suffer.

A principal component of our marketing program is to partner with well-known celebrities for sponsorship and endorsement arrangements, such as Martha Stewart for our CBD line of gummies, oils and softgels and products for pets line. Although we have partnered with several well-known celebrities in this manner, some of these persons may not continue their endorsements, may not continue to succeed in their fields or may engage in activities which could bring disrepute on themselves and, in turn, on us and our brand image and products. We also may not be able to attract and partner with new celebrities that may emerge in the future. Competition for endorsers is significant and adverse publicity regarding us or our industry could make it more difficult to attract and retain endorsers. Any of these failures by us or the celebrities that we partner with could adversely affect our business and revenues.

The majority of our assets are the capital stock of our material subsidiaries; therefore our investors are subject to the risks attributable to our material subsidiaries which generate substantially all of our revenues.

The majority of our assets are the capital stock of our material subsidiaries. We conduct substantially all of our business through our subsidiaries, which generate substantially all of our revenues. Consequently, our cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of our subsidiaries and the distribution of those earnings to us. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of our material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before us.

We may experience breaches of security at our facilities or fraudulent or unpermitted data access or other cyber-security breaches, which may cause our customers to lose confidence in our security and data protection measures and may expose us to risks related to breaches of applicable privacy laws.

Given the nature of our products and our lack of legal availability outside of certain legalized or regulated retail or distribution channels, as well as the concentration of inventory in our facilities, despite meeting or exceeding the applicable security requirements under applicable law, there remains a risk of theft. A security breach at one of our facilities could expose us to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential customers from choosing our products.

Our information systems and any of our third-party service providers and vendors are vulnerable to an increasing threat of continually evolving cybersecurity risks. These risks may take the form of malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of the respective organizations. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapid evolving nature of the threats, targets and consequences. Additionally, unauthorized parties may attempt to gain access to these

systems through fraud or other means of deceiving third-party service providers, employees or vendors. Our operations depend, in part, on how well networks, equipment, IT systems and software are protected against damage from a number of threats. These operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. However, if we are unable or delayed in maintaining, upgrading or replacing IT systems and software, the risk of a cybersecurity incident could materially increase. Any of these and other events could result in information system failures, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact our reputation and results of operations.

We may collect and store certain personal information about our customers and are responsible for protecting such information from privacy breaches. A privacy breach may occur through a variety of sources, including, without limitation, procedural or process failure, information technology malfunction, deliberate unauthorized intrusions, computer viruses, cyber-attacks and other electronic security breaches. In addition, theft of data for competitive purposes, such as customer lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such privacy breach or theft could have a material adverse effect on our business, financial condition and results of operations.

We are dependent upon information technology systems in the conduct of our operations and we collect, store and use certain sensitive data, intellectual property, our proprietary business information and certain personally identifiable information of our employees and customers on our networks. Any fraudulent, malicious or accidental breach of our data security could result in unintentional disclosure of, or unauthorized access to, third-party, customer, vendor, employee or other confidential or sensitive data or information, which could potentially result in additional costs to us to enhance security or to respond to occurrences, lost sales, violations of privacy or other laws, penalties, fines, regulatory action or litigation. We also rely on third-party service providers for certain information technology systems, such as payment processing, and any data security breach at a third-party service provider could have similar effects. In addition, media or other reports of perceived security vulnerabilities to our systems or those of our third-party suppliers, even if no breach has been attempted or occurred, could adversely impact our brand and reputation and customers could lose confidence in our security measures and reliability, which would harm our ability to retain customers and gain new ones. If any of these were to occur, it could have a material adverse effect on our business and results of operations.

In addition, there are a number of federal, state and provincial laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. For example, the privacy rules under the Personal Information Protection and Electronics Documents Act (Canada) (“PIPEDA”) protect medical records and other personal health information by limiting their use and disclosure of health information to the minimum level reasonably necessary to accomplish the intended purpose and apply to our operations globally. If we were found to be in violation of the privacy or security rules under PIPEDA or other applicable laws protecting the confidentiality of patient health information in jurisdictions we operate in, we could be subject to sanctions and civil or criminal penalties, which could increase our liabilities, harm our reputation and have a material adverse effect on our business, financial condition and results of operations.

In addition, the European Parliament and the Council of the European Union adopted a comprehensive general data privacy regulation (“GDPR”) in 2016 to replace the current European Union Data Protection Directive and related country-specific legislation. The GDPR took effect in May 2018 and governs the collection and use of personal data in the European Union. The GDPR, which is wide-ranging in scope, will impose several requirements relating to the consent of the individuals to whom the personal data relates, the information provided to the individuals, the security and confidentiality of the personal data, data breach notification and the use of third-party processors in connection with the processing of the personal data. The GDPR also imposes strict rules on the transfer of personal data out of the European Union to the United States, enhances enforcement authority and imposes large penalties for noncompliance, including the potential for fines of up to €20 million or 4% of the annual global revenues of the infringer, whichever is greater.

Additional jurisdictions in which we operate or which we may enter also have data privacy and security laws and regulations that govern the collection, use, disclosure, transfer, storage, disposal, and protection of sensitive personal information. The interpretation and enforcement of such laws and regulations are uncertain and subject to change, and may require substantial costs to monitor and implement compliance with any additional requirements. Failure to comply with data protection laws and regulations could result in government enforcement actions (which could include substantial civil and/or criminal penalties), private litigation and/or adverse publicity and could negatively affect our operating results and business.

We may be subject to, or prosecute, litigation in the ordinary course of our marketing, distribution and sale of our products.

We may from time to time be subject to litigation, claims, other legal and regulatory proceedings and disputes arising in the ordinary course of our marketing, distribution and sale of our products, some of which may adversely affect our business, financial condition and results of operations. Several companies in the U.S. hemp-derived CBD industry have recently become party to an increasing number of purported class actions lawsuits relating to their food and dietary supplement products containing U.S. hemp-derived CBD. Should we face similar class actions filed against us, plaintiffs in such class action lawsuits, as well as in other lawsuits against us, may seek very large or indeterminate amounts, including punitive damages, which may remain unknown for substantial periods of time. Should any litigation in which we become involved be determined against us, such a decision could adversely affect our ability to continue operating, adversely affect the market price for our common shares and require the use of significant resources.

Even if we are involved in litigation and we win, litigation can redirect significant resources. Litigation may also create a negative perception of us and our brands, which could have an adverse effect on our business, financial condition and results of operations.

Securities litigation could also result in substantial costs and damages and divert management's attention and resources. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. We have been the target of such litigation and may in the future be the target of similar litigation. Regardless of merit, such litigation could result in substantial costs and damages and divert management's attention and resources, which could adversely affect our business. Any adverse determination in litigation against us could also subject us to significant liabilities. Any decision resulting from any such litigation that is adverse to us could have a negative impact on our financial position. See Item 3 of this Annual Report for more details on our legal proceedings.

We may be subject to product liability claims.

As a manufacturer and distributor of products designed to be ingested or inhaled by consumers, we face an inherent risk of exposure to product liability claims, regulatory action and litigation if our products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis and U.S. hemp products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from consumption of cannabis or U.S. hemp products alone or in combination with other medications or substances could occur as described under "—There is limited long-term data with respect to the efficacy and side effects of our products and future clinical research studies on the effects of cannabis, hemp and cannabinoids may lead to conclusions that dispute or conflict with our understanding and belief regarding their benefits, viability, safety, efficacy, dosing and social acceptance." We may be subject to various product liability claims, including, among others, that our products caused injury or illness, incorrect labeling, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

A product liability claim or regulatory action against us could result in increased costs to us, could adversely affect our reputation with our clients and consumers generally, and could have a material adverse effect on our business, financial condition and results of operations. Please refer to "Part 1 – Legal Proceedings" under Item 3 of this Annual Report for further discussion. There can be no assurances that we will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of our products.

We may be unable to attract or retain skilled labor and personnel with experience in the cannabis sector, adequate equipment, parts and components, and we may be unable to attract, develop and retain additional employees required for our operations and future developments.

We may be unable to attract or retain employees with sufficient experience in the cannabis industry, and may prove unable to attract, develop and retain additional employees required for our development and future success.

Our success is currently largely dependent on the performance of our skilled employees. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them.

In addition, our ability to compete and grow will be dependent upon having access, at a reasonable cost and in a timely manner, to skilled labor, adequate equipment, parts and components. No assurances can be given that we will be successful in maintaining the required supply of skilled labor, adequate equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by our capital expenditure programs may be significantly greater than anticipated or available, in which circumstance there could be a materially adverse effect on our financial results.

The inability of our customers or suppliers to meet their financial or contractual obligations to us may result in disruption to our supply chain and operations and could result in financial losses.

We have exposure to several customers who are license holders and, at least some of these customers are experiencing financial difficulties. In addition, we also face exposure to our third-party cannabis suppliers who may face financial difficulties and which would impact our supply of cannabis material. We have in the past, and may in the future, have disruptions in our supply chain and need to take allowances against and need to write off receivables due to the creditworthiness of these customers.

Further, the inability of these customers to purchase our products could materially adversely affect our results of operations.

We may be unable to attract and retain customers.

Our success depends on our ability to attract and retain customers. There are many factors which could impact our ability to attract and retain customers, including but not limited to our ability to continually produce desirable and effective product, the successful implementation of customer-acquisition plans and the continued growth in our aggregate number of customers. The failure to acquire and retain customers would have a material adverse effect on our business, operating results and financial condition.

We rely on third-party distributors to distribute our products, and those distributors may not perform their obligations.

We rely on third-party distributors, including pharmaceutical distributors and other courier services, and may in the future rely on other third parties, to distribute our products. If these distributors do not successfully carry out their contractual obligations or terminate or suspend their contractual arrangements with us, if there is a delay or interruption in the distribution of our products or if these third parties damage our products, it could negatively impact our revenue. In addition, any damage to our products, such as product spoilage, could expose us to potential product liability, damage our reputation and the reputation of our brands or otherwise harm our business.

We are vulnerable to third-party transportation risks.

We depend on fast and efficient courier services to distribute our products to our customers. Any prolonged disruption of this courier service could have a material adverse effect on our business, financial condition and results of operations. Rising costs associated with the courier services that we use to ship our products may also adversely impact our business and our ability to operate profitably.

Due to the nature of our products, security of the product during transportation to and from our facilities is of the utmost concern. A breach of security during transport or delivery could have a material and adverse effect on our business, financial condition and prospects. Any breach of the security measures during transport or delivery, including any failure to comply with applicable recommendations or requirements, could also have an impact on our ability to continue operating under our current licenses or impact the prospects of renewing our licenses.

We rely on third-party testing and analytical methods which are validated but still being standardized.

We are required to test our cannabis and U.S. hemp products, as well as cannabis accessories, in many of our active markets, with independent third-party testing laboratories for, among other things, cannabinoid levels. However, testing methods and analytical assays for cannabinoid levels of detection vary among different testing laboratories. There is currently no industry consensus on standards for testing methods or compendium of analytical assays or standard levels of detection. The detected and reported cannabinoid content in our cannabis and U.S. hemp products therefore can differ depending on the laboratory and testing methods (analytical assays) used. Variations in reported cannabinoid content will likely continue until the relevant regulatory agencies and independent certification bodies (e.g., ISO, USP) collaborate to develop, publish and implement standardized testing approaches for cannabis (including U.S. hemp), cannabinoids and their derivative products. Such differences could cause confusion with our consumers which could lead to a negative perception of us and our products, increase the risk of litigation regarding cannabinoid content and regulatory enforcement action and could make it more difficult for us to comply with regulatory requirements regarding contents of ingredients and packaging and labeling.

We may decide, or be required, to divest or restructure certain of our interests.

In certain circumstances, we may decide, or be required, to divest certain of our interests. In particular, if any of our interests give rise to a violation of any applicable laws and regulations, including U.S. federal law, we may be required to divest our interest or risk significant fines, penalties, administrative sanctions, convictions, settlements or delisting from the TSX and/or Nasdaq. For instance, if we determine that our operations are not compliant with U.S. laws or the policies of the TSX and Nasdaq, we will use commercially reasonable best efforts to divest our interest in the event that we cannot restructure our holdings. There is no assurance that these divestitures will be completed on terms favorable to us, or at all. Any opportunities resulting from these divestitures, and the anticipated effects of these divestitures on us, may never be realized or may not be realized to the extent we anticipate. Not all of our interests are liquid, and such interests may be difficult to dispose of and subject to illiquidity discounts on divestiture. Any required divestiture or an actual or perceived violation of applicable laws or regulations by us could have a material adverse effect on us, including on our reputation and ability to conduct business, the listing of our common shares on the TSX and Nasdaq, our financial position, operating results, profitability or liquidity or the market price of our common shares. In addition, it is difficult for us to estimate the time or resources that may be required for the investigation of any such matter or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

If we decide, or are required, to restructure our interests to remain in compliance with laws or stock exchange requirements, such restructuring could result in the write-down of the value of our interests, which could have a material adverse effect on our business, financial condition and results of operations.

Fluctuations in wholesale and retail prices could result in earnings volatility.

The cannabis industry is a margin-based business in which gross profits depend on the excess of sales prices over costs. Consequently, profitability is sensitive to fluctuations in wholesale and retail prices caused by changes in supply (which itself depends on other factors such as weather, fuel, equipment and labor costs, shipping costs, economic situation and demand), taxes, government programs and policies for the cannabis industry (including price controls and wholesale price restrictions that may be imposed by government agencies responsible for the sale of cannabis), and other market conditions, all of which are factors beyond our control. Our operating income may be significantly and adversely affected by a decline in the price of cannabis and will be sensitive to

changes in the price of cannabis and the overall condition of the cannabis industry, as our profitability is directly related to the price of cannabis. There is currently not an established market price for cannabis and the price of cannabis is affected by numerous factors beyond our control. Any price decline may have a material adverse effect on us.

We are subject to the risk of defects or impairment charges related to potential write-downs of acquired assets or goodwill in future acquisitions.

A defect in any business arrangement, including Acreage (if the Acreage Arrangement is completed), may arise to defeat or impair our claim to such transaction, which may have a material adverse effect on us. It is possible that material changes could occur that may adversely affect management's estimate of the recoverable amount for any agreement we enter into. Impairment estimates, based on applicable key assumptions and sensitivity analysis, will be based on management's best knowledge of the amounts, events or actions at such time, and the actual future outcomes may differ from any estimates that are provided by us. Any impairment charges on our carrying value of business arrangements could have a material adverse effect on us.

Our Credit Facility contains restrictive covenants that may limit our operating flexibility.

Our Credit Facility contains restrictive covenants that limit our ability to transfer or dispose of assets, merge with other companies or consummate certain changes of control, acquire other companies, open new offices that contain a material amount of assets, pay dividends, incur additional indebtedness and liens and enter into new businesses. We therefore may not be able to engage in any of the foregoing transactions unless we obtain the consent of the lender or terminate the Credit Facility, which may limit our operating flexibility. In addition, our Credit Facility is secured by all of our assets, including our intellectual property, and requires us to satisfy certain financial covenants. There is no guarantee that we will be able to generate sufficient cash flow or sales to meet these financial covenants or pay the principal and interest on any such debt. Furthermore, there is no guarantee that future working capital, borrowings or equity financing will be available to repay or refinance any such debt. Any inability to make scheduled payments or meet the financial covenants on our Credit Facility would adversely affect our business.

We are exposed to counterparty risks and liquidity risks that may impact our ability to obtain loans and other credit facilities on favorable terms.

We are exposed to counterparty risks and liquidity risks including, but not limited to, through: (i) financial institutions that may hold our cash and cash equivalents; (ii) companies that will have payables to us; (iii) our insurance providers; and (iv) our lenders, if any. These factors may impact our ability to obtain loans and other credit facilities in the future and, if obtained, on terms favorable to us. If these risks materialize, our operations could be adversely impacted and the price of our common shares could be adversely affected.

We may hedge or enter into forward sales, which involves inherent risks.

We may hedge or enter into forward sales of our forecasted right to purchase cannabis. Hedging involves certain inherent risks including: (i) credit risk (the risk that the creditworthiness of a counterparty may adversely affect its ability to perform its payment and other obligations under its agreement with us or adversely affect the financial and other terms the counterparty is able to offer us); (ii) market liquidity risk (the risk that we have entered into a hedging position that cannot be closed out quickly, by either liquidating such hedging instrument or by establishing an offsetting position); and (iii) unrealized fair value adjustment risk (the risk that, in respect of certain hedging products, an adverse change in market prices for cannabis will result in us incurring losses in respect of such hedging products as a result of the hedging products being out-of-the-money on their settlement dates).

There can be no assurance that a hedging program designed to reduce the risks associated with price fluctuations will be successful. Although hedging may protect us from adverse changes in price fluctuations, it may also prevent us from fully benefitting from positive changes in price fluctuations.

We must rely on local counsel and consultants with respect to laws and regulations in countries outside of Canada.

The legal and regulatory requirements in the foreign countries in which we operate with respect to the cultivation and sale of cannabis, banking systems and controls, as well as local business culture and practices are different from those in Canada. Our officers and directors must rely, to a great extent, on local legal counsel and consultants in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect our business operations, and to assist with governmental relations. We must rely, to some extent, on those members of management and our board of directors who have previous experience working and conducting business in these countries, if any, in order to enhance its understanding of and appreciation for the local business culture and practices. We also rely on the advice of local experts and professionals in connection with current and new regulations that develop in respect of the cultivation and sale of cannabis as well as in respect of banking, financing, labor, litigation and tax matters in these jurisdictions. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond our control. The impact of any such changes may adversely affect our business.

Risks Relating to our Common Shares

The market price for our common shares may be volatile and subject to fluctuation in response to numerous factors, many of which are beyond our control.

The market price for our common shares may be volatile and subject to wide fluctuations in response to many factors, including:

- actual or anticipated fluctuations in our results of operations;
- changes in estimates of our future results of operations by us or securities research analysts;
- changes in the economic performance or market valuations of other companies that investors deem comparable to us;
- additions or departures of our executive officers and other key employees;
- transfer restrictions on outstanding common shares;
- equity issuances by us (including through the sale of securities convertible into equity securities) or resales of common shares by our stockholders or the perception in the market that such issuances or resales might occur;
- significant acquisitions or business combinations, strategic partnerships, investments, joint ventures or capital commitments by or involving us or our competitors, including the Acreage Arrangement if completed;
- increases in speculative trading activity by investors targeting publicly traded cannabis companies, which can further contribute to the volatility of the market price for our common shares if aggregate short exposure exceeds the number of our common shares available for purchase;
- news reports relating to trends, concerns or competitive developments, regulatory changes or enforcement actions and other related issues in our industry or target markets;
- the prospect of actual or perceived future changes to the legal and regulatory regimes that govern our products and our industries;
- investors' general perception of us and the public's reaction to our press releases, our other public announcements and our filings with the SEC and Canadian securities regulators;
- reports by industry analysts, investor perceptions, and market rumors or speculation;
- general market, economic and political conditions;
- negative announcements by our customers, competitors or suppliers regarding their own performance; and
- the realization of any of the other risk factors set forth herein.

For example, reports by industry analysts, investor perceptions, market rumors or speculation could trigger a sell-off in our common shares. Any sales of substantial numbers of our common shares in the public market or the perception that such sales might occur may cause the market price of our common shares to decline. In addition, to the extent that other large companies within our industries experience declines in their stock price, the share price of our common shares may decline as well. Moreover, if the market price of our common shares drops significantly, shareholders may institute securities class action lawsuits against us. Lawsuits against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources.

Securities markets continue to experience significant price and volume fluctuations that have, in some cases, been unrelated to the operating performance, underlying asset values or prospects of such public companies. Accordingly, the market price of our common shares may decline even if our results of operations, underlying asset values or prospects have not changed. In addition, certain institutional investors may base their investment decisions on consideration of our environmental, governance, diversity and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in our common shares by those institutions, which could adversely affect the trading price of our common shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the trading price of the common shares may be adversely affected.

In addition, our shareholders may be unable to sell significant quantities of our common shares into the public markets without a significant reduction in the price of our common shares, or at all. There can be no assurance that there will be sufficient liquidity of our common shares, nor that we will continue to meet the listing requirements of the TSX or Nasdaq or achieve listing on any other recognized stock exchange.

The financial reporting obligations of being a public company and maintaining a dual listing on the TSX and on Nasdaq requires significant company resources and management attention.

We are subject to the public company reporting obligations under the *Exchange Act* and the rules and regulations regarding corporate governance practices, including those under the Sarbanes-Oxley Act, the Dodd-Frank Act, and the listing requirements of Nasdaq. We incur significant legal, accounting, reporting and other expenses in order to maintain a dual listing on both the TSX and Nasdaq. Moreover, our listing on both the TSX and Nasdaq may increase price volatility due to various factors, including the ability to buy or sell common shares, different market conditions in different capital markets and different trading volumes. In addition, low trading volume may increase the price volatility of the common shares.

It is not anticipated that any dividend will be paid to holders of common shares for the foreseeable future.

No dividends on our common shares have been paid to date. We currently intend to retain future earnings, if any, for future operation and expansion. Our board of directors has the discretion to declare dividends and to prescribe the timing, amount and payment of such dividends. Such decision will depend upon our future earnings, cash flows, acquisition capital requirements and financial condition, and other relevant factors that our board of directors may deem relevant. Further, our Credit Facility provides for certain restrictions on our ability to pay dividends and there can be no assurance that we will declare a dividend on a quarterly, annual or other basis, or at all. We have no plans to pay any dividends, now or in the near future.

Investors in the United States may have difficulty bringing actions and enforcing judgments against us and others based on securities law civil liability provisions.

We are incorporated under the laws of the Province of Ontario and our head office is located in the Province of Ontario. Some of our directors and officers and some of the experts named in this Annual Report are residents of Canada or otherwise reside outside of the United States and a substantial portion of their assets and our assets are located outside the United States. Consequently, it may be difficult for investors in the United States to bring an action against such directors, officers or experts or to enforce against those persons or us a judgment obtained in a U.S. court predicated upon the civil liability provisions of U.S. federal securities laws or other U.S. laws. In addition, while statutory provisions exist in Ontario for derivative actions to be brought in certain circumstances, the circumstances in which a derivative action may be brought, and the procedures and defenses that may be available in respect of any such action, may be different than those of shareholders of a company incorporated in the United States.

If we are a passive foreign investment company for U.S. federal income tax purposes in any year, certain adverse tax rules could apply to U.S. Holders of our common shares.

A corporation that is not a resident of the U.S. for U.S. federal income tax purposes will be considered a passive foreign investment company (“PFIC”) for any taxable year in which (i) 75% or more of its gross income is "passive income" or (ii) 50% or more of the average quarterly value of its assets produce (or are held for the production of) "passive income." For this purpose, "passive income" generally includes interest, dividends, rents, royalties and certain gains. The determination as to whether the Company is a PFIC for any taxable year is based on the application of complex U.S. federal income tax rules, which are subject to differing interpretations, and is not determinable until after the end of such taxable year. Further, the determination is based in part on the Company's operations and the mix, use and value of the Company's assets, which values may be treated as changing for U.S. federal income tax purposes as the Company's market capitalization changes. If the Company were to be classified as a PFIC in any taxable year during which a U.S. Holder owns its common shares, certain adverse tax consequences could apply to such U.S. Holder. Certain elections may be available to U.S. Holders of the Company’s common shares that may mitigate some of the adverse consequences if the Company were to be treated as a PFIC. U.S. Holders should consult their own tax advisors regarding the application of the PFIC rules to their investment in the Company’s common shares.

As used herein, “U.S. Holder” means a beneficial owner of our common shares that is (i) an individual who is a citizen or resident of the U.S. for U.S. federal income tax purposes, (ii) a corporation (or other entity taxable as a corporation for U.S. federal tax purposes) created or organized under the laws of the U.S. or any political subdivision thereof, including the states and the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source, or (iv) a trust that (a) is subject to the primary supervision of a court within the U.S. and for which one or more U.S. persons have authority to control all substantial decisions or (b) has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person. U.S. Holders are urged to consult their own tax advisers as to whether we may be treated as a PFIC and the tax consequences thereof.

Future sales or issuances of securities could adversely affect the prevailing market price of our securities.

We may sell additional equity securities in subsequent offerings (including through the sale of securities convertible into equity securities). We cannot predict the size of future issuances of equity securities or the size and terms of future issuances of debt instruments or other securities convertible into equity securities or the effect, if any, that future issuances and sales of our securities will have on the market price of our common shares, including up to 171,227,420 common shares that may be issued in the future in connection with the closing of the Acreage Arrangement and the associated top-up right of the CBI Group pursuant to the New Investor Rights Agreement.

Additional issuances of our securities may involve the issuance of a significant number of common shares at prices less than the current market price for our common shares. Issuances of a substantial number of common shares, or the perception that such issuances could occur, may adversely affect prevailing market prices of our common shares. Any transaction involving the issuance of previously authorized but unissued common shares, or securities convertible into common shares, would result in dilution, possibly substantial, to security holders.

Sales of substantial amounts of our securities by our shareholders, including the CBI Group, or the availability of such securities for sale, could adversely affect the prevailing market prices for the securities and dilute investors’ earnings per share. Exercises of presently outstanding share options or warrants may also result in dilution to security holders. A decline in the market prices of our securities could impair our ability to raise additional capital through the sale of securities should we desire to do so.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research about our business, our share price and trading volume could decline.

The trading market for our common shares depends, in part, on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our common shares or publish inaccurate or unfavorable research about our business, the trading price of our common shares would likely decline. In addition, if our results of operations fail to meet the forecast of analysts, the trading price of our common shares would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common shares could decrease, which might cause our trading price and trading volume to decline.

Risks Relating to the CBI Group Investments

The CBI Group, our single largest shareholder, has the ability to exercise significant influence over us.

The CBI Group is our single largest shareholder and our business and future operations may be adversely affected by changes in the business, market price, directors, officers or employees of the CBI Group. The CBI Group has the ability to exercise significant influence over our business and operations due to its ownership interest and its rights under the New Investor Rights Agreement.

As of May 28, 2021, the CBI Group holds in the aggregate approximately 37.1% of our issued and outstanding common shares on a non-diluted basis, and, through its pre-emptive rights and top-up rights, the CBI Group has the ability to maintain its ownership level. The CBI Group is also entitled to designate four nominees for election or appointment to our board of directors.

In light of such ownership and rights, the CBI Group is in a position to exercise significant influence over us, including matters affecting shareholders or requiring shareholder approval, such as the election of directors, change of control transactions, amendments to our articles and bylaws and the determination of other significant corporate actions.

Upon exercise of the remaining CBG Warrants in full and full conversion of the Canopy Notes held by the CBI Group, assuming no other securities of ours are issued and excluding the exercise of our right to acquire Acreage, the CBI Group will beneficially hold approximately 54.3% of our issued and outstanding common shares and would be able to exercise a controlling influence over our business and affairs.

Accordingly, the CBI Group currently has significant influence over us and has the ability to increase this influence at any time upon the exercise of the CBG Warrants and the conversion of the Canopy Notes held by the CBI Group. There can also be no assurance that the interests of the CBI Group will align with our interests or the interests of our other shareholders, and the CBI Group will have the ability to influence or block certain actions that may not reflect our intent or align with our interests or the interests of our other shareholders, including realizing on opportunities in the U.S. to the extent permissible under applicable laws and regulations. In addition, the presence of the CBI Group could limit the price that investors or an acquirer may be willing to pay for our common shares and may therefore delay or prevent a change of control of us, such as a merger or take-over.

Pursuant to the New Investor Rights Agreement, the CBI Group also has certain consent rights which could delay or prevent the completion of certain transactions that may otherwise be beneficial to our shareholders. We may also enter into other arrangements with the CBI Group, and as a result, we may be dependent on the CBI Group, which could have a material adverse effect on our business, financial condition and results of operations.

We may not realize the benefits of our strategic partnership with the CBI Group, which could have an adverse effect on our business and results of operations.

We believe that the strategic partnership between us and the CBI Group provides us with additional financial resources, product development and commercialization capabilities, and deep regulatory expertise to better position us to compete, scale and lead the rapidly growing global cannabis industry. We also believe that the growth opportunities for us are significant and could extend across the globe as new markets open. With the CBI Group's resources and expertise, we expect to be even better positioned to support innovation and create differentiated products and brands across medical and recreational categories. Nevertheless, a number of risks and uncertainties are associated with the expansion into such markets and the pursuit of these growth opportunities. The failure to reap the anticipated benefits of the CBI Group's resources and expertise to realize growth opportunities could have a material adverse effect on our business and results of operations.

Any common shares issued pursuant to the exercise of the CBG Warrants or the Canopy Notes held by the CBI Group will dilute shareholders.

The Tranche A Warrants may be exercised in full or in part at any time on or prior to November 1, 2023 and the Tranche B Warrants and Tranche C Warrants may be exercised in full or in part at any time on or prior to November 1, 2026, from time to time, in accordance with the terms thereof, and entitles the holder thereof, upon valid exercise in full thereof, to acquire, accept and receive from us an aggregate of 139,745,453 common shares (subject to adjustment in accordance with the terms of such warrants). The CDN$200 million principal amount of Canopy Notes held by the CBI Group may be converted, in accordance with the terms thereof, and entitles the holder thereof, upon conversion in full thereof, to 4,151,540 common shares. Assuming full exercise of the Tranche A Warrants, the Tranche B Warrants and the Tranche C Warrants and the full conversion of the Canopy Notes held by the CBI Group,

the CBI Group would be entitled to 286,150,795 common shares, which represents 54.3% of the issued and outstanding common shares as of May 28, 2021 (on a non-diluted basis). Any issuance of common shares pursuant to the exercise of the CBG Warrants and the conversion of the Canopy Notes held by the CBI Group would dilute all of our other shareholders.

The CBI Group's significant interest in us may impact the liquidity of our common shares.

Our common shares may be less liquid and trade at a discount relative to the trading that could occur in circumstances where the CBI Group did not have the ability to significantly influence or determine matters affecting us. Additionally, the CBI Group's significant voting interest in us may discourage transactions involving a change of control of us, including transactions in which an investor, as a shareholder, might otherwise receive a premium for its common shares over the then-current market price.

The change of control provisions in certain of our existing or future contractual arrangements may be triggered upon the exercise of the CBG Warrants in part or in full.

Certain of our existing or future contractual arrangements may include change of control provisions requiring us to make certain payments or triggering certain termination rights for our counterparties if the change of control trigger is fulfilled. The change of control provisions in certain of our existing arrangements, including, but not limited to, compensatory arrangements, or agreements we may enter into in the future, may be triggered upon the exercise of the CBG Warrants in part or in full.

Conflicts of interest may arise between us and our directors and officers, including as a result of the continuing involvement of certain of our directors with the CBI Group and its affiliates.

We may be subject to various potential conflicts of interest because of the fact that some of our officers and directors may be engaged in a range of business activities, and have relationships with or are employed by the CBI Group. David Klein, our Chief Executive Officer, previously served as Executive Vice President and Chief Financial Officer of CBI. Michael Lee, our Chief Financial Officer, previously served as Senior Vice President and Chief Financial Officer, Wine & Spirits at CBI. Thomas Stewart, our Chief Accounting Officer, previously served as Senior Director, Global Accounting at CBI. Holly Lukavsky, our Vice President of Human Resources, previously served as the Chief Human Resources Officer at CBI. William Newlands, one of our directors, currently serves as the Chief Executive Officer and President of CBI and is also a board member of CBI. Robert Hanson, one of our directors, currently serves as the President, Wine & Spirits at CBI. Judy Schmeling, the chair of our board of directors, is also a board member of CBI. In addition, Jim Sabia, one of our directors, serves as Executive Vice President and Managing Director – Beer Division at CBI. Our directors devote, and our executive officers may devote, time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to us. Our directors, and in some cases, our executive officers, may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to our business and affairs and that could adversely affect our operations. These business interests could require significant time and attention.

We may also become involved in other transactions which are inconsistent or conflict with the interests of our directors and officers who may from time to time deal with persons, firms, institutions or corporations with which we may be dealing, or which may be seeking investments similar to those desired by us. The interests of these persons could conflict with our interests. In addition, we may be competing with these persons, such as the CBI Group, for available investment and other opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of our directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, our directors are required to act honestly, in good faith and in our best interests.

Future sales of our common shares by the CBI Group could cause the market price for our common shares to fall.

The CBI Group is not contractually committed to maintaining an equity stake in us. Subject to compliance with applicable securities laws, the CBI Group may sell some or all of their common shares at any time. The New Investor Rights Agreement contains registration rights, on terms customary for a significant shareholder, pursuant to which we have agreed to facilitate sales of common shares by the CBI Group. In addition, the CBI Group has the right to require us to make disclosure to permit it to sell in certain circumstances. Such sales, or the market perception of such sales, could significantly reduce the market price of our common shares. We cannot predict the effect, if any, that future public sales of our common shares beneficially owned by the CBI Group or the availability of these common shares for sale will have on the market price of our common shares. If the market price of our common shares were to drop as a result, this might impede our ability to raise additional capital and might cause a significant decline in the value of the investments of our other shareholders.

The intentions of the CBI Group regarding its long-term economic ownership of our common shares are subject to change as a result of changes in the circumstances of the CBI Group or its affiliates, changes in our management and operation and changes in laws, market conditions and our financial performance.

General Risks

We are dependent on our senior management.

Our success is dependent upon the ability, expertise, judgment, discretion and good faith of our senior management. Our future success depends on our continuing ability to attract, develop, motivate and retain key employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. The loss of the services of a member of senior management, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on our ability to execute our business plan and strategy, and we may be unable to find adequate replacements on a timely basis, or at all. While employment and consulting agreements are customarily used as a primary method of retaining the services of certain employees, these agreements cannot assure the continued services of such individuals and consultants. We do not maintain key-person insurance on the lives of any of our officers or employees.

Further, certain shareholders, directors, officers and employees in our Canadian operations may require security clearance from Health Canada. Under the *Cannabis Act*, a security clearance cannot be valid for more than five years and must be renewed before the expiry of a current security clearance. There is no assurance that any of our existing personnel who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. A failure by an employee to maintain or renew his or her security clearance may impair our operations. In addition, if an employee with security clearance leaves and we are unable to find a suitable replacement who has a security clearance required by the *Cannabis Act* in a timely manner, or at all, there could occur a material adverse effect on our business operations.

Natural disasters, unusual weather, pandemic outbreaks, boycotts and geo-political events or acts of terrorism could adversely affect our operations and financial results.

The occurrence of one or more natural disasters, such as hurricanes, floods and earthquakes, unusually adverse weather, pandemic outbreaks, such as the COVID-19 virus, influenza and other highly communicable diseases or viruses, boycotts and geo-political events, such as civil unrest in countries in which our operations are located and acts of terrorism, or similar disruptions could adversely affect our business, financial condition and results of operations. These events could result in physical damage to one or more of our properties, increases in fuel or other energy prices, the temporary or permanent closure of one or more of our facilities, the temporary lack of an adequate workforce in a market, the temporary or long-term disruption in the supply of products from suppliers, the temporary disruption in the transport of goods, delay in the delivery of goods to our facilities, and disruption to our information systems. Such events could also negatively impact consumer sentiment, reduce demand for consumer products like ours and cause general economic slowdown. These factors could otherwise disrupt our operations and could have an adverse effect on our business, financial condition and results of operations.

We will seek to maintain adequate insurance coverage in respect of the risks we face; however, insurance premiums for such insurance may not continue to be commercially justifiable and there may be coverage limitations and other exclusions which may not be sufficient to cover our potential liabilities.

While we have insurance to protect our assets, operations and employees, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which we are exposed in our current state of operations. For example, certain wholesalers, distributors, retailers and other service providers may require suppliers of U.S. hemp products to provide an indemnification from liability in connection with such products, which may not be covered by insurance. In addition, no assurance can be given that such insurance will be adequate to cover our liabilities or will be generally available in the future or, if available, that premiums and deductibles will be commercially justifiable. If we were to incur substantial liability claims and such damages were not covered by insurance or were in excess of policy limits, or if we were to incur such liability at a time when we are not able to obtain liability insurance, our business, financial condition and results of operations may be adversely affected.

Tax and accounting requirements may change or be interpreted in ways that are unforeseen to us and we may face difficulty or be unable to implement and/or comply with any such changes.

We are subject to numerous tax and accounting requirements, and changes in existing accounting or taxation rules or practices, or varying interpretations of current rules or practices, could have a significant adverse effect on our financial results, the manner in which we conduct our business or the marketability of any of our products. In many countries, including the U.S., we are subject to transfer pricing and other tax regulations designed to ensure that appropriate levels of income are reported as earned and are taxed accordingly. Although we believe that we are in substantial compliance with all applicable regulations and restrictions, we are subject to the risk that governmental authorities could audit our transfer pricing and related practices and assert that additional taxes are owed. In the future, the geographic scope of our business may expand, and such expansion will require us to comply with the tax laws and regulations of additional jurisdictions. Requirements as to taxation vary substantially among jurisdictions. Complying with the tax laws of these jurisdictions can be time consuming and expensive and could potentially subject us to penalties and fees in the future if we failed to comply. In the event that we failed to comply with applicable tax laws and accounting requirements, this could have a material adverse effect on our business, financial condition and results of operations.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our corporate headquarters is located in Smiths Falls, Ontario, Canada. We have various other corporate offices, stores and facilities across Canada including locations in the provinces of Ontario, Quebec, New Brunswick, Manitoba, Saskatchewan, Alberta, British Columbia and Newfoundland and Labrador. Our operations in the United States include locations in the states of California, Georgia, Colorado, New York, and Illinois. Outside Canada and the United States, in addition to our material properties described below, we maintain corporate office space in a number of other countries.

We believe that our facilities, taken as a whole, are in good condition and working order. Within our global cannabis and other consumer products segments, we have adequate capacity to meet our needs for the foreseeable future.

During the year ended March 31, 2021, we reorganized our operations and consolidated or wound down some of our properties. As of March 31, 2021, our material owned or leased properties now consist of the following:

Facility Location	Type	Segment	Property Owned/Leased	Utilization (Full or Partial)
CANADA				
Smiths Falls, Ontario	Production, Manufacturing, Distribution, R&D, Corporate	Global Cannabis	Owned, subject to mortgage in favor of Wilmington Trust, National Association, in connection with the Credit Facility	Full
Niagara-on-the-Lake, Ontario	Production	Global Cannabis	Owned, subject to mortgage in favor of Wilmington Trust, National Association, in connection with the Credit Facility	Partial
Mirabel, Quebec	Production	Global Cannabis	Leased	Full
UNITED STATES				
Modesto, California	Production	Global Cannabis	Owned, subject to mortgage in favor of Wilmington Trust, National Association, in connection with the Credit Facility	Partial
EUROPE				
Tuttlingen, Germany	Manufacturing (Storz & Bickel)	Consumer Products	Owned	Full
Frankfurt, Germany	Production	Global Cannabis	Leased	Full
Neumarkt, Germany	Production	Global Cannabis	Leased	Full

Item 3. Legal Proceedings.

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

In November 2019, Canopy Growth and certain of its current and former officers were named as defendants in three purported class action claims; two of these complaints have since been dismissed. The plaintiffs allege that the defendants made false and/or misleading statements and/or failed to disclose material adverse facts, regarding Canopy Growth’s receivables, business, operations and prospects relating to, among other things, the demand for its softgel and oil products. The complaint was amended twice, the most recent of which being on October 9, 2020. On November 23, 2020, the defendants moved to dismiss the complaint. On

May 6, 2021, US District Court Judge McNulty granted the defendant's motion to dismiss, without prejudice to the plaintiffs filing a third amended complaint in the US District Court, for the District of New Jersey, within 30 days.

In July 2020, Canopy Growth was added as a defendant in a proposed class action commenced against a myriad of Canadian licensed producers including, Aurora Cannabis Inc.; Aurora Cannabis Enterprises Inc.; AuroraCo.; Aleafiaco; Aleafia Health Inc.; Emblem Cannabis Corp.; Hexo Corp.; HexoCo; Cronos Group Inc.; Cronosco; Tilray Canada Ltd.; Organigram Holdings Inc.; OrganigramCo; MediPharm Labs Corp.; MediPharmCo; CanopyCo; Aphria Inc.; Broker Coast Cannabis Ltd.; AphriaCo; Emerald Cannabis Corporation; Emerald Health Therapeutics, Inc.; and EmeraldCo. The proposed class action was commenced in the Alberta Court of Queen's Bench sitting at Calgary. Plaintiffs allege that the defendants, including Canopy Growth, marketed and sold medicinal and recreational cannabis products with an advertised content of THC and CBD and that the amount of THC and/or CBD as contained on the label was wrong and outside the permissible variability limits. The claim alleges the following legal wrongs: breach of contract and breach of consumer protection legislation, including the various Sale of Goods Acts and Consumer Protection Acts; common law and statutory misrepresentation; negligence in product labelling; breach of the duty to warn; unjust enrichment; waiver of tort. The claim seeks $505 million in damages (presumably as between all of the defendants).

In February 2021, Canopy Growth was named as a defendant, together with RIV Capital, RIV Capital Corporation (formerly Canopy Rivers Corporation) ("RCC"), TerrAscend, TerrAscend Canada Inc. and Olivier Dufourmantelle, in an action commenced by 2615975 Ontario Inc. in the Ontario Superior Court of Justice, sitting at Windsor. The claim seeks, amongst other things, damages in the amount of $500 million for bad faith, fraud, civil conspiracy, breach of the duty of honesty and good faith in contractual relations and breach of fiduciary duty. In April 2021, counsel for the plaintiffs instructed Canopy Growth to not incur the costs of preparing a Statement of Defence, as the plaintiff was likely to discontinue its claim against Canopy Growth in short order.

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

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common shares are traded on the Nasdaq under the symbol "CGC" and the TSX under the symbol "WEED."

Holders

As of May 28, 2021, there were approximately 492 holders of record of our common shares. This number of holders of record does not represent the actual number of beneficial owners of our common shares because shares are frequently held in "street name" by securities dealers and others for the benefit of individual owners who have the right to vote their shares.

Dividends

As of the date of this Annual Report, we have not declared any dividends or made any distributions on our common shares. Furthermore, we have no current intention to declare dividends on our common shares in the foreseeable future. Any decision to pay dividends on our common shares in the future will be at the discretion of our board of directors and will depend on, among other things, our results of operations, current and anticipated cash requirements and surplus, financial condition, any contractual restrictions and financing agreement covenants, our ability to meet solvency tests imposed by corporate law and other factors that our board of directors may deem relevant.

Recent Sales of Unregistered Securities

Not applicable.

Purchases of Equity Securities by the Issuer and Affiliated Persons

We did not purchase any of our common shares during the three months ended March 31, 2021.

Item 6. Selected Financial Data.

Omitted.

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

Introduction

This Management's Discussion and Analysis ("MD&A"), which should be read in conjunction with our consolidated financial statements and the notes thereto as at and for the year ended March 31, 2021 included in Item 8 of this Annual Report (the "Financial Statements"), provides additional information on our business, current developments, financial condition, cash flows and results of operations. It 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 2021 in comparison to fiscal 2020; and (2) fiscal 2020 in comparison to fiscal 2019.

- *Part 3 - Financial Liquidity and Capital Resources.* This section provides an analysis of our cash flows and outstanding debt and commitments. Included in this analysis is a discussion of the amount of financial capacity available to fund our ongoing operations and future commitments.

- *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 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 Annual Report.

Part 1 - Business Overview

We are a world-leading diversified cannabis and cannabinoid-based consumer products company with operations in countries across the world. We produce, distribute and sell a diverse range of cannabis and hemp-based products and other consumer products for both recreational and medical purposes under a portfolio of distinct brands in Canada pursuant to the *Cannabis Act*, and globally pursuant to applicable international and Canadian legislation, regulations and permits.

On October 17, 2018, the *Cannabis Act* came into effect in Canada, regulating both the medical and recreational cannabis markets in Canada and providing provincial, territorial and municipal governments the authority to prescribe regulations regarding the distribution and sale of recreational cannabis. On October 17, 2019, the second phase of recreational cannabis products, specifically Cannabis 2.0, was legalized pursuant to certain amendments to the regulations under the *Cannabis Act*. We currently offer product varieties in dried flower, oil, softgels, vape pen power sources, pod-based vape devices, vape cartridges, cannabis-infused beverages and cannabis-infused edibles, with product availability varying based on provincial and territorial regulations. Our recreational cannabis products are predominantly sold to provincial and territorial agencies under a "business-to-business" wholesale model, with those provincial and territorial agencies then being responsible for the distribution of our products to brick-and-mortar stores and for online retail sales. We also operate a network of Tweed and Tokyo Smoke retail stores across Canada, where permissible, to promote brand awareness and drive consumer demand under a "business-to-consumer" model.

Our Spectrum Therapeutics medical division is a global leader in medical cannabis. Spectrum Therapeutics produces and distributes a diverse portfolio of medical cannabis products to healthcare practitioners and medical customers in Canada, and in several other countries where it is federally permissible to do so. In April 2019, we acquired C^3 Cannabinoid Compound Company ("C^3"), Europe's largest cannabinoid-based pharmaceuticals company and a leading manufacturer of dronabinol, a registered active pharmaceutical ingredient in Germany and certain other European countries. The addition of dronabinol has allowed us to expand our portfolio of medical cannabis offerings for our customers in Germany.

Subsequent to the passage of the 2018 Farm Bill in December 2018, we began building our hemp supply chain in the United States through our investment in processing, extraction and finished goods manufacturing facilities. In September 2020, our Martha Stewart CBD line of premium quality, hemp-derived wellness gummies, oils and softgels was launched in the United States. In the fourth quarter of fiscal 2021, we expanded our product offering to include CBD products for pets under the Martha Stewart CBD for Pet line and SurityPro, and a line of premium, ready-to-drink CBD-infused sparkling waters under the Quatreau brand.

In June 2019, we implemented the Original Acreage Arrangement pursuant to the Acreage Arrangement Agreement with Acreage, a U.S. multi-state cannabis operator. In September 2020, following receipt of all required approvals, we entered into the Acreage Amending Agreement and implemented the Acreage Amended Arrangement. Pursuant to the Acreage Amended Arrangement, following the occurrence or waiver (at our discretion) of the Triggering Event and subject to the satisfaction or waiver of the conditions set out in the Acreage Arrangement Agreement (as modified by the Acreage Amending Agreement), we (i) agreed to acquire approximately 70% of the issued and outstanding shares of Acreage, and (ii) obtained the right to acquire the other approximately 30% of the issued and outstanding shares of Acreage. The acquisition of Acreage, if completed, will provide a pathway into cannabis markets in the United States; however, we and Acreage will continue to operate as independent companies until the acquisition of Acreage is completed.

Our other product offerings, which are sold by our subsidiaries in jurisdictions where it is permissible to do so, include (i) Storz & Bickel vaporizers; (ii) This Works beauty, skincare, wellness and sleep products, some of which have been blended with hemp-derived CBD isolate; and (iii) BioSteel sports nutrition beverages, mixes, protein, gum and mints, some of which have been infused with hemp-derived CBD isolate.

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

Our licensed operational capacity in Canada includes indoor and greenhouse cultivation space; post-harvest processing and cannabinoid extraction capability; advanced manufacturing capability for vape products, softgel encapsulation and pre-rolled joints; a beverage production facility; and chocolate and gummie manufacturing. These capabilities allow us to supply the recreational and medical markets with a complimentary balance of flower products and extracted cannabinoid input for our oil, CBD and Cannabis 2.0 products. Additionally, we have built a hemp supply chain in the United States.

Segment Reporting

Prior to the fourth quarter of fiscal 2021, we had the following two operating segments, which were also our reportable segments: (i) cannabis, hemp and other consumer products; and (ii) RIV Capital. Following the completion of the RIV Arrangement in February 2021 and the completion of restructuring actions in the third and fourth quarters of fiscal 2021 associated with the end-to-end strategic review of our operations (see “Recent Developments” below), we have changed the structure of our internal management financial reporting. Accordingly, in the fourth quarter of fiscal 2021 we are reporting our financial results for the following two operating segments, which are also our reportable segments: (i) global cannabis; and (ii) other consumer products. 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 global cannabis segment encompasses the production, distribution and sale of a diverse range of cannabis and cannabinoid-based consumer products in Canada and internationally pursuant to applicable international and domestic legislation, regulations and permits. Our other consumer products segment comprises the production, distribution and sale of consumer products by Storz & Bickel, This Works, and BioSteel, and other strategic revenue sources. Our CODM evaluates the performance of these two segments focusing on (i) segment net revenue, and (ii) segment gross margin and gross margin percentage as the measure of segment profit or loss. Accordingly, information regarding segment net revenue and segment gross margin and gross margin percentage for the comparative periods has been restated to reflect the aforementioned change in reportable segments.

Update on COVID-19

Management has continued to closely monitor the impact of the COVID-19 global pandemic, with a focus on the health and safety of our employees, business continuity and supporting its communities. We established a COVID-19 Management Committee shortly after the declaration of COVID-19 as a global pandemic and implemented various measures to reduce the spread of the virus. We have continued to operate under preventative measures and have experienced minimal disruption to our production and supply chain. As of the date of this Annual Report, all 34 of our corporate-owned retail stores are open and offering click-and-collect and/or in-store shopping. Our Canadian medical business, which operates as an e-commerce channel, has continued largely unchanged. Our international medical business operates primarily as a pharmacy model, with pharmacies being deemed essential businesses in

Germany and other European countries in which we conduct business. In addition, since our non-production workforce continues to effectively work remotely using various technology tools, we are able to maintain our full operations and internal controls over financial reporting and disclosures.

While the impacts of the COVID-19 pandemic, including government measures to limit the spread of COVID-19, adversely affected our operations in fiscal 2021, the impact was not material to our results of operations. However, given the uncertainties associated with the COVID-19 pandemic, including those related to the use of our products by consumers, disruptions to the global and local economies due to related stay-at-home orders, quarantine policies and restrictions on travel, trade and business operations and a reduction in discretionary consumer spending, we are unable to estimate the future impact of the COVID-19 pandemic on our business, financial condition, results of operations, and/or cash flows. The uncertain nature of the impacts of the COVID-19 pandemic may continue to affect our results of operations into fiscal 2022.

We believe we have sufficient liquidity available from cash and cash equivalents and short-term investments on hand of $1.2 billion and $1.1 billion, respectively, as of March 31, 2021, and from available capacity under our revolving debt facility to enable us to meet our working capital and other operating requirements, fund growth initiatives and capital expenditures, settle our liabilities, and repay scheduled principal and interest payments on debt. Refer to “Part 3 – Financial Liquidity and Capital Resources” for further information.

Recent Developments

Plan of Arrangement with RIV Capital

On December 21, 2020, we entered into an arrangement agreement (the “RIV Arrangement Agreement”) with our wholly-owned subsidiary The Tweed Tree Lot Inc. (“Tweed NB”), RIV Capital and its wholly-owned subsidiary RCC, pursuant to which we acquired certain assets from RCC, as set out below, in exchange for cash, Canopy Growth common shares and the surrender of all shares in the capital of RIV Capital held by us by way of a plan of arrangement under the *Business Corporations Act* (Ontario) (the “RIV Arrangement”). The RIV Arrangement was completed on February 23, 2021.

Pursuant to the RIV Arrangement, we increased our conditional ownership interest in TerrAscend Corp. (“TerrAscend”) through the acquisition of (i) 19,445,285 TerrAscend Exchangeable Shares held by RCC; (ii) 2,225,714 common share purchase warrants in the capital of TerrAscend with an exercise price of $5.95 per share held by RCC; (iii) 333,723 common share purchase warrants in the capital of TerrAscend with an exercise price of $6.49 per share held by RCC; and (iv) a loan receivable owing by TerrAscend Canada Inc. (“TerrAscend Canada”) to RCC. The securities in the capital of TerrAscend held by us are not currently convertible or exercisable and will not be convertible or exercisable until federal laws in the United States with respect to marijuana are amended. Pursuant to the RIV Arrangement, we also acquired (i) all of the Class A preferred shares in the capital of Les Serres Vert Cannabis Inc. (“Vert Mirabel”) held by RCC; and (vi) 143 common shares in the capital of Vert Mirabel, thereby increasing our ownership of the issued and outstanding common shares in the capital of Vert Mirabel to approximately 55%. In addition, all of the obligations of Tweed NB owing to RCC pursuant to a royalty agreement between the parties were terminated.

In addition, all of the shares of RIV Capital held by us were repurchased for cancellation on a cashless basis. We no longer have any equity, debt or other interest in RIV Capital following completion of the RIV Arrangement, and no longer have any representation on the RIV Capital board of directors. As additional consideration for the assets transferred and the termination of the royalty agreement with Tweed NB, we made a cash payment to RCC of approximately $115.0 million and issued 3,647,902 Canopy Growth common shares to RCC. Accordingly, we no longer control RIV Capital, and we derecognized the consolidated assets and liabilities of RIV Capital from our consolidated financial statements.

TerrAscend Option Agreement

On January 13, 2021, we entered into the TerrAscend Option to acquire 1,072,450 common shares of TerrAscend for approximately US$10.5 million, conditional upon the occurrence or waiver of the Triggering Event.

As of the date of this Annual Report, Canopy Growth owns 38,890,570 TerrAscend Exchangeable Shares, an aggregate of 22,474,130 TerrAscend common share purchase warrants and we are deemed to own an aggregate of 1,072,450 TerrAscend common shares that are subject to the TerrAscend Option, representing 100% of the issued and outstanding TerrAscend Exchangeable Shares on a non-diluted basis and approximately 25% of the issued and outstanding TerrAscend common shares on a partially-diluted basis, assuming the conversion of the TerrAscend Exchangeable Shares into TerrAscend common shares and the exercise of the TerrAscend warrants and the TerrAscend Option held by Canopy Growth. Canopy Growth beneficially owns, and exercises control or direction over approximately 20% of the issued and outstanding TerrAscend common shares on a fully-diluted basis.

Credit Facility

On March 18, 2021, the Borrowers entered into the Credit Agreement with the Lenders and Wilmington Trust, National Association, as administrative agent and collateral agent for the Lenders. The Credit Agreement provides for the Credit Facility in the aggregate principal amount of US$750.0 million. We also have the ability to obtain up to an additional US$500.0 million of incremental senior secured debt pursuant to the Credit Agreement. The Credit Facility has no amortization payments, matures on March 18, 2026, has a coupon of LIBOR plus 8.50% and is subject to a LIBOR floor of 1.00%. Our obligations under the Credit Facility are guaranteed by material Canadian and U.S. subsidiaries of Canopy Growth. The Credit Facility is secured by substantially all of the assets, including material real property, of the Borrowers and each of the guarantors. The Credit Agreement contains representations and warranties, and affirmative and negative covenants, including a financial covenant requiring minimum liquidity of US$200.0 million at the end of each fiscal quarter. The proceeds of the Credit Facility, net of fees and expenses, will be used by us for working capital and general corporate purposes, including without limitation, growth investments, acquisitions, capital expenditures, and strategic initiatives.

Acquisition of Ace Valley

On April 1, 2021, we entered into a share purchase agreement (the "AV Share Purchase Agreement") with Tweed Inc., AV Cannabis Inc. ("Ace Valley"), an Ontario-based cannabis brand with a focus on premium, ready-to-enjoy products including vapes, pre-roll joints and gummies, and the shareholders of Ace Valley (the "AV Vendors") pursuant to which we indirectly acquired all of the issued and outstanding shares of Ace Valley. Pursuant to the terms of the AV Share Purchase Agreement, we may be required to make certain earn-out payments to the AV Vendors, which may result in an additional cash payment or the issuance of Canopy Growth common shares, subject to the fulfillment of certain conditions by April 1, 2023.

Acquisition of Supreme Cannabis

On April 7, 2021, we entered into the Supreme Arrangement Agreement with Supreme Cannabis, pursuant to which we have agreed to acquire the Supreme Cannabis Shares in accordance with the Supreme Arrangement. Supreme Cannabis is a producer of recreational, wholesale and medical cannabis products, with a global diversified portfolio of distinct cannabis companies, products and brands. Pursuant to the terms of the Supreme Arrangement Agreement, shareholders of Supreme Cannabis will be entitled to receive 0.01165872 of a Canopy Growth Share and C$0.0001 in cash for each Supreme Cannabis Share held immediately prior to closing of the Supreme Arrangement.

The Supreme Arrangement is subject to the conditions set out in the Supreme Arrangement Agreement, including, among others: (i) approval by the Ontario Superior Court of Justice at a hearing upon the procedural and substantive fairness of the terms and conditions of the Supreme Arrangement; (ii) approval under the *Competition Act* (Canada); and (iii) approval of at least two-thirds of the votes cast by the shareholders of Supreme Cannabis voting at a special meeting of shareholders, with such meeting scheduled to be held on June 10, 2021.

Factors Impacting our Business

We believe our future success will primarily depend on the following factors:

Competition in Canadian recreational market. We face competition in the Canadian recreational cannabis market. The principal factors on which we compete with other Canadian license holders are the quality and variety of cannabis products, the speed with which our product offerings are brought to market, brand recognition, pricing, and product innovation. We believe our focus on becoming a leading consumer insights, analytics and product development company that matches products and consumer preferences in the cannabis market, will enable us to provide better quality consumer products, grow our Canadian business and capture increased market share in Canada.

Product innovation. We believe a significant opportunity exists to expand our total addressable market and create new consumer categories by continuing to develop innovative new recreational products that include cannabis and cannabinoids as ingredients. Accordingly, we have been focused on expanding our cannabis-infused craft chocolates, vaping products, and cannabis-infused beverage offerings in Canada since the initial launch of such products in the fourth quarter of fiscal 2020. In the United States, we launched our Martha Stewart CBD line of premium quality, hemp-derived wellness gummies, oils and softgels in September 2020, and we further expanded our product offering to include CBD products for pets under the Martha Stewart CBD for Pet line and SurityPro in the fourth quarter of fiscal 2021. We believe our success will depend on market acceptance of these products, our ability to execute on introducing our products to market, our ability to position our differentiated products as premium offerings in order to capture a higher relative gross margin, and our ability to continually develop and introduce new products that delight our consumers.

Commercialization activities in the United States. As highlighted above, we initially launched our Martha Stewart CBD line of products in September 2020 and launched our first line of CBD-infused beverages, under the Quatreau brand, in the United States

market in the fourth quarter of fiscal 2021. Additionally, we have continued to bring new products to market in the United States under the This Works and BioSteel brands, some of which have been infused or blended with hemp-derived CBD isolate. In April 2021, we announced that Southern Glazer's Wine & Spirits ("Southern Glazer's"), a leading beverage alcohol distributor in the U.S., will distribute our portfolio of U.S. CBD-infused beverages. Southern Glazer's will commence distributing our CBD-infused beverages across seven U.S. states, beginning with our Quatreau beverages, with additional states to be added in the coming months. We believe our success will depend on our ability to distribute our CBD-based products in the U.S. and bring them to market through best-in-class sales execution on our e-commerce platform and into retail points of sale, our ability to position, market and differentiate our products in the highly-fragmented U.S. CBD market, and our ability to continually develop and introduce new products.

Increasing access to medical cannabis products in Canada and select European markets. Our success will depend on our ability to leverage our position as a trusted leader in the medical cannabis markets in Canada and select European countries, including Germany, by offering a wide range of cannabis products across a variety of brands, formats and strains that serve the needs of our customers. In Canada we have continued to broaden our brand and product portfolio throughout fiscal 2021. We have also introduced new medical cannabis delivery devices to our medical customers, including the Storz & Bickel Volcano Medic 2 vaporizer that was issued a license by Health Canada for medical use. In Europe, we are focused on providing a diverse portfolio of medically-validated cannabis products and education and support programs to medical customers and healthcare practitioners, with our primary focus being Germany. The addition of the active pharmaceutical ingredient dronabinol to our portfolio following our acquisition of C^3 in April 2019 has allowed us to expand our portfolio of medical cannabis offerings for our customers. Expansion may come in the form of acquisitions or organic growth, either of which will require expenditure of capital that may negatively impact our profitability as we seek to scale the reach of our business in these markets.

Part 2 - Results of Operations

Discussion of Fiscal 2021 Results of Operations

The following table presents selected consolidated financial information for the years ended March 31, 2021 and 2020:

(in thousands of Canadian dollars, except share amounts and where otherwise indicated)	Years ended March 31, 2021	2020	$ Change	% Change
Selected consolidated financial information:				
Net revenue	$ 546,649	$ 398,772	$ 147,877	37%
Gross margin percentage	12%	(8%)	-	2,000 bps
Net loss	$ (1,670,820)	$ (1,387,440)	$ (283,380)	(20%)
Net loss attributable to Canopy Growth Corporation	$ (1,744,920)	$ (1,321,326)	$ (423,594)	(32%)
Loss per share - basic and diluted[1]	$ (4.69)	$ (3.80)	$ (0.89)	(23%)

[1]For the year ended March 31, 2021, the weighted average number of outstanding common shares, basic and diluted, totaled 371,662,296 (year ended March 31, 2020 - 348,038,163).

Net Revenue

We report net revenue in two segments: (i) global cannabis; and (ii) other consumer products. The following tables present segmented net revenue, by channel and by form, for the years ended March 31, 2021 and 2020:

Revenue by Channel *(in thousands of Canadian dollars)*	Years ended March 31, 2021	2020	$ Change	% Change
Canadian recreational cannabis net revenue				
Business-to-business[1]	$ 163,585	$ 121,605	$ 41,980	35%
Business-to-consumer	66,016	52,044	13,972	27%
	229,601	173,649	55,952	32%
Canadian medical cannabis net revenue[2]	55,448	51,647	3,801	7%
	285,049	225,296	59,753	27%
International and other revenue				
C[3]	62,335	53,770	8,565	16%
Other	31,296	15,869	15,427	97%
	93,631	69,639	23,992	34%
Global cannabis net revenue	378,680	294,935	83,745	28%
Other consumer products				
Storz & Bickel	80,998	48,329	32,669	68%
This Works	33,314	24,725	8,589	35%
Other	53,657	30,783	22,874	74%
Other consumer products revenue	167,969	103,837	64,132	62%
Net revenue	$ 546,649	$ 398,772	$ 147,877	37%

1 Reflects excise taxes of $54,928 and other revenue adjustments, representing our determination of returns and pricing adjustments, of $14,000 for the year ended March 31, 2021 (year ended March 31, 2020 - excise taxes of $35,649 and other revenue adjustments of $51,500).

2 Reflects excise taxes of $5,621 for the year ended March 31, 2021 (year ended March 31, 2020 - $5,205).

Revenue by Form	Years ended March 31,			
(in thousands of Canadian dollars)	2021	2020	$ Change	% Change
Canadian recreational cannabis				
Dry bud[1]	$ 238,021	$ 238,099	$ (78)	-
Oils and softgels[1]	28,761	21,640	7,121	33%
Beverages, edibles, topicals and vapes	31,747	1,059	30,688	2898%
Other revenue adjustments	(14,000)	(51,500)	37,500	73%
Excise taxes	(54,928)	(35,649)	(19,279)	(54%)
	229,601	173,649	55,952	32%
Medical cannabis and other				
Dry bud	40,479	37,435	3,044	8%
Oils and softgels	101,875	89,056	12,819	14%
Beverages, edibles, topicals and vapes	12,346	-	12,346	-
Excise taxes	(5,621)	(5,205)	(416)	(8%)
	149,079	121,286	27,793	23%
Global cannabis net revenue	378,680	294,935	83,745	28%
Other consumer products				
Storz & Bickel	80,998	48,329	32,669	68%
This Works	33,314	24,725	8,589	35%
Other	53,657	30,783	22,874	74%
Other consumer products revenue	167,969	103,837	64,132	62%
Net revenue	$ 546,649	$ 398,772	$ 147,877	37%

[1] Excludes the impact of other revenue adjustments.

Net revenue was $546.6 million in fiscal 2021, as compared to $398.8 million in fiscal 2020. The year-over-year increase is attributable to:

- Growth in our global cannabis segment, which was primarily due to the performance of both our Canadian recreational business-to-business and business-to-consumer channels and the growth in our U.S. CBD business; and
- Growth in our other consumer products, which was primarily due to the continued strong performance by Storz & Bickel and growth in our BioSteel business, both due primarily to the expansion of their U.S. distribution networks in fiscal 2021.

Global cannabis

Net revenue from our global cannabis segment was $378.7 million in fiscal 2021, as compared to $294.9 million in fiscal 2020.

Canadian recreational cannabis net revenue was $229.6 million in fiscal 2021, as compared to $173.6 million in fiscal 2020.

- Net revenue from the business-to-business channel was $163.6 million in fiscal 2021, as compared to $121.6 million in fiscal 2020. Net revenue from this channel in fiscal 2020 was impacted by other revenue adjustments in the amount of $51.5 million related to our determination, primarily in the first two quarters of fiscal 2020, of returns and pricing adjustments associated primarily with the risk of over-supply of certain oil and softgel products. Comparatively, other revenue adjustments declined to $14.0 million in fiscal 2021. We also benefited in fiscal 2021 from an overall increase in demand resulting from the opening of a total of 945 new retail stores across Canada in fiscal 2021, and the revenue growth associated with the introduction, late in the fourth quarter of fiscal 2020, of our portfolio of Cannabis 2.0 product offerings. However, we were impacted in fiscal 2021 by an unfavorable product mix due primarily to an increase in the volume of value-priced dried flower product sold compared to the prior year, and price compression resulting from increased competition in the value-priced dried flower category of the recreational market.
- Revenue from the business-to-consumer channel was $66.0 million in fiscal 2021, as compared to $52.0 million in fiscal 2020. The year-over-year increase is primarily attributable to (i) the build-out of our retail store platform across Canada to 33 corporate-owned Tweed and Tokyo Smoke retail stores at March 31, 2021, an increase from 22 stores at March 31, 2020; and (ii) the continued broadening of our brand and product offerings at our retail locations to include new value-priced dried flower products, vapes, and cannabis-infused beverages, and the benefit of holiday promotional campaigns held in fiscal 2021. Partially offsetting these increases was (i) the adverse impact, predominantly in the first quarter of fiscal 2021, of the temporary closure of our retail stores in response to the COVID-19 pandemic and their re-opening, beginning in mid-April, with reduced hours and under a “click-and-collect” model with curbside pickup or delivery; and (ii) decreased traffic at our corporate-owned retail stores in the fourth quarter of fiscal 2021, which was partly attributable to measures implemented by certain Canadian provincial governments to limit the spread of COVID-19.

Canadian medical cannabis net revenue was $55.4 million in fiscal 2021, as compared to $51.6 million in fiscal 2020. The year-over-year increase is due primarily to the continued broadening of our brand and medical cannabis product offerings available on the Spectrum Therapeutics online store in response to medical customer demand, including the introduction of pre-rolled joints, vapes and cannabis-infused chocolates, and certain premium dry flower brands.

International and other cannabis revenue was $93.6 million in fiscal 2021, as compared to $69.6 million in fiscal 2020. C^3 (acquired in April 2019) contributed revenue of $62.3 million in fiscal 2021, a year-over-year increase of $8.6 million. In addition to the full twelve months of revenue contribution in fiscal 2021, revenue growth was driven by an expansion of C^3's customer base relative to the prior year. Other cannabis revenue was $31.3 million in fiscal 2021, a year-over-year increase of $15.4 million primarily attributable to (i) the growth in our U.S. CBD business, attributable primarily to the introduction of the Martha Stewart CBD line of products in September 2020; (ii) the growth in our international medical cannabis business resulting from the resolution of supply constraints we had experienced early in fiscal 2020 that impacted our German medical cannabis business.

Other consumer products

Revenue from our other consumer products segment was $168.0 million in fiscal 2021, as compared to $103.8 million in fiscal 2020.

- Revenue from Storz & Bickel was $81.0 million in fiscal 2021, a year-over-year increase of $32.7 million due primarily to an expansion of our distribution network in the United States.
- This Works (acquired in May 2019) contributed revenue of $33.3 million in fiscal 2021, a year-over-year increase of $8.6 million. In addition to the full twelve months of revenue contribution in the current fiscal year, revenue growth was driven by the expansion of distribution to both direct-to-consumer and third-party e-commerce channels, and new product launches. These factors were partially offset by the impact of the temporary closure of brick-and-mortar retail stores and other measures to control the outbreak of the COVID-19 pandemic in the United Kingdom, largely in the first quarter, and late in the third quarter of fiscal 2021.
- Other revenue was $53.7 million in fiscal 2021, a year-over-year increase of $22.9 million due primarily to BioSteel (which was acquired in October 2019) contributing a full twelve months of revenue contribution in fiscal 2021, and also benefiting from an expansion and strengthening of their U.S. distribution channel in the fourth quarter of fiscal 2021.

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, 2021 and 2020:

	Years ended March 31,			
(in thousands of Canadian dollars except where indicated)	2021	2020	$ Change	% Change
Net revenue	$ 546,649	$ 398,772	$ 147,877	37%
Cost of goods sold	$ 479,689	$ 430,456	$ 49,233	11%
Gross margin	66,960	(31,684)	98,644	311%
Gross margin percentage	12%	(8%)	-	2,000 bps

Cost of goods sold in fiscal 2021 was $479.7 million, as compared to $430.5 million in fiscal 2020. Our gross margin in fiscal 2021 was $67.0 million, or 12% of net revenue, as compared to gross margin of $(31.7) million and gross margin percentage of (8%) of net revenue in fiscal 2020. The year-over-year increase in the gross margin percentage is attributable to:

- A year-over-year decrease in restructuring and other charges recorded in cost of goods sold. We recorded restructuring charges totaling $26.0 million in fiscal 2021, relating primarily to the closure of certain Canadian and international production facilities as described below under "Restructuring, Asset Impairments and Related Costs". Comparatively, we recorded restructuring and other charges totaling $132.1 million in fiscal 2020 in relation to (i) restructuring charges in the amount of $55.9 million relating to excess hemp inventories in the United States and the closure of our greenhouses in Canada; and (ii) inventory write-downs in the amount of $76.2 million primarily related to aged, obsolete or unsaleable cannabis inventories and packaging within Canada.
- In fiscal 2020 we recorded inventory write-downs totaling $29.0 million associated with (i) excess finished recreational cannabis inventory and trim inventory related primarily to our evaluation of the estimated on-hand provincial and territorial inventory levels compared to forecasted "sell-in" rates of certain oils and softgel products, which led to our conclusion that a portion of this inventory may not be sold within a reasonable timeframe; (ii) the impact on gross margin reflecting the returns and pricing adjustments relating primarily to the over-supply of certain oils and softgel products in the second quarter of fiscal 2020; and (iii) other adjustments related to excess inventory. Similar write-downs did not recur in fiscal 2021.

Excluding the items highlighted above, our adjusted gross margin percentage in fiscal 2021 was impacted by the following items as compared to our adjusted gross margin percentage in fiscal 2020:

- An increase in operating costs relating to facilities not yet cultivating or producing cannabis, not yet producing cannabis-related products or having under-utilized capacity. In fiscal 2021, these costs amounted to $60.7 million and primarily related to (i) start-up costs associated with our gummie production facility in Smiths Falls, our facilities in the United States, and our greenhouse in Denmark prior to its closure in the fourth quarter of fiscal 2021; and (ii) under-utilized capacity associated with our chocolate, beverage and vape production facilities in Smith Falls, and our indoor facility in Newfoundland prior to its closure in early December. Comparatively, in fiscal 2020 these costs amounted to $39.6 million and primarily related to start-up costs associated with our advanced manufacturing and beverage facilities in Smiths Falls, our greenhouse in Denmark, under-utilized capacity associated with our KeyLeaf extraction facility, and costs associated with our 2020 Canadian outdoor harvest.
- Lower production output, particularly in Canada, to align with expected market demand. Lower production output, coupled with our fixed costs representing a high proportion of our overall cultivation and manufacturing cost structure, resulted in the under-absorption of these fixed costs and an adverse impact on gross margin in the current fiscal year. In connection with these changes to our production strategy we also adjusted our cannabis production profile to focus on higher-potency strains which are more in-demand, resulted in the recognition of additional inventory charges, predominantly in the first quarter of fiscal 2021.
- An unfavorable product mix in fiscal 2021 due primarily to an increase in the volume of value-priced dried flower product sold in the Canadian recreational cannabis channel, compared to the prior year.

We report gross margin and gross margin percentage in two segments: (i) global cannabis; and (ii) other consumer products. The following table presents segmented gross margin and gross margin percentage for the years ended March 31, 2021 and 2020:

	Years ended March 31,			
(in thousands of Canadian dollars except where indicated)	2021	2020	$ Change	% Change
Global cannabis segment				
Cost of goods sold	$ 371,635	$ 371,771	$ (136)	-
Gross margin	7,045	(76,836)	83,881	109%
Gross margin percentage	2%	(26%)		2,800 bps
Other consumer products segment				
Cost of goods sold	$ 108,054	$ 58,685	$ 49,369	84%
Gross margin	59,915	45,152	14,763	33%
Gross margin percentage	36%	43%		(700) bps

Global cannabis

Gross margin for our global cannabis segment was $7.0 million in fiscal 2021, or 2% of net revenue, as compared to $(76.8) million in fiscal 2020, or (26%) of net revenue. The year-over-year increase in the gross margin percentage was primarily due to the decrease in restructuring and other charges recorded in cost of goods sold, from $132.1 million in fiscal 2020 to $26.0 million in fiscal 2021, as discussed above in our analysis of cost of goods sold and gross margin on a consolidated basis. Excluding these items, our adjusted gross margin percentage in fiscal 2021 was impacted by (i) an increase in operating costs relating to facilities not yet cultivating or producing cannabis, not yet producing cannabis-related products or having under-utilized capacity; (ii) lower production output resulting in under-absorption of our fixed costs; (iii) the recognition of inventory charges associated with the shift in cannabis production profile; and (iv) an unfavorable product mix due primarily to an increase in the volume of value-priced dried flower product sold in the Canadian recreational cannabis channel, compared to the prior year.

Other consumer products

Gross margin for our other consumer products segment was $59.9 million in fiscal 2021, or 36% of net revenue, as compared to $45.2 million in fiscal 2020, or 43% of net revenue. The year-over-year decline in our gross margin percentage was primarily due to a shift in the business mix in fiscal 2021 towards increased contributions to our segment revenue from BioSteel, which currently has a lower margin relative to Storz & Bickel and This Works.

Operating Expenses

The following table presents operating expenses for the years ended March 31, 2021 and 2020:

(in thousands of Canadian dollars)	Years ended March 31, 2021	2020	$ Change	% Change
Operating expenses				
General and administrative	$ 238,305	$ 304,635	$ (66,330)	(22%)
Sales and marketing	194,395	242,831	(48,436)	(20%)
Research and development	57,582	61,812	(4,230)	(7%)
Acquisition-related costs	13,522	20,840	(7,318)	(35%)
Depreciation and amortization	71,585	63,619	7,966	13%
Selling, general and administrative expenses	575,389	693,737	(118,348)	(17%)
Share-based compensation	83,013	258,104	(175,091)	(68%)
Share-based compensation related to acquisition milestones	8,136	62,172	(54,036)	(87%)
Share-based compensation expense	91,149	320,276	(229,127)	(72%)
Expected credit losses on financial assets and related charges	109,480	-	109,480	-
Asset impairment and restructuring costs	534,398	623,266	(88,868)	(14%)
Total operating expenses	$ 1,310,416	$ 1,637,279	$ (326,863)	(20%)

Selling, general and administrative expenses

Selling, general and administrative expenses in fiscal 2021 were $575.4 million, as compared to $693.7 million in fiscal 2020.

General and administrative expense in fiscal 2021 was $238.3 million, as compared to $304.6 million in fiscal 2020. The year-over-year decrease is primarily attributable to:

- A reduction in costs attributable to the restructuring actions initiated in the fourth quarter of fiscal 2020 and continuing through fiscal 2021, resulting from an organizational and strategic review of the business. Accordingly, as we exited non-strategic geographies and began streamlining our operations, we realized reductions related to (i) compensation costs and third-party professional fees associated with finance, legal and other administrative functions; (ii) facilities and insurance costs; and (iii) scaling-back on our expansion and business development initiatives. Partially offsetting these costs reductions were a year-over-year increase in third-party professional consulting fees associated with the organizational and strategic review of our business, and the growth in our business through the acquisitions of C^3, This Works and BioSteel in fiscal 2020, all of which contributed a full fiscal year to our operating results in fiscal 2021.
- Losses recorded in the second quarter of fiscal 2020 of $10.8 million related to a legal dispute with a third-party supplier, and $8.8 million associated with additional reserves on onerous lease obligations. These losses did not recur in the current fiscal year.
- Payroll subsidies in the amount of $11.0 million received from the Canadian government in fiscal 2021, pursuant to a COVID-19 relief program.

Sales and marketing expense in fiscal 2021 was $194.4 million, as compared to $242.8 million in fiscal 2020. The year-over-year decrease is primarily attributable to:

- A reduction of costs attributable to the restructuring actions initiated in the fourth quarter of fiscal 2020 and continuing through fiscal 2021. This included the rationalization of our Canadian marketing organization in April 2020, and a reduction in (i) creative design, brand insights and product marketing and advertising campaign costs in preparation for the launch of our Cannabis 2.0 portfolio of products; and (ii) staffing costs associated with servicing our Canadian market.
- With measures established to contain the spread of COVID-19, we delayed or cancelled various product and brand marketing initiatives across our business, and incurred reduced travel costs associated with restrictions aimed at controlling the spread of COVID-19.
- The above factors were partially offset by (i) higher compensation costs and increased brand and advertisement agency spending in support of our United States CBD business, particularly with respect to the launch of the Martha Stewart CBD product line, CBD beverages and vape products; and (ii) an increase in sponsorship fees relating to BioSteel's partnership deals with National Basketball Association teams and players, and promotional and sales and marketing staff compensation costs supporting BioSteel's launch of ready-to-drink beverages across the United States through their distribution network.

Research and development expense in fiscal 2021 was $57.6 million, as compared to $61.8 million in fiscal 2020. The year-over-year decrease is primarily attributable to a reduction in costs due to the restructuring actions initiated in the fourth quarter of fiscal 2020 and continuing throughout fiscal 2021. As we rationalized our research and development activities and reduced our clinical trials and other external laboratory research and testing for cannabinoid-based therapies, we realized reductions in compensation costs and curtailed certain research and development projects for which we had incurred costs in fiscal 2020.

Acquisition-related costs in fiscal 2021 were $13.5 million, as compared to $20.8 million in fiscal 2020. The year-over-year decrease is attributable to more mergers and acquisitions activity in fiscal 2020. In fiscal 2021, our primary mergers and acquisitions activity related to (i) entering into, and implementing, the Acreage Amended Arrangement; and (ii) entering into, and completing, the RIV Arrangement. Additionally, costs were incurred in relation to completing the acquisition of Ace Valley and entering into the Supreme Arrangement Agreement, both of which occurred in April 2021 (see "Recent Developments" above), and evaluating other potential acquisition opportunities. Comparatively, in fiscal 2020, we incurred acquisition-related costs related to entering into and implementing the Original Acreage Arrangement, closing the acquisitions of C3, This Works, BioSteel, and the unowned interest in Beckley Canopy Therapeutics ("BCT"), and the transaction to launch More Life Growth Company ULC ("More Life"). Additionally, costs were incurred in relation to evaluating other potential acquisition opportunities.

Depreciation and amortization expense was $71.6 million in fiscal 2021, as compared to $63.6 million in fiscal 2020. The year-over-year increase is primarily attributable to the impact of building-out of our infrastructure across Canada in previous fiscal years, the growth in our business over the past year with the acquisitions of C3, BioSteel and This Works, the growth in our network of corporate-owned Tweed and Tokyo Smoke retail stores, the implementation of information technology, and our investment in infrastructure in Europe and the United States. These factors were partially offset by a reduction in depreciation and amortization expense associated with restructuring actions announced in December 2020, which resulted in the closure of certain of our Canadian facilities.

Share-based compensation expense

Share-based compensation was $83.0 million in fiscal 2021, as compared to $258.1 million in fiscal 2020. The year-over-year decrease is primarily attributable to:

- The implementation of a new "Total Rewards Program" for our employees in the first half of fiscal 2020 and associated modification of our share-based compensation program. As a result, 478,215 options were granted in fiscal 2021 at a weighted average price of $28.15, as compared to 22.1 million stock options in fiscal 2019 at a weighted average price of $51.49 per option, and 9.5 million options in fiscal 2020 at a weighted average price of $33.87. Accordingly, the significant number of stock options that were granted in previous years at relatively higher exercise prices impacted share-based compensation expense more significantly in previous periods; and
- The forfeiture or cancellation of 5.9 million stock options in fiscal 2020 and the forfeiture of another 8.2 million stock options in fiscal 2021 resulting primarily from restructuring actions commenced in the fourth quarter of fiscal 2020 and continued in fiscal 2021. These forfeitures and cancellations also resulted in a year-over-year reduction in share-based compensation expense.

Share-based compensation related to acquisition milestones was $8.1 million in fiscal 2021, as compared to $62.2 million in fiscal 2020. The year-over-year decrease is primarily related to (i) the restructuring of our operations in Colombia in fiscal 2020, which resulted in the acceleration of share-based compensation expense totaling $32.7 million related to the unvested milestones associated with the acquisitions of Spectrum Cannabis Colombia S.A.S. ("Spectrum Colombia"), Canindica Capital Ltd. ("Canindica") (as a result, there is no remaining share-based compensation expense to be recognized in association with the Spectrum Colombia acquisition and only a minimal amount was recognized in connection with the Canindica acquisition in fiscal 2021); and (ii) the achievement, in earlier quarters, of major milestones associated with the acquisitions of Spectrum Colombia, Canindica, and Spectrum Cannabis Denmark Aps ("Spectrum Denmark"), which had resulted in the recognition of share-based compensation expense at that time.

Expected credit losses on financial assets and related charges

In fiscal 2021, we recorded expected credit losses on financial assets and related charges in the amount of $109.5 million, in relation to PharmHouse Inc. ("PharmHouse"), a joint venture formed between RIV Capital and its joint venture partner in May, 2018. These expected credit losses and related charges were recognized through February 23, 2021, the date of completion of the RIV Arrangement, and associated derecognition of RIV Capital's consolidated assets and liabilities from our consolidated financial statements (see "Recent Developments" above), and included:

- $62.0 million related to expected credit losses associated with financing provided by RIV Capital to PharmHouse, and which we determined may not be recoverable. These amounts included (i) $40.0 million of secured debt financing advanced pursuant to a shareholder loan; (ii) $9.3 million advanced under a debtor-in-possession, non-revolving credit facility; (iii) a total of $3.7

million advanced under secured and unsecured demand promissory notes; and (iv) associated interest receivable totaling $9.0 million;
- $32.5 million related to expected credit losses recognized for RIV Capital's contingent obligation to perform on the financial guarantee they provided with respect to PharmHouse's $90.0 million credit agreement. The expected credit losses reflected the shortfall between the estimated recoverable amount of PharmHouse, and RIV Capital's exposure under their financial guarantee of PharmHouse's credit agreement;
- $15.0 million related to certain advances provided by us to PharmHouse that were determined to be unrecoverable.

Additionally, we determined that there was an other-than-temporary impairment on our equity investment in PharmHouse, and recognized an impairment charge for the full amount of the investment of $32.4 million (see "Loss from equity method investments" below). Refer to Note 12 of our Financial Statements for further information regarding PharmHouse.

Asset impairment and restructuring costs

Asset impairment and restructuring costs recorded in operating expenses in fiscal 2021 were $534.4 million, as compared to $623.3 million in fiscal 2020. In fiscal 2021 these costs included charges of $527.8 million related to restructuring actions and charges of $6.6 million related to other asset impairments. Comparatively, in fiscal 2020 these costs included charges of $563.2 million related to restructuring actions and charges of $60.0 million related to other asset impairments. These charges are detailed below under "Restructuring, Asset Impairments and Related Costs".

Other

The following table presents loss from equity method investments, other income (expense), net, and income tax recovery for the years ended March 31, 2021 and 2020:

	Years ended March 31,			
(in thousands of Canadian dollars)	2021	2020	$ Change	% Change
Loss from equity method investments	$ (52,629)	$ (64,420)	$ 11,791	18%
Other income (expense), net	(387,876)	224,329	(612,205)	(273%)
Income tax recovery	13,141	121,614	(108,473)	(89%)

Loss from equity method investments

The loss from equity method investments in fiscal 2021 was $52.6 million, as compared to $64.4 million in fiscal 2020. The year-over-year decrease in the loss is primarily attributable to a reduction in impairment charges recognized in relation to our equity method investments.

In fiscal 2021, we recognized impairment charges totaling $44.1 million, including charges of $32.4 million recognized in the second quarter of fiscal 2021 relating to PharmHouse (see "Expected credit losses on financial assets and related charges" above); charges of $10.3 million recognized in the fourth quarter of fiscal 2021 relating to More Life, which were associated with our fiscal 2021 restructuring actions; and charges of $1.4 million related to Agripharm Corp. ("Agripharm").

Comparatively, in fiscal 2020 we recognized impairment charges totaling $55.2 million. The charges included $14.9 million related to More Life, which were associated with our fiscal 2020 restructuring actions, and other impairments totaling $40.3 million associated with Agripharm ($29.2 million), CanapaR ($8.2 million), and other equity investments ($3.0 million).

Other income (expense), net

Other income (expense), net was an expense amount of $387.9 million in fiscal 2021, as compared to an income amount of $224.3 million in fiscal 2020. The year-over-year change of $612.2 million from an income amount to an expense amount is primarily attributable to:
- Change of $1.1 billion related to fair value changes on the warrant derivative liability associated with the Tranche B Warrants held by CBI, from an income amount of $795.1 million in fiscal 2020 to an expense amount of $293.1 million in fiscal 2021. The increase of $293.1 million in the fair value of the warrant derivative liability (resulting in non-cash expense) in fiscal 2021 is primarily attributable to an increase of approximately 97% in our share price from April 1, 2020 to March 31, 2021, partially offset by a shorter expected time to maturity of the warrants. Comparatively, the decrease of $795.1 million in the fair value of the warrant derivative liability in fiscal 2020 was primarily attributable to a decline of approximately 62% in our share price from June 27, 2019, when the terms of the warrants were amended, to March 31, 2020.
- Change of $347.3 million related to the non-cash fair value changes on the convertible senior notes, from an income amount of $184.7 million in fiscal 2020 to an expense amount of $162.5 million in fiscal 2021. The year-over-year change is primarily

due to an increase of approximately 97% in our share price from April 1, 2020 to March 31, 2021, as compared to a decline of approximately 64% from April 1, 2019 to March 31, 2020.

- In fiscal 2020, we recognized gains of $61.8 million in relation to (i) our acquisition of the unowned interest in BCT, which increased our total ownership to 100% of BCT's issued and outstanding shares ($39.5 million); and (ii) our disposal of a previously-consolidated subsidiary in conjunction with the transaction completed to launch More Life Growth Company ($22.3 million). Comparatively, in fiscal 2021 we recognized gains totaling $0.6 million in relation to the completion of the RIV Arrangement, as discussed in "Recent Developments" above, and the disposition of certain of our other financial assets.
- A decrease in interest income of $45.0 million, from $66.3 million in fiscal 2020 to $21.4 million in fiscal 2021. While our cash and cash equivalents and short-term investment balance, on a combined basis, increased $322.7 million from March 31, 2020 to March 31, 2021, we received net proceeds of $877.1 million in March 2021 pursuant to the Credit Facility, as discussed in "Recent Developments" above. Excluding this cash inflow, our cash and cash equivalents and short-term investments balance decreased year-over-year and this was the primary driver of the decrease in interest income.
- Change of $679.1 million related to non-cash fair value changes on our other financial assets, from an expense amount of $244.0 million in fiscal 2020 to an income amount of $435.1 million in fiscal 2021. The income amount recognized in fiscal 2021 is primarily attributable to fair value increases relating to our investments in in the TerrAscend Exchangeable Shares ($338.0 million), and the TerrAscend Canada secured debenture and the TerrAscend warrants (totaling $149.9 million), driven largely by an increase of approximately 414% in TerrAscend's share price from April 1, 2020 to March 31, 2021 and a re-assessment of the probability and timing of changes in federal laws in the United States regarding the permissibility of the cultivation, distribution or possession of marijuana. Comparatively, the expense amount in fiscal 2020 was primarily driven by decreases of $113.0 million and $40.5 million in the fair value of our TerrAscend Exchangeable Shares and warrants in the capital of SLANG, respectively. Both companies have interests in cannabis-related businesses in the United States and the fair value decreases resulted primarily from declines of approximately 69% and 90%, respectively in their respective stock prices during fiscal 2020. Additionally, the fair values of several of our other investments decreased during fiscal 2020 in-line with the broader decline in the Canadian cannabis market. Partially offsetting these year-over-year fair value increases was (i) a fair value decrease of $37.0 million representing the difference between the Hempco Debenture and the estimated fair value of the Hempco Debenture measured using a discounted cash flow model; and (ii) a fair value decrease of $7.2 million related to RIV Capital's investment in Agripharm pursuant to a royalty agreement, which was incurred prior to the completion of the RIV Arrangement, as discussed in "Recent Developments" above.
- A decrease in non-cash expense of $245.3 million related to fair value changes on the liability arising from the Acreage Arrangement, from $645.2 million in fiscal 2020 to $399.8 million in fiscal 2021. We determine the fair value of the liability arising from the Acreage Arrangement using a probability-weighted expected return model, incorporating several potential scenarios and outcomes associated with the Acreage Amended Arrangement. The fiscal 2021 expense amount, associated with an increase in the liability arising from the Acreage Arrangement, is primarily attributable to an increase of approximately 97% in our share price from April 1, 2020 to March 31, 2021. As a result, the model at March 31, 2021 reflects a higher estimated value of the Canopy Growth Shares expected to be issued at the exchange ratio of 0.3048 upon a Triggering Event, relative to the estimated amount of the Acreage shares expected to be acquired at that time. Comparatively, the expense amount of $645.2 million in fiscal 2020 was primarily attributable to an overall decline in both our and Acreage's share prices in fiscal 2020.
- An increase of $27.3 million in non-cash income related to fair value changes on acquisition related contingent consideration. In fiscal 2019 we acquired ebbu Inc. ("ebbu"), and the consideration paid included contingent consideration related to the achievement, by ebbu, of certain scientific related milestones. The year-over-year change in the fair value of the acquisition related contingent consideration is primarily attributable to changes in our assessment of the probability and timing of ebbu achieving certain of these milestones.

Income tax recovery (expense)

Income tax recovery was $13.1 million in fiscal 2021, compared to income tax recovery of $121.6 million in fiscal 2020. In fiscal 2021, income tax recovery consisted of deferred income tax recovery of $34.5 million (compared to a recovery of $138.3 million in fiscal 2020) and current income tax expense of $21.4 million (compared to an expense of $16.7 million in fiscal 2020).

The decrease of $103.8 million in deferred income tax recovery is primarily a result of current year changes being less than prior year in respect of (i) 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; and (ii) the recognition of losses carried forward net of the use of losses carried forward from prior years for which a deferred tax asset had been recorded. In connection with certain deferred tax assets, mainly in respect to losses for tax purposes, where the accounting criteria for recognition of an asset has yet to be satisfied and it is not probable that they will be used, the deferred tax asset has not been recognized.

The increase of $4.7 million in current income tax expense arose primarily in connection with legal entities that generated income for tax purposes that could not be reduced by the group's tax attributes.

Restructuring, Asset Impairments and Related Costs

Fiscal 2021

Total restructuring, asset impairments and related costs of $570.7 million were recognized in fiscal 2021, comprised of property, plant and equipment and intangible asset impairment charges, asset abandonment costs, inventory write-downs, contractual and other settlement costs, employee-related costs and other restructuring costs, and impairment charges related to certain of our equity method investments totaling $564.0 million associated with:

- The restructuring actions commenced in the third quarter of fiscal 2021 and continuing into the fourth quarter of fiscal 2021 as the partial outcome of an ongoing end-to-end strategic review of our operations designed to streamline our operations and further improve gross margins. This resulted in the closure of our sites in St. John's, Newfoundland and Labrador; Fredericton, New Brunswick; Edmonton, Alberta; Bowmanville, Ontario; our outdoor grow operations in Saskatchewan; and the abandonment or impairment of certain of its production facilities and intangible assets and termination of approximately 220 full-time positions;
- Completing the sale of our production facilities in Aldergrove and Delta, British Columbia in December 2020 and January 2021, respectively for combined proceeds of $40.7 million, the resulting adjustments to the net book value of these production facilities from March 31, 2020 to reflect their selling prices, and costs associated with the remediation of damages caused by the fire at the Delta facility in November, the closure of the facilities, and their sale;
- Completing certain of the restructuring actions that we commenced in the fourth quarter of fiscal 2020, including the exit of our operations in South Africa and Lesotho and our strategy shift in Latin America, and recording final adjustments related to changes in certain estimates recorded at March 31, 2020;
- Costs related to rationalizing our marketing organization and certain research and development activities in the first and second quarters of fiscal 2021, respectively; and
- Costs associated with rationalizing certain licensing arrangements, including (i) the impairment of our equity method investment in More Life; (ii) the difference between the termination payment made by us to More Life and the remaining minimum royalty obligations owing to More Life that were derecognized; and (iii) charges associated with terminating a licensing agreement with a third party.

Impairment charges totaling $6.6 million related to licensed brand intangible assets, which were identified during our annual impairment testing process.

A summary of the pre-tax charges recognized in fiscal 2021 in connection with our restructuring actions described above is as follows:

	Year ended March 31, 2021		
	Restructuring and other charges	Other impairments	Total
Costs recorded in cost of goods sold:			
Inventory write-downs	$ 25,985	$ -	$ 25,985
Costs recorded in operating expenses:			
Impairment and abandonment of property, plant and equipment	426,748	-	426,748
Impairment and abandonment of intangible assets	54,511	6,634	61,145
Contractual and other settlement obligations	22,352	-	22,352
Employee-related and other restructuring costs	24,153	-	24,153
Asset impairment and restructuring costs	527,764	6,634	534,398
Costs recorded in loss from equity method investments:			
Impairment of equity method investments	10,300	-	10,300
Total restructuring, asset impairments and related costs	$ 564,049	$ 6,634	$ 570,683

Fiscal 2020

Total restructuring, asset impairments and related costs of $843.3 million were recognized in fiscal 2020, comprised of:

- Property, plant and equipment and intangible asset impairment charges, asset abandonment costs, inventory write-downs, contractual and other settlement costs, employee-related costs and other restructuring costs, share-based compensation expense, and impairment charges related to certain of our equity method investments totaling $742.9 million associated with the organizational and strategic review of our business that commenced in the fourth quarter of fiscal 2020. This review resulted in the following actions designed to improve organizational focus, streamline operations and align our production capability with

projected demand: (i) the closure of certain of our greenhouses as they are no longer essential to our Canadian cannabis cultivation footprint; (ii) exiting non-strategic geographies, including South Africa and Lesotho and our hemp farming operations in New York, and shifting our strategy in Colombia; and (iii) rationalizing certain marketing and research and development activities. These actions also resulted in the elimination of approximately 600 full-time positions.

- Impairment charges totaling $100.3 million, including (i) $60.0 million related to contractual and other settlement costs and brand and license impairments, which were identified during our annual impairment testing process; and (ii) $40.3 million related to certain of our equity method investments.

A summary of the pre-tax charges recognized in fiscal 2020 in connection with our restructuring actions described above is as follows:

	Year ended March 31, 2020		
	Restructuring and other charges	Other impairments	Total
Costs recorded in cost of goods sold:			
Inventory write-downs	$ 132,089	$ -	$ 132,089
Costs recorded in operating expenses:			
Impairment and abandonment of property, plant and equipment	334,964	-	334,964
Impairment and abandonment of intangible assets	192,987	54,020	247,007
Contractual and other settlement obligations	18,712	6,000	24,712
Employee-related and other restructuring costs	16,583	-	16,583
Asset impairment and restructuring costs	563,246	60,020	623,266
Acceleration of share-based compensation expense related to acquisition milestones	32,694	-	32,694
Share-based compensation expense	32,694	-	32,694
Costs recorded in loss from equity method investments:			
Impairment of equity method investments	14,900	40,326	55,226
Total restructuring, asset impairments and related costs	$ 742,929	$ 100,346	$ 843,275

Net Loss

The net loss was $1.7 billion in fiscal 2021, as compared to $1.4 billion in fiscal 2020. The increase in the net loss is primarily attributable to the year-over-year change in other income (expense), net, the reduction in the income tax recovery, and expected credit losses on financial assets and related charges, and partially offset by the year-over-year improvement in gross margin and reductions in selling, general and administrative expenses, share-based compensation expense, and asset impairment and restructuring charges. These variances are discussed above in our discussion of our fiscal 2021 results of operations.

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 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; expected credit losses on financial assets and related charges; restructuring and other charges recorded in cost of goods sold; and charges related to the flow-through of inventory step-up on business combinations, and further adjusted to remove acquisition-related costs. 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, 2021 and 2020:

(in thousands of Canadian dollars)	Years ended March 31, 2021	2020	$ Change	% Change
Net loss	$ (1,670,820)	$ (1,387,440)	$ (283,380)	(20%)
Income tax recovery	(13,141)	(121,614)	108,473	89%
Other (income) expense, net	387,876	(224,329)	612,205	273%
Loss on equity method investments	52,629	64,420	(11,791)	(18%)
Share-based compensation[1]	91,149	320,276	(229,127)	(72%)
Acquisition-related costs	13,522	20,840	(7,318)	(35%)
Depreciation and amortization[1]	127,118	125,013	2,105	2%
Asset impairment and restructuring costs	534,398	623,266	(88,868)	(14%)
Expected credit losses on financial assets and related charges	109,480	-	109,480	-
Restructuring and other charges recorded in cost of goods sold	25,985	132,089	(106,104)	(80%)
Charges related to the flow-through of inventory step-up on business combinations	1,494	4,687	(3,193)	(68%)
Adjusted EBITDA	$ (340,310)	$ (442,792)	$ 102,482	23%

1 From Statements of Cash Flows.

The Adjusted EBITDA loss in fiscal 2021 was $340.3 million, as compared to an Adjusted EBITDA loss of $442.8 million in fiscal 2020. The year-over-year decrease in the Adjusted EBITDA loss is primarily attributable to the year-over-year reduction in our selling, general and administrative expenses, as described above.

Discussion of Fiscal 2020 Results of Operations

The following table presents selected consolidated financial information for the years ended March 31, 2020 and 2019:

(in thousands of Canadian dollars, except share amounts and where otherwise indicated)	Years ended March 31, 2020	2019	$ Change	% Change
Selected consolidated financial information:				
Net revenue	$ 398,772	$ 226,341	$ 172,431	76%
Gross margin percentage	(8%)	12%	-	(2,000) bps
Net loss	$ (1,387,440)	$ (712,025)	$ (675,415)	(95%)
Net loss attributable to Canopy Growth Corporation	$ (1,321,326)	$ (736,281)	$ (585,045)	(79%)
Loss per share - basic and diluted[1]	$ (3.80)	$ (2.76)	$ 1.04	(38%)

[1]For the year ended March 31, 2020, the weighted average number of outstanding common shares, basic and diluted, totaled 348,038,163 (year ended March 31, 2019 - 266,997,406).

Revenue

The following tables present segmented net revenue, by channel and by form, for the years ended March 31, 2020 and 2019:

Revenue by Channel *(in thousands of Canadian dollars)*	Years ended March 31, 2020	2019	$ Change	% Change
Canadian recreational cannabis net revenue				
Business-to-business[1]	$ 121,605	$ 93,836	$ 27,769	30%
Business-to-consumer	52,044	23,144	28,900	125%
	173,649	116,980	56,669	48%
Canadian medical cannabis net revenue[2]	51,647	65,221	(13,574)	(21%)
	225,296	182,201	43,095	24%
International and other revenue				
C3	53,770	-	53,770	-
Other	15,869	10,243	5,626	55%
	69,639	10,243	59,396	580%
Global cannabis net revenue	294,935	192,444	102,491	53%
Other consumer products				
Storz & Bickel	48,329	17,768	30,561	172%
This Works	24,725	-	24,725	-
Other	30,783	16,129	14,654	91%
Other consumer products revenue	103,837	33,897	69,940	206%
Net revenue	$ 398,772	$ 226,341	$ 172,431	76%

[1] Reflects excise taxes of $35,649 and other revenue adjustments, representing our determination of returns and pricing adjustments, of $51,500 for the year ended March 31, 2020 (year ended March 31, 2019 - excise taxes of $23,552).

[2] Reflects excise taxes of $5,205 for the year ended March 31, 2020 (year ended March 31, 2019 - $3,538).

Revenue by Form	Years ended March 31,			
(in thousands of Canadian dollars)	2020	2019	$ Change	% Change
Canadian recreational cannabis				
Dry bud[1]	$ 238,099	$ 82,643	$ 155,456	188%
Oils and softgels[1]	21,640	57,889	(36,249)	(63%)
Beverages, edibles, topicals and vapes	1,059	-	1,059	-
Other revenue adjustments	(51,500)	-	(51,500)	-
Excise taxes	(35,649)	(23,552)	(12,097)	(51%)
	173,649	116,980	56,669	48%
Medical cannabis and other				
Dry bud	37,435	51,542	(14,107)	(27%)
Oils and softgels	89,056	27,460	61,596	224%
Excise taxes	(5,205)	(3,538)	(1,667)	(47%)
	121,286	75,464	45,822	61%
Global cannabis net revenue	294,935	192,444	102,491	53%
Other consumer products				
Storz & Bickel	48,329	17,768	30,561	172%
This Works	24,725	-	24,725	-
Other	30,783	16,129	14,654	91%
Other consumer products revenue	103,837	33,897	69,940	206%
Net revenue	$ 398,772	$ 226,341	$ 172,431	76%

[1] Excludes the impact of other revenue adjustments.

Net revenue was $398.8 million in fiscal 2020, as compared to $226.3 million in fiscal 2019. The year-over-year increase was attributable to:

- Growth in the global cannabis segment, which was primarily due to (i) the launch of the Canadian recreational cannabis market in October 2018, which resulted in a full year of recreational revenue contribution in fiscal 2020 as compared to approximately five and a half months in fiscal 2019; and (ii) the acquisition of C3 in April 2019; and
- Growth in the other consumer products segment, which was primarily due to our acquisition of This Works in May 2019 and a full year of revenue contribution from our acquisition of Storz & Bickel in December 2018.

Global cannabis

Net revenue from our global cannabis segment was $294.9 million in fiscal 2020, as compared to $192.4 million in fiscal 2019.

Canadian recreational cannabis net revenue was $173.6 million in fiscal 2020, as compared to $117.0 million in fiscal 2019. Revenue from the business-to-business channel was $121.6 million in fiscal 2020, net of the impact of other revenue adjustments in the amount of $51.5 million associated with our determination of returns and pricing adjustments. These adjustments related primarily to the restructuring of our oils and softgels portfolio in the second quarter of fiscal 2020. Comparatively, revenue from the business-to-business channel was $93.8 million in fiscal 2019, and the year-over-year increase of $27.8 million is attributable to the opening of the Canadian recreational cannabis market on October 17, 2018. Revenue from the business-to-consumer channel was $52.0 million in fiscal 2020, an increase of $28.9 million from fiscal 2019 due to the opening of the Canadian recreational cannabis market and our build-out of our retail store platform in Canada.

Canadian medical cannabis net revenue was $51.6 million in fiscal 2020, a decrease of $13.6 million from fiscal 2019 due primarily to the transition of our medical customers to the Spectrum Therapeutics online store and its more medical-focused cannabis product offerings prior to the opening of the recreational market. In response, we broadened our brand and medical cannabis product offerings available on the Spectrum Therapeutics online store in response to medical customer demand.

International and other cannabis revenue was $69.6 million in fiscal 2020, an increase of $59.4 million from fiscal 2019. Of the increase, $53.8 million was attributable to the acquisition of C3 in April 2019, and the remainder was primarily attributable to the year-over-year growth in our German medical revenue which resulted primarily from the resolution of the supply constraints we had previously experienced and which were associated with the opening of the recreational cannabis market in Canada.

Other consumer products

Revenue from our other consumer products segment was $103.8 million in fiscal 2020, as compared to $33.9 million in fiscal 2019. The year-over-year increase is primarily attributable to the acquisitions of Storz & Bickel and This Works. The remainder of the increase is attributable to revenue from other strategic sources including BioSteel and clinic partners. Other revenue for fiscal 2019 consisted predominantly of revenue from our clinic partners and four months of revenue contribution from Storz & Bickel.

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, 2020 and 2019:

	Years ended March 31,			
(in thousands of Canadian dollars except where indicated)	2020	2019	$ Change	% Change
Net revenue	$ 398,772	$ 226,341	$ 172,431	76%
Cost of goods sold	$ 430,456	$ 198,096	$ 232,360	117%
Gross margin	(31,684)	28,245	(59,929)	(212%)
Gross margin percentage	(8%)	12%	-	(2,000 bps)

Cost of goods sold in fiscal 2020 was $430.5 million, as compared to $198.1 million in fiscal 2019. Our gross margin in fiscal 2020 was $(31.7) million, or (8%) of net revenue, as compared to gross margin of $28.2 million and gross margin percentage of 12% of net revenue in fiscal 2019. The year-over-year decrease in the gross margin percentage is attributable to charges totaling $132.1 million and inventory write-downs of $29.0 million recorded in fiscal 2020, as described above in our analysis of cost of goods sold and gross margin for fiscal 2021. We also incurred charges totaling $4.7 million related to the flow-through of inventory step-up associated with fiscal 2020 business combinations.

Our adjusted gross margin percentage in fiscal 2020, excluding the items highlighted above, benefited from the following items as compared to our gross margin of 12% in fiscal 2019:

- A year-over-year decrease in the impact of operating costs relating to facilities not yet cultivating or processing cannabis, not yet producing cannabis-related products or having under-utilized capacity. In fiscal 2020 these costs amounted to $39.6 million and primarily related to start-up costs associated with our advanced manufacturing and beverage facilities in Smiths Falls, our greenhouse in Denmark, under-utilized capacity associated with our KeyLeaf extraction facility, and costs associated with our 2020 Canadian outdoor harvest. Comparatively, these costs amounted to $49.6 million in fiscal 2019 and related to the under-utilization of several of our larger cultivation facilities, including Delta, a number of zones in the Aldergrove greenhouse, the Mirabel, Quebec greenhouse which was in a pilot phase for the majority of the fiscal year, and the indoor facility in Fredericton, New Brunswick which was in a start-up phase; and
- A shift in the business mix in fiscal 2020 towards an increased contribution to our revenues from our higher-margin international medical business, most predominantly related to revenue attributable to C3, and our higher-margin Storz & Bickel and This Works businesses.

The following table presents segmented gross margin and gross margin percentage for the years ended March 31, 2020 and 2019:

	Years ended March 31,			
(in thousands of Canadian dollars except where indicated)	2020	2019	$ Change	% Change
Global cannabis segment				
Cost of goods sold	$ 371,771	$ 175,957	$ 195,814	111%
Gross margin	(76,836)	16,487	(93,323)	(566%)
Gross margin percentage	(26%)	9%		(3,500 bps)
Other consumer products segment				
Cost of goods sold	$ 58,685	$ 22,139	$ 36,546	165%
Gross margin	45,152	11,758	33,394	284%
Gross margin percentage	43%	35%		800 bps

Global cannabis

Gross margin for our global cannabis segment was $(76.8) million in fiscal 2020, or (26%) of net revenue, as compared to $16.5 million in fiscal 2019, or 9% of net revenue. The year-over-year decrease in the gross margin percentage was primarily due to the restructuring and other charges recorded in cost of goods sold ($132.1 million) and the inventory write-downs associated with our oils and softgels portfolio ($29.0 million) recorded in fiscal 2020, as discussed above in our analysis of cost of goods sold and gross margin on a consolidated basis. Excluding the items highlighted above, our adjusted gross margin percentage in fiscal 2020 benefited from a year-over-year decrease in the impact of operating costs relating to facilities not yet cultivating or processing cannabis, not yet producing cannabis-related products or having under-utilized capacity.

Other consumer products

Gross margin for our other consumer products segment was $45.2 million in fiscal 2020, or 43% of net revenue, as compared to $11.8 million in fiscal 2019, or 35% of net revenue. The year-over-year increase in our gross margin percentage was primarily due to the acquisitions of Storz & Bickel (December 2018) and This Works (May 2019), and the resulting shift in the business mix in fiscal 2020 as these higher-margin businesses contributed twelve months and approximately ten months, respectively, to our results.

Operating Expenses

The following table presents operating expenses for the years ended March 31, 2020 and 2019:

(in thousands of Canadian dollars)	Years ended March 31, 2020	2019	$ Change	% Change
Operating expenses				
General and administrative	$ 304,635	$ 168,434	$ 136,201	81%
Sales and marketing	242,831	163,674	79,157	48%
Research and development	61,812	15,238	46,574	306%
Acquisition-related costs	20,840	23,394	(2,554)	(11%)
Depreciation and amortization	63,619	21,510	42,109	196%
Selling, general and administrative expenses	693,737	392,250	301,487	77%
Share-based compensation	258,104	173,283	84,821	49%
Share-based compensation related to acquisition milestones	62,172	100,164	(37,992)	(38%)
Share-based compensation expense	320,276	273,447	46,829	17%
Asset impairment and restructuring costs	623,266	-	623,266	-
Total operating expenses	$ 1,637,279	$ 665,697	$ 971,582	146%

Selling, general and administrative expenses

Selling, general and administrative expenses in fiscal 2020 were $693.7 million, as compared to $392.3 million in fiscal 2019.

General and administrative expense in fiscal 2020 was $304.6 million, as compared to $168.4 million in fiscal 2019. The year-over-year increase was primarily attributable to:

- Increased employee compensation and professional service costs associated with (i) enhancing our finance and information technology capabilities and meeting our public company compliance and regulatory requirements, including costs associated with the loss of our foreign private issuer status and our transition to U.S. GAAP; and (ii) regional management and government and regulatory relations support, as we expanded our operations into the United States and internationally. The increased costs include both professional service costs and higher compensation costs associated with an increase in the number of our employees;
- Increased insurance costs primarily associated with enhancing the coverage in our directors and officers insurance policy and higher property insurance coverage related to the expansion of our operations;
- Growth in our business through the acquisitions in fiscal 2020 of C3, This Works and BioSteel, which has resulted in a year-over-year increase in general and administrative costs;
- Non-recurring losses of $10.8 million incurred related to legal disputes with a third-party supplier; and
- An increase in other administrative costs, such as information technology infrastructure and software licenses, associated with the increase in the number of employees.

Sales and marketing expense in fiscal 2020 was $242.8 million, as compared to $163.7 million in fiscal 2019. The year-over-year increase was primarily attributable to:

- Increased staffing costs as we continue to (i) enhance our marketing and sales capabilities servicing our Canadian market and brands, the United States market as we launched First & Free CBD products in December 2019 and April 2020 in certain states, and our European sales infrastructure; and (ii) build-out our network of Tweed- and Tokyo Smoke-branded retail stores in Canada;
- The growth in our business through the acquisitions of C3, This Works and BioSteel in fiscal 2020 and a full fiscal year of expense contribution from Storz & Bickel, which has resulted in a year-over-year increase in sales and marketing expense. The growth in sales and marketing expenses associated with these businesses includes marketing initiatives related to BioSteel's launch of its "CBD for Sport" nutrition beverages in early March 2020 and This Works' launch of its 24 hour, CBD-blended skincare boosters in April 2020; and
- Driving brand awareness and educating consumers through advertising and media campaigns, including concept creation and the placement of advertising at venues and events and in key media channels in support of our brands. In fiscal 2020, these initiatives focused on product marketing and brand awareness campaigns associated with the launch of our Cannabis 2.0 products in Canada, continuing to establish our Tweed and Tokyo Smoke brands, and the launch of our First & Free CBD products in the United States in December 2019.

Research and development expense in fiscal 2020 was $61.8 million, as compared to $15.2 million in fiscal 2019. The year-over-year increase was primarily attributable to:

- Higher compensation costs associated with an increase in the number of employees conducting research into several intellectual property opportunities and developing patent-protected technology related to our Cannabis 2.0 products; device and delivery technology, including vaporizers and vapes; plant science, including growth patterns under different environmental scenarios and the genetics of various strains; and cannabinoid extraction technology; and
- Increased costs associated with conducting external laboratory research and testing and clinical trials for CBD-based human and animal health products and other cannabinoid-based therapies.

Acquisition-related costs in fiscal 2020 were $20.8 million, as compared to $23.4 million in fiscal 2019. The year-over-year decrease was attributable to a higher overall level of mergers and acquisitions activity in fiscal 2019 relative to fiscal 2020. In fiscal 2019, we closed on several transactions in the year including Hiku Brands Company Ltd. ("Hiku"), ebbu, Storz & Bickel, KeyLeaf Life Sciences ("KeyLeaf", formerly referred to as POS Holdings Inc.), and the medical division of Spectrum Therapeutics (formerly referred to as Canopy Health Innovations Inc, or "CHI"). In addition, several transactions were announced subsequent to March 31, 2019 for which costs were incurred in fiscal 2019, including the acquisitions of C3 and This Works, and the Original Acreage Arrangement. In fiscal 2020, these latter three transactions closed, along with the acquisitions of BioSteel and Beckley Canopy Therapeutics and the transaction to launch More Life.

Depreciation and amortization in fiscal 2020 was $63.6 million, as compared to $21.5 million in fiscal 2019. The year-over-year increase was attributable to property, plant and equipment being put into operation during fiscal 2020, as we completed the build-out of substantially all our cultivation and manufacturing infrastructure across Canada, invested in our production and manufacturing capacity in the United States, and substantially completed the construction of our greenhouse in Denmark.

Share-based compensation expense

Share-based compensation was $258.1 million in fiscal 2020, as compared to $173.3 million in fiscal 2019. The year-over-year increase was attributable to the timing of the stock options that were granted in fiscal 2019. While a total of 22.1 million options were granted in fiscal 2019 at a weighted average exercise price of $51.49 per option, 13.6 million of those options were granted in the third and fourth quarters of fiscal 2019 and would have only begun vesting and being recognized in share-based compensation expense at that time. Therefore, fiscal 2020 reflected a full year of share-based compensation expense related to those particular grants, as compared to only a partial year of expense being recognized in fiscal 2019. Additionally, while our share-based compensation plan was modified in the first half of fiscal 2020 and fewer stock option grants were issued in fiscal 2020 relative to prior years, 9.5 million options were granted in fiscal 2020 at a weighted average exercise price of $33.87, predominantly in the second and third quarters of fiscal 2020. Accordingly, the year-over-year increase was largely attributable to the timing of the significant option grants issued in fiscal 2019 impacting share-based compensation expense to a greater degree in fiscal 2020, and the new grants issued in fiscal 2020.

Share-based compensation related to acquisition milestones was $62.2 million in fiscal 2020, as compared to $100.2 million in fiscal 2019. The decrease associated with share-based compensation expense related to acquisition milestones was primarily attributable to the achievement, in earlier fiscal years, of the major milestones associated with the acquisitions of Spectrum Colombia and Spectrum Denmark, and the recognition of share-based compensation expense at that time. Additionally, in the second quarter of fiscal 2019, we acquired the outstanding shares of Canindica in exchange for our common shares, and the consideration paid of $23.0 million was recognized as share-based compensation expense as Canindica did not meet the definition of a business. These factors were partially offset by share-based compensation expense of $32.7 million recognized in the fourth quarter of fiscal 2020 resulting from the restructuring of our operations in Colombia and Lesotho, as described above. As part of this restructuring, we accelerated share-based compensation expense relating to the unvested milestones associated with the acquisitions of Spectrum Colombia, Canindica and DaddyCann Lesotho PTY ("DCL").

Asset impairment and restructuring costs

Asset impairment and restructuring costs recorded in operating expenses in fiscal 2020 were $623.3 million. These costs included charges of $563.2 million related to restructuring actions and charges of $60.0 million related to other asset impairments, and are detailed above under "Restructuring, Asset Impairments and Related Costs".

Other

The following table presents loss from equity method investments, other income (expense), net, and income tax recovery (expense) for the years ended March 31, 2020 and 2019:

	Years ended March 31,			
(in thousands of Canadian dollars)	2020	2019	$ Change	% Change
Loss from equity method investments	$ (64,420)	$ (10,752)	$ (53,668)	(499%)
Other income (expense), net	224,329	(59,709)	284,038	476%
Income tax recovery (expense)	121,614	(4,112)	125,726	3058%

Loss from equity method investments

The loss from equity method investments was $64.4 million in fiscal 2020, as compared to $10.8 million in fiscal 2019. The year-over-year increase in the loss was primarily due to impairment charges of $55.2 million that were recognized in the fourth quarter of fiscal 2020, as described above in our analysis of the loss on equity method investments for fiscal 2021.

Other (expense) income, net

Other income, net was $224.3 million in fiscal 2020, as compared to other expense, net of $59.7 million in fiscal 2019. The change of $284.0 million from an expense amount to an income amount was primarily attributable to:

- An income amount of $795.1 million in fiscal 2020 related to fair value changes on the warrant derivative liability associated with the Tranche B Warrants. The decrease in the fair value of the warrant derivative liability was primarily attributable to the decline of approximately 62% in our share price from June 27, 2019, when the terms of the warrants were amended, to March 31, 2020.
- Change of $387.8 million, from an expense amount of $203.1 million to an income amount of $184.7 million, related to the non-cash fair value changes on our convertible senior notes. The stock price declined approximately 64% from April 1, 2019 to March 31, 2020, resulting in income being recognized, as compared to an increase of approximately 33% from the issuance of the convertible senior notes in June 2018 to March 31, 2019, which resulted in an expense being recognized.
- An expense of $28.6 million was recognized in fiscal 2019 related to a settlement reached with co-investors in two of our equity-method investees.

- Incremental interest income of $17.0 million attributable to the higher cash and cash equivalents and short-term investments balances in fiscal 2020 resulting from the investment by CBI.
- Convertible debt issuance costs of $16.4 million that were incurred in the first quarter of fiscal 2019.
- Fair value changes of $645.2 million related to the liability arising from the Original Acreage Arrangement, primarily attributable to an overall decline during fiscal 2020 in both our and Acreage's share prices, and share prices across the U.S. multi-state operator sector.
- Change of $327.4 million related to the non-cash fair value changes on our other financial assets, from an income amount of $83.4 million in fiscal 2019 to an expense amount of $244.0 million in the current period. The expense amount in the current fiscal year was primarily driven by decreases of $113.0 million and $40.5 million in the fair value of our TerrAscend Exchangeable Shares and warrants in the capital of SLANG, respectively. Both companies have interests in cannabis-related businesses in the United States and the fair value decreases resulted primarily from declines of approximately 69% and 90%, respectively in their respective stock prices during fiscal 2020.

Income tax recovery (expense)

Income tax recovery was $121.6 million in fiscal 2020, compared to income tax expense of $4.1 million in fiscal 2019. In fiscal 2020, income tax recovery consisted of deferred income tax recovery of $138.3 million (compared to an expense of $1.7 million in fiscal 2019) and current income tax expense of $16.7 million (compared to an expense of $2.4 million in fiscal 2019).

The increase of $140.0 million in deferred income tax recovery was primarily a result of (i) recording a reduction 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; and (ii) the recognition of losses carried forward net of the use of losses carried forward from prior years for which a deferred tax asset had been recorded. In connection with certain deferred tax assets, mainly in respect to losses for tax purposes, where the accounting criteria for recognition of an asset has yet to be satisfied and it is not probable that they will be used, the deferred tax asset has not been recognized.

The increase of $14.3 million in current income tax expense arose primarily in connection with acquired legal entities that generated taxable income, where income could not be offset against the group's tax attributes, and legal entities which have fully utilized their loss carry forward balances and have current period taxable income.

Net Loss

The net loss was $1.4 billion in fiscal 2020, as compared to a net loss of $712.0 million in fiscal 2019. The year-over-year increase in the net loss was primarily attributable to the asset impairment and restructuring costs of $843.3 million that were recognized in the fourth quarter of fiscal 2020, as described above, partially offset by changes in other income (expense), net, and income tax recovery (expense), also as described above.

Adjusted EBITDA (Non-GAAP Measure)

The following table presents Adjusted EBITDA for the years ended March 31, 2020 and 2019:

(in thousands of Canadian dollars)	Years ended March 31, 2020	2019	$ Change	% Change
Net loss	$ (1,387,440)	$ (712,025)	$ (675,415)	(95%)
Income tax (recovery) expense	(121,614)	4,112	(125,726)	(3058%)
Other (income) expense, net	(224,329)	59,709	(284,038)	(476%)
Loss on equity method investments	64,420	10,752	53,668	499%
Share-based compensation[1]	320,276	278,228	42,048	15%
Acquisition-related costs	20,840	23,394	(2,554)	(11%)
Depreciation and amortization[1]	125,013	46,918	78,095	166%
Asset impairment and restructuring costs	623,266	-	623,266	-
Restructuring and other charges recorded in cost of goods sold	132,089	-	132,089	-
Charges related to the flow-through of inventory step-up on business combinations	4,687	-	4,687	-
Adjusted EBITDA[2]	$ (442,792)	$ (288,912)	$ (153,880)	(53%)

[1] From Statements of Cash Flows.
[2]Adjusted EBITDA is a non-GAAP measure and is calculated as the reported net 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; expected credit losses on financial assets and related charges; restructuring and other charges recorded in cost of goods sold; and charges related to the flow-through of inventory step-up on business combinations, and further adjusted to remove acquisition-related costs.

The Adjusted EBITDA loss in fiscal 2020 was $442.8 million, as compared to an Adjusted EBITDA loss of $288.9 million in fiscal 2019. The year-over-year increase in the Adjusted EBITDA loss was primarily attributable to increased selling, general and administrative expenses relative to fiscal 2019, partially offset by improvements in our adjusted gross margin excluding restructuring and other charges recorded in cost of goods sold, as described above.

Summary of Quarterly Results

The following tables presenting our quarterly results of operations should be read in conjunction with the Financial Statements and related notes included in Part II, Item 8 of this Annual Report. We have prepared the unaudited information on the same basis as our audited consolidated financial statements. Our operating results for any quarter are not necessarily indicative of results for any future quarters or for a full year.

The following tables present our unaudited quarterly results of operations for the eight consecutive quarters ended March 31, 2021:

	QUARTER ENDED				
	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	Full year
Net revenue	$ 110,416	$ 135,266	$ 152,528	$ 148,439	$ 546,649
Gross margin	$ 6,495	$ 26,080	$ 24,585	$ 9,800	$ 66,960
Net loss	$ (128,322)	$ (96,552)	$ (829,251)	$ (616,695)	$ (1,670,820)
Net loss attributable to Canopy Growth Corporation	$ (108,501)	$ (32,061)	$ (904,380)	$ (699,978)	$ (1,744,920)
Net loss per common share attributable to Canopy Growth Corporation:					
Basic and diluted loss per share	$ (0.30)	$ (0.09)	$ (2.43)	$ (1.85)	$ (4.69)

	QUARTER ENDED				
	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	Full year
Net revenue	$ 90,482	$ 76,613	$ 123,764	$ 107,913	$ 398,772
Gross margin	$ 18,290	$ 3,643	$ 38,208	$ (91,825)	$ (31,684)
Net (loss) income	$ (194,051)	$ 242,650	$ (109,634)	$ (1,326,405)	$ (1,387,440)
Net (loss) income attributable to Canopy Growth Corporation	$ (185,869)	$ 258,918	$ (91,354)	$ (1,303,021)	$ (1,321,326)
Net (loss) income per common share attributable to Canopy Growth Corporation:					
Basic (loss) earnings per share	$ (0.54)	$ 0.75	$ (0.26)	$ (3.72)	$ (3.80)
Diluted (loss) earnings per share	$ (0.54)	$ 0.25	$ (0.26)	$ (3.72)	$ (3.80)

Part 3 – Financial Liquidity and Capital Resources

We manage liquidity risk by reviewing, on an ongoing basis, our sources of liquidity and capital requirements. As of March 31, 2021, we had cash and cash equivalents of $1.2 billion and short-term investments of $1.1 billion, which are predominantly invested in liquid securities issued by the United States and Canadian governments. Additionally, we have capacity of $40.0 million under our $40.0 million revolving debt facility with Farm Credit Canada ("FCC") as well as up to an additional US$500.0 million available under the Credit Facility. In evaluating our capital requirements, including the impact, if any, on our business from the COVID-19 outbreak, and our ability to fund the execution of our strategy, we believe we have adequate available liquidity to enable us to meet our working capital and other operating requirements, fund growth initiatives and capital expenditures, settle our liabilities, and repay scheduled principal and interest payments on debt.

Our objective is to generate sufficient cash to fund our operating requirements and expansion plans. While we have incurred net losses on a GAAP basis and Adjusted EBITDA losses to date and our cash and cash equivalents have decreased $148.5 million from March 31, 2020 (although, together with short-term investments, they increased $322.7 million from March 31, 2020), as discussed in the "Cash Flows" section below, management anticipates the success and eventual profitability of the business. We have also ensured that we have access to public capital markets through our U.S. and Canadian public stock exchange listings, and as discussed above under "Recent Developments" in March 2021 we entered into the Credit Agreement in connection with the Credit Facility with an initial aggregate principal amount of US$750.0 million. We continue to review and pursue selected external financing sources to ensure adequate financial resources. These potential sources include, but are not limited to (i) obtaining financing from traditional or non-traditional investment capital organizations; (ii) obtaining funding from the sale of our common shares or other equity or debt instruments; and (iii) obtaining debt financing with lending terms that more closely match our business model and capital needs.

There can be no assurance that we will gain adequate market acceptance for our products or be able to generate sufficient positive cash flow to achieve our business plans. In fiscal 2021, our purchases of and deposits on property, plant and equipment totaled $164.5 million, which we funded out of available cash, cash equivalents and short-term investments. We expect to continue funding these purchases with our available cash, cash equivalents and short-term investments. Therefore, we are subject to risks including, but not limited to, our inability to raise additional funds through debt and/or equity financing to support our continued development, including capital expenditure requirements, operating requirements and to meet our liabilities and commitments as they come due.

Cash Flows

The table below presents cash flows for the years ended March 31, 2021, 2020 and 2019:

	Years ended March 31,		
(in thousands of Canadian dollars)	2021	2020	2019
Net cash (used in) provided by:			
Operating activities	$ (465,729)	$ (772,635)	$ (535,031)
Investing activities	(884,105)	(347,654)	(3,227,985)
Financing activities	1,264,769	(57,161)	5,851,719
Effect of exchange rate changes on cash and cash equivalents	(63,458)	(204)	69,567
Net decrease in cash and cash equivalents	(148,523)	(1,177,654)	2,158,270
Cash and cash equivalents, beginning of year	1,303,176	2,480,830	322,560
Cash and cash equivalents, end of period	$ 1,154,653	$ 1,303,176	$ 2,480,830

Operating activities

Cash used in operating activities in fiscal 2021 totaled $465.7 million, as compared to cash used of $772.6 million in fiscal 2020. The decrease in the cash used in operating activities was primarily due to the year-over-year reduction in our working capital spending on inventory, which was primarily attributable to the lower production output in fiscal 2021 (as described in the "Cost of Goods Sold and Gross Margin" section above), and a year-over-year reduction in our selling, general and administrative expenses as discussed above.

Cash used in operating activities in fiscal 2020 totaled $772.6 million, as compared to cash used of $535.0 million in fiscal 2019. The increase in the cash used during fiscal 2020 was primarily due to the year-over-year increase in the net loss and an overall decrease in the non-cash income and expense items impacting the net loss including share-based compensation expense, asset impairment and restructuring costs, and fair value changes on the warrant derivative liability and the convertible senior notes.

Investing activities

The cash used in investing activities totaled $884.1 million in fiscal 2021. We invested $164.5 million, primarily in our production infrastructure in the United States and an expansion of our Storz & Bickel facilities. We did not complete any acquisitions in fiscal 2021; we did, however, complete strategic investments totaling $44.7 million, made payments of $49.8 million to Acreage shareholders upon implementation of the Acreage Amended Arrangement in September 2020, and advanced the loan of $67.0 million to Acreage Hempco. In the fourth quarter of fiscal 2021, we completed the RIV Arrangement and, as a result, made a cash payment in the amount of $115.0 million and derecognized RIV Capital's cash balance of $37.8 million (see "Recent Developments", above). We also made payments totaling $16.9 million for acquisition-related liabilities, as we continue to draw-down on the amounts owing in relation to acquisitions completed in prior years. Finally, net purchases of short-term investments were $459.8 million, primarily related to our investment of the proceeds from CBI exercising their warrants in fiscal 2021 and the proceeds from the Credit Facility (see below). Partially offsetting the aforementioned cash outflows were cash inflows related to proceeds of $45.9 million from the sale of property, plant and equipment, proceeds of $7.0 million from the sale of equity method investments, proceeds of $18.3 million from the sale of a portfolio of patents in Germany, and proceeds of $10.0 million related to a recovery of amounts related to construction financing.

The cash used in investing activities totaled $347.7 million in fiscal 2020. We invested $704.9 million in the construction of advanced manufacturing capability and a beverage facility at our Smiths Falls location, our U.S. supply chain infrastructure, and expanding our growing capacity in Denmark. The cash used for acquisitions was $498.8 million, with the most notable cash outflows relating to our acquisitions of C^3 ($342.9 million), This Works ($71.0 million), BioSteel ($47.7 million) and BCT ($37.2 million). We also completed strategic investments totaling $529.9 million in the form of equity instruments of certain entities, most notably pursuant to the Original Acreage Arrangement ($395.2 million). Partially offsetting these outflows of cash was the net redemption of short-term investments in the amount of $1.4 billion, with the cash proceeds primarily used for the purposes described above.

The cash used in investing activities totaled $3.2 billion in fiscal 2019. The net purchases of short-term investments was $2.0 billion with the proceeds from the issuance of equity to CBI. We invested $644.5 million in expanding our growing capacity at our Aldergrove and Delta, British Columbia greenhouses and our Fredericton indoor facility, the construction of a regional distribution center, advanced manufacturing capability, and a beverage production facility at our Smiths Falls location. These expenditures also included our continued international expansion, with investments being made in retrofitting our greenhouse in Odense, Denmark and acquiring land in Australia. The cash used for acquisitions was $344.4 million, with the most notable cash outflows relating to our acquisitions of Storz & Bickel ($202.7 million) and KeyLeaf ($126.1 million). We also completed strategic investments of $128.2 million in the equity instruments of certain entities.

Financing activities

The cash provided by financing activities totaled $1.3 billion in fiscal 2021. We received net proceeds of $877.1 million pursuant to the Credit Facility, as discussed in "Recent Developments", proceeds of $245.2 million in relation to CBI exercising 18.9 million warrants to purchase our common shares, and proceeds from the exercise of stock options were $156.9 million. These inflows were partially offset by scheduled repayments on long-term debt of $15.6 million.

The cash used in financing activities totaled $57.2 million in fiscal 2020. The primary outflow was the repayment of debt of $115.0 million, including the Alberta Treasury Board financing and related interest in the amount of $95.2 million, and other scheduled debt repayments.

The cash provided by financing activities totaled $5.9 billion in fiscal 2019, related primarily to the proceeds of $5.1 billion from the equity issuance to CBI, and the proceeds of $600.0 million from the issuance of the convertible senior notes.

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 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, 2021, 2020 and 2019:

	Years ended March 31,		
(in thousands of Canadian dollars)	2021	2020	2019
Net cash used in operating activities	$ (465,729)	$ (772,635)	$ (535,031)
Purchases of and deposits on property, plant and equipment	(164,502)	(704,944)	(644,456)
Free cash flow[1]	$ (630,231)	$ (1,477,579)	$ (1,179,487)

[1]Free 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 2021 was an outflow of $630.2 million, as compared to an outflow of $1.5 billion in fiscal 2020. The year-over-year decrease in the outflow reflects the decrease in the cash used for operating activities, as described above, and the substantial completion of our cultivation and Cannabis 2.0 infrastructure build-out over the past year and the shift in strategy to an asset-light model in certain markets.

Free cash flow for fiscal 2020 was an outflow of $1.5 billion, as compared to an outflow of $1.2 billion for fiscal 2019. The year-over-year increase in the outflow reflects the increase in the cash used for operating activities, as described above, and the completion of construction of advanced manufacturing capability and a beverage production facility at our Smiths Falls location in fiscal 2020.

Debt

Since our formation, we have financed our cash requirements primarily through the issuance of capital stock, including the $5.1 billion investment by CBI in the third quarter of fiscal 2019, and debt. Total debt outstanding as of March 31, 2021 was $1.6 billion, as compared to $465.4 million as of March 31, 2020. The total principal amount owing, which excludes fair value adjustments related to the convertible senior notes, was $1.5 billion at March 31, 2021, as compared to $615.2 million at March 31, 2020. This increase is primarily due to the carrying amount of the Credit Facility of $891.7 million, representing the principal amount owing and accrued interest, net of associated financing costs (see “Recent Developments” above).

Convertible senior notes

In June 2018, we issued the Canopy Notes with an aggregate principal amount of $600.0 million. The Canopy Notes bear interest at a rate of 4.25% per annum, payable semi-annually on January 15th and July 15th of each year commencing January 15, 2019. The Canopy Notes mature on July 15, 2023. Holders of the Canopy Notes may convert the Canopy Notes at their option at any time from January 15, 2023 to the maturity date. CBI owns $200.0 million of the Canopy Notes.

Other

On August 13, 2019, we entered into a $40.0 million revolving debt facility with FCC. The new facility replaces all previous loans with FCC and is secured by our property on Niagara-on-the-Lake, Ontario. The outstanding balance at March 31, 2021 is $nil, and the facility bears interest of 3.45%, or the FCC prime rate plus 1.0%, and matures on September 3, 2024.

The revolving debt facility agreement with FCC includes affirmative, negative and financial covenants. As of March 31, 2021, we are in compliance with all covenants in the revolving debt facility agreement.

Further information regarding our debt issuances, including the conversion rights of the convertible senior notes, is included in Note 19 of the Financial Statements.

Contractual Obligations and Commitments

The table below presents information about our contractual obligations and commitments as of March 31, 2021, and the timing and effect that such obligations and commitments are expected to have on our liquidity and cash flows in future periods:

	Payments due by period				
(CDN $000's)	Total	Less than 1 year	1-3 years	3-5 years	Over 5 years
Long-term debt obligations	$ 1,546,067	$ 924	$ 601,842	$ 943,301	$ -
Interest payments on debt obligations	509,225	116,291	214,735	178,199	-
Operating leases[1]	81,160	13,312	22,882	18,803	26,163
Finance leases[1]	84,359	11,940	16,139	46,676	9,604
Purchase obligations	150,331	80,502	66,295	3,534	-
Other liabilities[2]	77,443	64,367	13,076	-	-
Other obligations[3]	63,443	19,343	31,292	12,808	-
	$ 2,512,028	$ 306,679	$ 966,261	$ 1,203,321	$ 35,767

1 Refer to Note 32 of our Financial Statements for further information on our leases. Amounts include interest related to operating and finance leases of $7.4 million and $21.9 million, respectively.

2 Refer to Note 20 of our Financial Statements for further information on our other liabilities.

3 Includes future minimum royalty obligations, sponsorship agreements, and other commitments.

Off-Balance Sheet Arrangements

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

Transactions with Related Parties

Year ended March 31, 2021

On February 23, 2021, we completed the RIV Arrangement with RIV Capital and RCC. Refer to “Recent Developments” above for a description of the RIV Arrangement.

Concurrent with the execution of the Proposal Agreement, on June 24, 2020, we entered into the Second Consent Agreement with the CBI Group. See Part I, Item 1, Business for additional information on these transactions.

Year ended March 31, 2020

On October 11, 2019, we acquired all of the unowned interest in BCT to increase our total ownership of BCT’s issued and outstanding shares to 100%. Following this transaction, we control both BCT and Spectrum UK, a joint venture formed by us and BCT and Spectrum UK are accounted for as wholly-owned subsidiaries.

Cash consideration for this transaction was $58.3 million, of which $45.1 million was advanced on closing, and $14.4 million will be paid on October 1, 2020 and 2021 and has a fair value of $13.2 million. Consideration also included 155,565 replacement options. The fair value of the replacement options was determined using a Black-Scholes model and $1.9 million of the total fair value has been included as consideration paid to acquire BCT as it related to pre-combination vesting service and $2.0 million of the fair value will be recognized as share-based compensation expense ratably over the post-combination vesting period. The consideration paid for BCT included $250 thousand cash and 16,430 replacement options that were issued to a member of our key management that was a shareholder and option holder in BCT.

In connection with the Acreage Arrangement Agreement, we entered into several agreements with the CBI Group, including the New Investor Rights Agreement, the Consent Agreement and amendments to the Tranche B Warrants. See Part I, Item 1, Business for additional information on these transactions.

Part 4 – Critical Accounting Policies and Estimates

Our significant accounting policies are more fully described in Note 3 of the Notes to the 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 estimated 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 judgement and assumptions will be required in determining the recoverable amount.

Assumptions and judgment. When determining whether an impairment indicator exists, judgement 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, judgement 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 judgement and assumptions used in assessing the recoverable amount change, the carrying value of long-lived assets can exceed the recoverable amount.

Impairment of indefinite lived intangible assets and goodwill

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 analysis is only required if the qualitative assessment is inconclusive.

Assumptions and judgment. When performing a qualitative assessment, judgement is required when considering relevant events and circumstances that could affect the fair value of the indefinite lived intangible asset. 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. If a quantitative analysis is required, assumptions around expected future cash flows, discount rates and other inputs into a financial model may be required to compare the fair value to the carrying value.

Goodwill – we changed the structure of our internal management reporting in the fourth quarter of fiscal 2021, and accordingly, identified two operating and reportable segments: (i) global cannabis; and (ii) other consumer products. The reorganization of our reporting structure also changed the composition of our reporting units and required that goodwill be reassigned to the reporting units using a relative fair value allocation approach. Our reporting units with goodwill in the global cannabis segment include (i) cannabis operations; and (ii) C3. Our reporting units with goodwill in the other consumer products segment include (i) Storz & Bickel; (ii) This Works; and (iii) BioSteel. At March 31, 2021, we performed our annual goodwill impairment analysis using the quantitative assessment. No indication of impairment was noted for any of our reporting units, as the estimated fair value of each our reporting units with goodwill exceeded their carrying value. The estimated fair value of our reporting units was determined using either the market valuation method or the income valuation method. The most significant assumptions used in connection with the impairment testing for reporting units valued using the income valuation method are (i) the discount rate, (ii) the expected long-term growth rate, and (iii) the annual cash flow projections.

Indefinite lived intangible assets – if a quantitative analysis is required, our acquired brand 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 brand intangible assets is calculated based on an income approach using the relief-from-royalty method. In the fourth quarter of fiscal 2021, the global cannabis segment recognized a $6.6 million impairment loss in connection with its recreational acquired brand intangible assets. Certain negative trends, including slower growth rates and increased competition, resulted in updated long-term financial forecasts indicating lower revenue and cash flow generation for the specific recreational acquired brand. This change in financial forecasts indicted it was more likely than not the fair value of our indefinite lived intangible asset associated with the licensed recreational acquired brand might be below its carrying value, 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 judgements 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.

Acreage financial instrument fair value measurement

Critical estimates. The Acreage financial instrument is measured at fair value through net income (loss) using Level 3 inputs.

Assumptions and judgment. The valuation of the Acreage financial instrument is highly subjective and management applies a probability-weighted expected return model which considers a number of potential outcomes. We use judgment to make assumptions on the key inputs including the (i) probability of each scenario; (ii) number of common shares to be issued; (iii) probability and timing of U.S. legalization; (iv) estimated premium on U.S. legalization; (v) control premium; and (vi) market access premium.

Impact if actual results differ from assumptions. If the assumptions and judgments differ, the fair value calculation will be impacted. Information on the valuation technique and inputs used in determining fair values are disclosed in Note 26 of our Financial Statements.

Warrant derivative liability fair value measurement

Critical estimates. The warrant derivative liability is measured at fair value through net income (loss) using Level 3 inputs.

Assumptions and judgment. The valuation technique requires assumptions and judgement around the inputs to be used. Specifically, there is a high degree of subjectivity and judgement in evaluating the determination of the expected share price volatility inputs used in the Monte Carlo model for the warrant derivative liability. Historical, implied, and peer group volatility levels provide a range of possible expected volatility inputs and the fair value estimates are sensitive to the expected volatility inputs.

Impact if actual results differ from assumptions. An increase or decrease in the share price volatility will result in an increase or decrease in fair value.

TerrAscend Exchangeable Shares and warrants fair value measurement

Critical estimates. The TerrAscend Exchangeable Shares and warrants are measured at fair value through net income (loss) using Level 3 inputs.

Assumptions and judgment. 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 Monte Carlo simulation model. We use judgment to make assumptions on the key input, being the probability and timing of U.S. legalization.

Impact if actual results differ from assumptions. If the assumptions and judgments differ, the fair value calculation will be impacted. Information on the valuation technique and inputs used in determining fair values are disclosed in Note 26 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 26 our Financial Statements.

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 judgements.

Impact if actual results differ from assumptions. An unrealized tax benefit will be recognized when we determine that it is more likely than not that the tax position is sustainable based on its technical merits. 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, 2021, would affect the carrying value of net assets by approximately $86.2 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, 2021, would affect the carrying value of net assets by approximately $12.9 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, 2021, our cash and cash equivalents, and short-term investments, consisted of $1.9 billion, as compared to $1.3 billion at March 31, 2020, 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.

	Aggregate Notional Value		Fair Value		Decrease in Fair Value - Hypothetical 1% Rate Increase	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Convertible senior note	$ 600,000	$ 600,000	$ 687,414	$ 450,204	$ (8,010)	$ (11,490)
Fixed interest rate debt	3,872	5,255	N/A	N/A	N/A	N/A
Variable interest rate debt	891,677	9,956	N/A	N/A	N/A	N/A

Equity price risk

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

For the convertible senior notes, a primary driver of its fair value is our share price. An increase in our share price typically results in a fair value increase of the liability.

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 26 of the Financial Statements.

Item 8. Financial Statements and Supplementary Data.

The financial statements required by this item and the reports of the independent accountants thereon required by Item 14(a)(2) appear on pages F-2 to F-63. See accompanying Index to the Financial Statements on page F-1. The supplementary financial data required by Item 302 of Regulation S-K appears in Note 37 to the Financial Statements.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2021, our disclosure controls and procedures (a) are effective to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is timely recorded, processed, summarized and reported and (b) include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. GAAP.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

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

Management conducted an assessment of the effectiveness of our internal control over financial reporting as of March 31, 2021, based on the framework established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based on the assessment, management has determined that our internal control over financial reporting as of March 31, 2021, was effective.

KPMG LLP, an independent registered public accounting firm, has audited our Financial Statements included in this Annual Report and issued its report on the effectiveness of our internal control over financial reporting as of March 31, 2021, which is included herein.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as such term is defined in Rules 13a–15(f) and 15d–15(f) under the Exchange Act) that occurred during our most recent quarter, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended March 31, 2021.

Item 11. Executive Compensation.

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended March 31, 2021.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended March 31, 2021.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended March 31, 2021.

Item 14. Principal Accountant Fees and Services.

The information required under this Item is incorporated herein by reference to our definitive proxy statement to be filed with the SEC no later than 120 days after the close of our fiscal year ended March 31, 2021.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) (1) Financial Statements

See the accompanying Index to Consolidated Financial Statement Schedule on page F-1.

(a) (2) Financial Statement Schedules

See the accompanying Index to Consolidated Financial Statement Schedule on page F-1.

(a) (3) Exhibits

Exhibit Index

Exhibit Number	Description
2.1‡‡	Arrangement Agreement, dated as of April 18, 2019, by and between Canopy Growth Corporation and Acreage Holdings, Inc. (incorporated by reference to Exhibit 2.1 to Canopy Growth's Annual Report on Form 10-K for the year ended March 31, 2020, filed with the SEC on June 1, 2020).
2.2	First Amendment to Arrangement Agreement, dated as of May 15, 2019, by and between Canopy Growth Corporation and Acreage Holdings, Inc. (incorporated by reference to Exhibit 2.2 to Canopy Growth's Annual Report on Form 10-K for the year ended March 31, 2020, filed with the SEC on June 1, 2020).
2.3	Proposal Agreement, dated as of June 24, 2020, by and between Canopy Growth Corporation and Acreage Holdings, Inc. (incorporated by reference to Exhibit 2.1 to Canopy Growth's Current Report on Form 8-K, filed with the SEC on June 30, 2020).
2.4‡‡	Second Amendment to the Arrangement Agreement, dated as of September 23, 2020, by and between Canopy Growth Corporation and Acreage Holdings, Inc. (incorporated by reference to Exhibit 10.1 to Canopy Growth's Current Report on Form 8-K, filed with the SEC on September 23, 2020).
2.5	Arrangement Agreement, dated as of December 21, 2020, by and among Canopy Growth Corporation, The Tweed Tree Lot Inc., Canopy Rivers Inc. and Canopy Rivers Corporation (incorporated by reference to Exhibit 2.1 to Canopy Growth's Current Report on Form 8-K, filed with the SEC on December 28, 2020).
3.1	Certificate of Incorporation and Articles of Amendment of Canopy Growth Corporation (incorporated by reference to Exhibit 3.1 to Canopy Growth's Annual Report on Form 10-K for the year ended March 31, 2020, filed with the SEC on June 1, 2020).
3.2	By-laws of Canopy Growth Corporation, effective as of November 5, 2020 (incorporated by reference to Exhibit 3.2 to Canopy Growth's Current Report on Form 8-K, filed with the SEC on November 9, 2020).
4.1*	Description of Capital Stock of Canopy Growth Corporation.
4.2	Form of Canopy Growth Corporation Common Share Certificate (incorporated by reference to Exhibit 4.2 to Canopy Growth's Annual Report on Form 10-K for the year ended March 31, 2020, filed with the SEC on June 1, 2020).
4.3	Indenture, dated as of June 20, 2018, by and among Canopy Growth Corporation, Glas Trust Company LLC and Computershare Trust Company of Canada (incorporated by reference to Exhibit 99.1 to Canopy Growth's Form 6-K, filed with the SEC on June 26, 2018).
4.4	Tranche A Amended and Restated Common Share Purchase Warrant, dated as of June 27, 2019, granted to CBG Holdings LLC (incorporated by reference to Exhibit 4.4 to Canopy Growth's Annual Report on Form 10-K for the year ended March 31, 2020, filed with the SEC on June 1, 2020).
4.5	Tranche B Amended and Restated Common Share Purchase Warrant, dated as of June 27, 2019, granted to CBG Holdings LLC (incorporated by reference to Exhibit 4.5 to Canopy Growth's Annual Report on Form 10-K for the year ended March 31, 2020, filed with the SEC on June 1, 2020).
4.6	Tranche C Amended and Restated Common Share Purchase Warrant, dated as of June 27, 2019, granted to CBG Holdings LLC (incorporated by reference to Exhibit 4.6 to Canopy Growth's Annual Report on Form 10-K for the year ended March 31, 2020, filed with the SEC on June 1, 2020).
10.1*†	Form of Director and Officer Indemnity Agreement.
10.2†	Canopy Growth Corporation Amended and Restated Omnibus Incentive Plan (incorporated by reference to Exhibit 10.3 to Canopy Growth's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020, filed with the SEC on November 9, 2020).
10.3*†	Form of Stock Option Agreement to Amended and Restated Omnibus Incentive Plan.
10.4*†	Form of Restricted Stock Unit Grant Agreement to Amended and Restated Omnibus Incentive Plan.
10.5†	Canopy Growth Corporation Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.4 to Canopy Growth's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020, filed with the SEC on November 9, 2020).
10.6*	Non-Employee Director Compensation Table.
10.7‡	Subscription Agreement dated as of October 27, 2017 by and between Greenstar Canada Investment Limited Partnership and Canopy Growth Corporation (incorporated by reference to Exhibit 10.7 to Canopy Growth's Annual Report on Form 10-K for the year ended March 31, 2020, filed with the SEC on June 1, 2020).
10.8	Subscription Agreement dated as of August 14, 2018 by and between CBG Holdings LLC and Canopy Growth Corporation (incorporated by reference to Exhibit 10.8 to Canopy Growth's Annual Report on Form 10-K for the year ended March 31, 2020, filed with the SEC on June 1, 2020).
10.9	Second Amended and Restated Investor Rights Agreement, dated as of April 18, 2019, by and among CBG Holdings LLC, Greenstar Canada Investment Limited Partnership and Canopy Growth Corporation (incorporated by reference to Exhibit 10.9 to Canopy Growth's Annual Report on Form 10-K for the year ended March 31, 2020, filed with the SEC on June 1, 2020).

10.10	Consent Agreement, dated as of April 18, 2019, by and between Canopy Growth Corporation and CBG Holdings LLC (incorporated by reference to Exhibit 10.10 to Canopy Growth's Annual Report on Form 10-K for the year ended March 31, 2020, filed with the SEC on June 1, 2020).
10.11	Consent Agreement, dated as of June 24, 2020, by and between Canopy Growth Corporation and CBG Holdings LLC (incorporated by reference to Exhibit 10.1 to Canopy Growth's Current Report on Form 8-K, filed with the SEC on June 30, 2020).
10.12*†	Executive Employment Agreement, dated as of August 7, 2020, by and between Canopy Growth Corporation and Phil Shaer.
10.13†	Executive Employment Agreement, dated as of December 8, 2019, by and between Canopy Growth Corporation and David Klein (incorporated by reference to Exhibit 10.21 to Canopy Growth's Annual Report on Form 10-K for the year ended March 31, 2020, filed with the SEC on June 1, 2020).
10.14†	Executive Employment Agreement, dated as of December 12, 2019, by and between Canopy Growth Corporation and Rade Kovacevic (incorporated by reference to Exhibit 10.22 to Canopy Growth's Annual Report on Form 10-K for the year ended March 31, 2020, filed with the SEC on June 1, 2020).
10.15†	Executive Employment Agreement, dated as of March 31, 2020, by and between Canopy Growth Corporation and Mike Lee (incorporated by reference to Exhibit 10.23 to Canopy Growth's Annual Report on Form 10-K for the year ended March 31, 2020, filed with the SEC on June 1, 2020).
10.16‡	Debenture, dated as of September 23, 2020, issued by Universal Hemp, LLC to 11065220 Canada Inc. (incorporated by reference to Exhibit 10.2 to Canopy Growth's Current Report on Form 8-K, filed with the SEC on September 23, 2020).
10.17‡	Credit Agreement, dated as of March 18, 2021, among Canopy Growth Corporation and 11065220 Canada Inc., as borrowers, the lenders party thereto and Wilmington Trust, National Association, as administrative and collateral agent (incorporated by reference to Exhibit 10.1 to Canopy Growth's Current Report on Form 8-K, filed with the SEC on March 18, 2021).
10.18*†	Service Delivery Agreement, dated as of October 5, 2020, by and among Canopy Growth USA LLC, Brand House Group, N.A. Corporation and Julious Grant.
14.1*	Canopy Growth Corporation Code of Business Conduct and Ethics.
21.1*	List of Subsidiaries of Canopy Growth Corporation.
23.1*	Consent of KPMG, LLP, Independent Registered Public Accounting Firm.
24.1*	Power of Attorney (included on signature page hereto).
31.1*	Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.v
31.2*	Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

† This document has been identified as a management contract or compensatory plan or arrangement.

* Filed herewith.

** This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liability of that Section. Such exhibit shall not be deemed incorporated into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act.

‡ Portions of this exhibit are redacted pursuant to Item 601(b)(10)(iv) of Regulation S-K.

‡‡ Portions of this exhibit are redacted pursuant to Item 601(b)(2)(ii) of Regulation S-K.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized**.**

Canopy Growth Corporation

Date: June 1, 2021

By: /s/ David Klein
David Klein
Chief Executive Officer
(Principal Executive Officer)

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints David Klein and Michael Lee, and each of them, as his or her attorneys-in-fact, each with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ David Klein **David Klein**	Director and Chief Executive Officer *(Principal Executive Officer)*	June 1, 2021
/s/ Michael Lee **Michael Lee**	Executive Vice President and Chief Financial Officer *(Principal Financial Officer)*	June 1, 2021
/s/ Thomas Stewart **Thomas Stewart**	Chief Accounting Officer *(Principal Accounting Officer)*	June 1, 2021
/s/ Robert Hanson **Robert Hanson**	Director	June 1, 2021
/s/ David Lazzarato **David Lazzarato**	Director	June 1, 2021
/s/ William Newlands **William Newlands**	Director	June 1, 2021
/s/ Jim Sabia **Jim Sabia**	Director	June 1, 2021
/s/ Judy Schmeling **Judy Schmeling**	Director, Chair	June 1, 2021
/s/ Theresa Yanofsky **Theresa Yanofsky**	Director	June 1, 2021

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Reports of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets as of March 31, 2021 and 2020	F-5
Consolidated Statements of Operations and Comprehensive Loss for the Years Ended March 31, 2021, 2020, and 2019	F-6
Consolidated Statements of Shareholders' Equity for the Years Ended March 31, 2021, 2020, and 2019	F-7
Consolidated Statements of Cash Flows for the Years Ended March 31, 2021, 2020, and 2019	F-10
Notes to Consolidated Financial Statements	F-12

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Canopy Growth Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Canopy Growth Corporation and subsidiaries (the Company) as of March 31, 2021 and 2020, the related consolidated statements of operations and comprehensive loss, shareholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended March 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated June 1, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

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

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

Critical Audit Matters

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

Fair value measurement of the liability arising from the Acreage financial instrument

As discussed in Notes 26 and 31 to the consolidated financial statements, the Company has an obligation to acquire certain shares of Acreage Holdings, Inc., ("Acreage") in return for a specified number of the Company's common shares, and an option, exercisable at its discretion, to acquire certain other Acreage shares for cash or common shares of the Company as the Company may determine. The obligation and the option (collectively, the "Acreage financial instrument") become effective upon the occurrence (or waiver by the Company) of specified changes in United States ("US") federal laws relating to cannabis (the "Acreage Triggering Event"). The Acreage financial instrument is recorded at fair value through earnings in the consolidated financial statements at each reporting period. As of March 31, 2021, the Acreage financial instrument was recorded as a financial liability of $600,000 thousand, with fair value changes of $(399,849) thousand recognized in other income (expense), net in the year ended March 31, 2021.

We identified the assessment of the fair value measurement of the liability arising from the Acreage financial instrument as a critical audit matter. There was a high degree of subjective auditor judgment in the evaluation of the key assumptions that were not directly observable, including the probability of different scenarios when determining the fair value. The key assumptions included the probability of each scenario, the number of the Company's shares to be issued, the probability and timing of US legalization, the estimated premium on US legalization, the control premium, and the market access premium.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of the internal control over the Company's key assumptions noted above. We involved valuation professionals with specialized skills and knowledge who assisted in evaluating the Company's key assumptions noted above by assessing each scenario and the probability of each scenario being achieved for the resultant impact at the expected Acreage Triggering Event date. The evaluation was achieved by:

- performing sensitivity analyses on certain assumptions for each scenario
- evaluating the probability of each scenario and assessing its impact on the fair value of the Acreage financial instrument
- evaluating the probability of the occurrence of the Acreage Triggering Event by monitoring political developments and the potential for relevant legislation in the US
- evaluating assumptions about the market impact of US legalization of cannabis and assessing the extent to which the anticipated legalization of cannabis is reflected in the Acreage share price
- comparing certain assumptions to evidence obtained from internal and external sources.

Fair value measurement of the Tranche B Warrants

As discussed in Notes 22, 26 and 31 to the consolidated financial statements, the Company entered into certain agreements with Constellation Brands, Inc. in the prior year to amend previously issued warrants and replace them with Tranche A, Tranche B, and Tranche C Warrants. These warrants were initially recorded at their fair values and subsequent changes in the fair value of the Tranche B and Tranche C Warrants are recorded in earnings. As of March 31, 2021, the fair values of the Tranche B and Tranche C Warrants were $615,575 thousand, and $nil, respectively, with fair value changes of $(293,084) thousand and nil, respectively, recognized in other income (expense), net in the year ended March 31, 2021.

We identified the assessment of the fair value measurement of the Tranche B Warrants as a critical audit matter. Specifically, there was a high degree of subjectivity and judgment in evaluating the expected share price volatility inputs used in the Monte Carlo model for the Tranche B Warrants. Historical and implied volatility levels provided a range of possible expected volatility inputs and the fair value estimate for the Tranche B Warrants was sensitive to the expected share price volatility inputs.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of the internal control over the Company's process to measure the fair value of the Tranche B Warrants. This included the Company's assessment of the observable market information used in the determination of the expected share price volatility inputs. We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the expected share price volatility inputs by comparing them against a volatility range that was independently developed in consideration of historical and implied share price volatility information.

/s/ KPMG LLP

We have served as the Company's auditor since 2019.

Ottawa, Canada
June 1, 2021

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Canopy Growth Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Canopy Growth Corporation's (the Company) internal control over financial reporting as of March 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of March 31, 2021 and 2020, the related consolidated statements of operations and comprehensive loss, shareholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2021, and the related notes (collectively, the consolidated financial statements), and our report dated June 1, 2021 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Annual Report on Form 10-K under the section entitled "Item 9A. Controls and Procedures". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ KPMG LLP

We have served as the Company's auditor since 2019.

Ottawa, Canada
June 1, 2021

CANOPY GROWTH CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands of Canadian dollars, except number of shares and per share data)

	March 31, 2021	March 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,154,653	$ 1,303,176
Short-term investments	1,144,563	673,323
Restricted short-term investments	11,332	21,539
Amounts receivable, net	92,435	90,155
Inventory	367,979	391,086
Prepaid expenses and other assets	67,232	85,094
Total current assets	2,838,194	2,564,373
Equity method investments	100	65,843
Other financial assets	708,167	249,253
Property, plant and equipment	1,074,537	1,524,803
Intangible assets	308,167	476,366
Goodwill	1,889,354	1,954,471
Other assets	4,961	22,636
Total assets	$ 6,823,480	$ 6,857,745
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 67,262	$ 123,393
Other accrued expenses and liabilities	100,813	64,994
Current portion of long-term debt	9,827	16,393
Other liabilities	106,428	215,809
Total current liabilities	284,330	420,589
Long-term debt	1,573,136	449,022
Deferred income tax liabilities	21,379	47,113
Liability arising from Acreage Arrangement	600,000	250,000
Warrant derivative liability	615,575	322,491
Other liabilities	107,240	190,660
Total liabilities	3,201,660	1,679,875
Commitments and contingencies (Note 34)		
Redeemable noncontrolling interest	135,300	69,750
Canopy Growth Corporation shareholders' equity:		
Common shares - $nil par value; Authorized - unlimited number of shares; Issued - 382,875,179 shares and 350,112,927 shares, respectively	7,168,557	6,373,544
Additional paid-in capital	2,415,650	2,615,155
Accumulated other comprehensive (loss) income	(34,240)	220,899
Deficit	(6,068,156)	(4,323,236)
Total Canopy Growth Corporation shareholders' equity	3,481,811	4,886,362
Noncontrolling interests	4,709	221,758
Total shareholders' equity	3,486,520	5,108,120
Total liabilities and shareholders' equity	$ 6,823,480	$ 6,857,745

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

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

	Years ended March 31,		
	2021	**2020**	**2019**
Revenue	$ 607,198	$ 439,626	$ 253,431
Excise taxes	60,549	40,854	27,090
Net revenue	546,649	398,772	226,341
Cost of goods sold	479,689	430,456	198,096
Gross margin	66,960	(31,684)	28,245
Operating expenses			
Selling, general and administrative expenses	575,389	693,737	392,250
Share-based compensation	91,149	320,276	273,447
Expected credit losses on financial assets and related charges	109,480	-	-
Asset impairment and restructuring costs	534,398	623,266	-
Total operating expenses	1,310,416	1,637,279	665,697
Operating loss	(1,243,456)	(1,668,963)	(637,452)
Loss from equity method investments	(52,629)	(64,420)	(10,752)
Other income (expense), net	(387,876)	224,329	(59,709)
Loss before income taxes	(1,683,961)	(1,509,054)	(707,913)
Income tax recovery (expense)	13,141	121,614	(4,112)
Net loss	(1,670,820)	(1,387,440)	(712,025)
Net income (loss) attributable to noncontrolling interests and redeemable noncontrolling interest	74,100	(66,114)	24,256
Net loss attributable to Canopy Growth Corporation	$ (1,744,920)	$ (1,321,326)	$ (736,281)
Basic and diluted loss per share	$ (4.69)	$ (3.80)	$ (2.76)
Basic and diluted weighted average common shares outstanding	371,662,296	348,038,163	266,997,406
Comprehensive loss:			
Net loss	$ (1,670,820)	$ (1,387,440)	$ (712,025)
Other comprehensive (loss) income, net of income tax effect			
Fair value changes of own credit risk of financial liabilities	(100,170)	141,306	(47,130)
Foreign currency translation	(154,969)	85,498	40,617
Total other comprehensive (loss) income, net of income tax effect	(255,139)	226,804	(6,513)
Comprehensive loss	(1,925,959)	(1,160,636)	(718,538)
Comprehensive income (loss) attributable to noncontrolling interests and redeemable noncontrolling interest	74,100	(66,114)	24,220
Comprehensive loss attributable to Canopy Growth Corporation	$ (2,000,059)	$ (1,094,522)	$ (742,758)

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

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

		Additional paid-in capital				Accumulated other comprehensive income (loss)			
	Common shares	Share-based reserve	Warrants	Ownership changes	Redeemable noncontrolling interest		Deficit	Noncontrolling interests	Total
Balance at March 31, 2020	$ 6,373,544	$ 517,741	$ 2,638,951	$ (501,403)	$ (40,134)	$ 220,899	$ (4,323,236)	$ 221,758	$ 5,108,120
Other issuances of common shares and warrants	61,809	(33,953)	-	-	-	-	-	-	27,856
Exercise of warrants	315,699	-	(70,513)	-	-	-	-	-	245,186
Exercise of Omnibus Plan stock options	244,170	(87,273)	-	-	-	-	-	-	156,897
Share-based compensation	-	87,322	-	-	-	-	-	-	87,322
Issuance and vesting of restricted share units	3,051	(3,051)	-	-	-	-	-	-	-
Completion of plan of arrangement with RIV Capital	170,284	-	-	(10,976)	-	-	-	(313,243)	(153,935)
Changes in redeemable noncontrolling interest	-	-	-	-	(83,627)	-	-	18,077	(65,550)
Ownership changes relating to noncontrolling interests	-	-	-	39	2,527	-	-	4,017	6,583
Comprehensive (loss) income	-	-	-	-	-	(255,139)	(1,744,920)	74,100	(1,925,959)
Balance at March 31, 2021	$ 7,168,557	$ 480,786	$ 2,568,438	$ (512,340)	$ (121,234)	$ (34,240)	$ (6,068,156)	$ 4,709	$ 3,486,520

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

		Additional paid-in capital				Accumulated other comprehensive income (loss)			
	Common shares	Share-based reserve	Warrants	Ownership changes	Redeemable noncontrolling interest		Deficit	Noncontrolling interests	Total
Balance at March 31, 2019	$ 6,029,222	$ 505,172	$ 1,589,925	$ (500,963)	$ (2,110)	$ (5,905)	$ (835,118)	$ 285,485	$ 7,065,708
Other issuances of common shares and warrants	271,966	(272,234)	359	-	-	-	-	-	91
Exercise of warrants	932	-	(486)	-	-	-	-	-	446
Exercise of Omnibus Plan stock options	69,951	(28,538)	-	-	-	-	-	-	41,413
Share-based compensation	-	312,929	-	-	-	-	-	-	312,929
Issuance of replacement equity instruments	-	1,885	-	-	-	-	-	-	1,885
Issuance and vesting of restricted share units	1,473	(1,473)	-	-	-	-	-	-	-
Acreage warrant modification	-	-	1,049,153	-	-	-	(2,166,792)	-	(1,117,639)
Changes in redeemable noncontrolling interest	-	-	-	-	(38,024)	-	-	(6,489)	(44,513)
Ownership changes relating to noncontrolling interests	-	-	-	(440)	-	-	-	8,876	8,436
Comprehensive income (loss)	-	-	-	-	-	226,804	(1,321,326)	(66,114)	(1,160,636)
Balance at March 31, 2020	$ 6,373,544	$ 517,741	$ 2,638,951	$ (501,403)	$ (40,134)	$ 220,899	$ (4,323,236)	$ 221,758	$ 5,108,120

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

		Additional paid-in capital				Accumulated other comprehensive income (loss)			
	Common shares	Share-based reserve	Warrants	Ownership changes	Redeemable noncontrolling interest		Deficit	Noncontrolling interests	Total
Balance at March 31, 2018	$ 1,079,442	$ 57,982	$ 70,455	$ (1,019)	$ (64,745)	$ 35,408	$ (132,904)	$ 85,732	$ 1,130,351
Cumulative effect from adoption of ASU 2016-1	-	-	-	-	-	(34,800)	34,800	-	-
Equity financings and private placements, net of costs	3,558,640	-	1,501,760	-	-	-	-	-	5,060,400
Other issuances of common shares and warrants	1,264,273	202,635	-	(427,843)	-	-	-	331	1,039,396
Exercise of warrants	31,691	-	(12,901)	-	-	-	-	-	18,790
Exercise of Omnibus Plan stock options	92,985	(44,826)	-	-	-	-	-	-	48,159
Share-based compensation	-	266,639	-	-	-	-	-	-	266,639
Issuance of replacement equity instruments	-	22,685	30,611	-	-	-	-	-	53,296
Issuance and vesting of restricted share units	2,191	57	-	-	-	-	-	-	2,248
Changes in redeemable noncontrolling interest	-	-	-	-	(14,965)	-	-	(2,885)	(17,850)
Ownership changes relating to noncontrolling interests	-	-	-	(72,101)	77,600	-	(733)	178,087	182,853
Comprehensive (loss) income	-	-	-	-	-	(6,513)	(736,281)	24,220	(718,574)
Balance at March 31, 2019	$ 6,029,222	$ 505,172	$ 1,589,925	$ (500,963)	$ (2,110)	$ (5,905)	$ (835,118)	$ 285,485	$ 7,065,708

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

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

	Years ended March 31,		
	2021	**2020**	**2019**
Cash flows from operating activities:			
Net loss	$ (1,670,820)	$ (1,387,440)	$ (712,025)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation of property, plant and equipment	70,914	73,716	30,062
Amortization of intangible assets	56,204	51,297	16,856
Share of loss on equity method investments	52,629	64,420	10,752
Share-based compensation	91,149	320,276	278,228
Asset impairment and restructuring costs	534,398	623,266	-
Expected credit losses on financial assets and related charges	109,480	-	-
Income tax (recovery) expense	(13,141)	(121,614)	4,112
Non-cash foreign currency	8,138	(2,012)	(18,776)
Interest paid	(25,649)	(25,472)	(14,521)
Change in operating assets and liabilities, net of effects from purchases of businesses:			
Amounts receivable	(11,994)	20,979	(67,688)
Prepaid expenses and other assets	77	(26,917)	(87,476)
Inventory	17,211	(177,091)	(144,917)
Accounts payable and accrued liabilities	(9,627)	(20,750)	69,540
Other, including non-cash fair value adjustments	325,302	(165,293)	100,822
Net cash used in operating activities	(465,729)	(772,635)	(535,031)
Cash flows from investing activities:			
Purchases of and deposits on property, plant and equipment	(164,502)	(704,944)	(644,456)
Purchases of intangible assets	(9,639)	(16,957)	(74,359)
Proceeds on sale of property, plant and equipment	45,921	-	-
Proceeds on sale of intangible assets	18,337	-	-
(Purchases) redemption of short-term investments	(459,834)	1,427,482	(2,029,812)
Cash outflow on completion of RIV Arrangement	(152,801)	-	-
Sale of (investments in) equity method investments	7,000	(5,135)	(36,896)
Investments in other financial assets	(44,721)	(129,590)	(91,337)
Investment in Acreage Arrangement	(49,849)	(395,190)	-
Loan advanced to Acreage Hempco	(66,995)	-	-
Recovery of amounts related to construction financing	10,000	-	-
Payment of acquisition related liabilities	(16,897)	(24,482)	-
Net cash outflow on acquisition of noncontrolling interests	(125)	-	(6,712)
Net cash outflow on acquisition of subsidiaries	-	(498,838)	(344,413)
Net cash used in investing activities	(884,105)	(347,654)	(3,227,985)
Cash flows from financing activities:			
Proceeds from issuance of common shares and warrants	-	-	5,072,500
Payment of share issue costs	(131)	-	(21,646)
Proceeds from issuance of shares by RIV Capital	1,380	1,172	154,976
Proceeds from exercise of stock options	156,897	41,413	48,159
Proceeds from exercise of warrants	245,186	446	18,790
Issuance of long-term debt	893,160	14,761	600,000
Payment of debt issue costs	(16,104)	-	(16,380)
Repayment of long-term debt	(15,619)	(114,953)	(4,680)
Net cash provided by (used in) financing activities	1,264,769	(57,161)	5,851,719
Effect of exchange rate changes on cash and cash equivalents	(63,458)	(204)	69,567
Net (decrease) increase in cash and cash equivalents	(148,523)	(1,177,654)	2,158,270
Cash and cash equivalents, beginning of period	1,303,176	2,480,830	322,560
Cash and cash equivalents, end of period	$ 1,154,653	$ 1,303,176	$ 2,480,830

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

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

	Years ended March 31,		
	2021	**2020**	**2019**
Supplemental disclosure of cash flow information			
Cash received during the period:			
Income taxes	$ 4,068	$ -	$ -
Cash paid during the period:			
Income taxes	$ 22,769	$ 5,460	$ 502
Noncash investing and financing activities			
Additions to property, plant and equipment	$ 9,962	$ 44,573	$ 96,875

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

1. DESCRIPTION OF BUSINESS

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

The principal activities of the Company are the production, distribution and sale of a diverse range of cannabis and cannabinoid-based products for both adult recreational and medical purposes under a portfolio of distinct brands in Canada pursuant to the *Cannabis Act*, which came into effect on October 17, 2018 and regulates both the medical and recreational cannabis markets in Canada. The Company has also expanded to jurisdictions outside of Canada where federally lawful, permissible and regulated for cannabis and/or hemp, and the Company, through its' subsidiaries, operates in the United States, Germany, and certain other global markets. Additionally, the Company produces, distributes and sells a range of other consumer products globally, including vaporizers; beauty, skincare, wellness and sleep products; and sports nutrition beverages. Through its partially owned subsidiary RIV Capital Inc. (formerly Canopy Rivers Inc.) ("RIV Capital"), the Company also provided growth capital and a strategic support platform pursuing investment opportunities in the global cannabis sector, where federally lawful. On February 23, 2021, the Company completed a plan of arrangement with RIV Capital and its wholly-owned subsidiary, RIV Capital Corporation (formerly Canopy Rivers Corporation) ("RCC"). As a result of this transaction, the Company no longer controls RIV Capital, and the Company derecognized of RIV Capital's consolidated assets and liabilities from its consolidated financial statements. Refer to Note 6 for a description of the plan of arrangement with RIV Capital.

In the year ended March 31, 2020, the Company commenced an organizational and strategic review of its business which resulted in a restructuring of the Company's global operations, including the closure of certain of the Company's production facilities, and other organizational changes. The Company's restructuring actions continued during the year ended March 31, 2021. Please refer to Note 5 for further details regarding these restructuring actions.

2. BASIS OF PRESENTATION

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

Principles of consolidation

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

Variable interest entities

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

Equity method investments

Investments accounted for using the equity method include those investments where the Company (i) can exercise significant influence over the other entity and (ii) holds common stock and/or in-substance common stock of the other entity. Under the equity method, investments are carried at cost, and subsequently adjusted for the Company's share of net income (loss), comprehensive

income (loss) and distributions received from the investee. If the current fair value of an investment falls below its carrying amount, this may indicate that an impairment loss should be recorded. Any impairment losses recognized are not reversed in subsequent periods.

Use of estimates

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

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

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

Cash equivalents and short-term investments

Cash equivalents consist of highly liquid investments with original maturities of three months or less. Investments with maturities greater than 90 days but less than one year at the date of purchase are included in short-term investments.

The Company's investments in debt securities, which consist primarily of U.S. government securities and U.S. commercial paper, have been classified and accounted for using the fair value option. Unrealized gains and losses on debt securities are recognized in net income (loss). All other short-term investments are recorded at fair value with gains or losses recognized in net income (loss).

Inventory

Inventory consists of raw materials, supplies and consumables used in the inventory process, merchandise for sale, finished goods and work-in-process such as pre-harvested cannabis plants, by-products to be extracted, oils, gel capsules and edible products. Inventory is valued at the lower of cost and net realizable value, with cost determined using the weighted average cost method. Costs are capitalized to inventory, until substantially ready for sale. Costs include direct and indirect labor, consumables, materials, packaging supplies, utilities, facilities costs, quality and testing costs, production related depreciation and other overhead costs. The Company records inventory reserves for obsolete and slow-moving inventory. Inventory reserves are based on inventory obsolescence trends, historical experience and application of the specific identification method. The Company classifies cannabis inventory as a current asset, although part of such inventory, because of the duration of the cultivation, drying, and conversion process, ordinarily would not be utilized within one year.

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation. Major additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items or components of property, plant and equipment. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the respective accounts and any related gain or loss is recognized in net income (loss).

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

	Years
Buildings and greenhouses	20 - 50
Production and warehouse equipment	5 - 30
Leasehold improvements	3 - 20
Office and lab equipment	3 - 10
Computer equipment	3 - 10

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

Intangible assets

Finite lived intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. Amortization is provided on a straight-line basis over the following terms:

	Years
Licensed brands	2 - 5
Distribution channel	5 - 11
Intellectual property	5 - 15
Software and domain names	3 - 5

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

Goodwill and indefinite lived intangible assets

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

Until the fourth quarter of the year ended March 31, 2021, the Company had two operating segments, which were also its reportable segments: (i) cannabis, hemp and other consumer products; and (ii) RIV Capital. The goodwill associated with all acquisitions was allocated to the one reporting unit within the cannabis, hemp and other consumer products operating and reportable segment, as this reporting unit held the acquired entities. The Company changed the structure of its internal management reporting in the fourth quarter of the year ended March 31, 2021 (refer to Note 35), and accordingly, identified two operating and reportable segments: (i) global cannabis; and (ii) other consumer products. The reorganization of the Company's reporting structure changed the composition of its reporting units and required that goodwill be reassigned to the reporting units using a relative fair value allocation approach. Assets and liabilities were also reassigned to the reporting units affected based on the assets that would be employed in, or the liabilities related to, the operations of each reporting unit, and the assets or liabilities that would be considered in determining the fair value of each reporting unit. After reorganization, the Company's reporting units with goodwill in the global cannabis segment include (i) cannabis operations, and (ii) C3; and in the other consumer products segment include (i) Storz & Bickel, (ii) This Works, and (iii) BioSteel. The Company performed a goodwill impairment test immediately before and after the change which did not indicate any impairment.

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

Impairment of long-lived assets

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

Restricted short-term investments

The Company considers short-term investments to be restricted when withdrawal or general use is legally restricted. The Company records restricted short-term investments as current or non-current in the consolidated balance sheets based on the classification of the underlying securities.

Redeemable noncontrolling interest

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

Revenue recognition

The Company's cannabis revenue is comprised of sales of (i) recreational cannabis products in Canada, either to government agencies or third-party retailers under a "business-to-business" wholesale model, or directly to consumers through the Company's network of retail stores and e-commerce platforms; and (ii) medical and other cannabis products in Canada and certain other countries. The Company's other revenue is comprised of sales of vaporizers, beauty, wellness and sleep products, sports nutrition beverages, merchandise, and revenue from other sources.

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

Sales of products are for cash or otherwise agreed-upon credit terms. The Company's payment terms vary by location and customer; however, the time period between when revenue is recognized and when payment is due is not significant. The Company estimates and reserves for its bad debt exposure based on its experience with past due accounts and collectability, write-off history, the aging of accounts receivable and an analysis of customer data.

Cost of goods sold

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

Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled $72,377, $78,474 and $56,659 in the years ended March 31, 2021, 2020, and 2019, respectively.

Research and development

Research and development costs are expensed as incurred. Research and development expenses totaled $57,582, $61,812, and $15,238 in the years ended March 31, 2021, 2020, and 2019, respectively.

Asset impairment and restructuring costs

Asset impairment and restructuring costs consist of property, plant and equipment and intangible asset impairment charges, asset abandonment costs, contractual and other settlement costs, and employee-related and other restructuring costs recognized in connection with the restructuring of the Company's global operations that commenced in the year ended March 31, 2020 and continued during the year ended March 31, 2021. When a long-lived asset is abandoned its carrying amount is adjusted to its salvage value, if any. In determining the salvage value of our long-lived assets, management considers information from manufacturers, historical data, and industry standards. In certain cases, management may obtain third party appraisals to estimate salvage value.

Share-based compensation

The Company accounts for share-based compensation using the fair value method. With the exception of a limited number of share-based awards subject to market-based performance conditions that are valued using the Monte Carlo simulation model, the fair value of awards granted is estimated at the date of grant using the Black-Scholes model. The share-based compensation expense is based on the fair value of share-based awards at the grant date and the expense is recognized over the related service period following a graded vesting expense schedule. Forfeitures are estimated at the time of grant and revised in subsequent periods if there is a difference in actual forfeitures and the estimate. Effective April 1, 2018, the Company early-adopted ASU 2018-07 – *Compensation - Stock Compensation (Topic 718)*, which among other items, aligns the accounting for non-employee awards with that of employee awards.

For awards with service and/or non-market based performance conditions, the amount of compensation expense recognized is based on the number of awards expected to vest, reflecting estimated expected forfeitures, and is adjusted to reflect those awards that do ultimately vest. For awards with performance conditions, the Company recognizes the compensation expense if and when the Company concludes that it is probable that the performance condition will be achieved. The Company reassesses the probability of achieving the performance condition at each reporting date. Restricted stock units ("RSUs") that are settled in cash or common stock at the election of the employee are remeasured to fair value at the end of each reporting period until settlement. This fair value is based on the closing price of the Company's common shares on the last business day before each period end.

Income taxes

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

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

Income taxes are recognized in the consolidated statement of operations, except when they relate to an item that is recognized in other comprehensive income (loss) or directly in equity, in which case, the taxes are also recognized in other comprehensive income (loss) or directly in equity respectively. Where income taxes arise from the initial accounting for a business combination, these are included in the accounting for the business combination.

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

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing reported net income (loss) by the weighted average number of common shares outstanding for the reporting period. Diluted earnings (loss) per share is computed by dividing earnings (loss) by the sum of the weighted average number of common shares and the number of dilutive potential common share equivalents outstanding during the period. Diluted earnings (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common shares of the Company during the reporting periods. Potential dilutive common share equivalents consist of the incremental common shares issuable upon the exercise of warrants, vested share options, RSUs and the incremental shares issuable upon conversion of the convertible senior notes. As at March 31, 2021, 2020, and 2019, all instruments were anti-dilutive.

Fair value measurements

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

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

COVID-19 estimation uncertainty

In March 2020, the World Health Organization recognized the outbreak of COVID-19 as a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially impact the Company's operations during the years ended March 31, 2021 and March 31, 2020. The production and sale of cannabis have been recognized as essential services in Canada and across Europe. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position and operating results in the future. Additionally, it is possible that estimates in the Company's consolidated financial statements will change in the near term as a result of COVID-19. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

4. NEW ACCOUNTING POLICIES

Recently Adopted Accounting Pronouncements

Measurement of Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). ASU 2016-13 requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Adoption of ASU 2016-13 will require financial institutions and other organizations to use forward-looking information to better formulate their credit loss estimates. Canopy Growth adopted ASU 2016-13 as of April 1, 2020. There was no impact of adopting ASU 2016-13 on the consolidated financial statements.

Fair Value Measurement

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)* ("ASU 2018-13"). ASU 2018-13 adds, modifies, and removes certain fair value measurement disclosure requirements. Canopy Growth adopted ASU 2018-13 as of April 1, 2020. There was no impact of adopting ASU 2018-13 on the consolidated financial statements.

Accounting Guidance not yet adopted

Income Taxes

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which among other things, eliminates certain exceptions in the current rules regarding the approach for intraperiod tax allocations and the methodology for calculating income taxes in an interim period, and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. ASU 2019-12 is effective for annual and interim periods beginning after December 15, 2020. Early adoption is permitted. The Company is evaluating the impact on the consolidated financial statements and expects to implement the provisions of ASU 2019-12 effective April 1, 2021.

Investments-Equity Securities

In January 2020, the FASB issued ASU 2020-01, *Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)* ("ASU 2020-01"). ASU 2020-01 clarifies the interaction of accounting for the transition into and out of the equity method. The new standard also clarifies the accounting for measuring certain purchased options and forward contracts to acquire investments. The guidance in ASU 2020-01 is effective for annual and interim periods beginning after December 15, 2020, with early adoption permitted. The Company is evaluating the impact on the consolidated financial statements and expects to implement the provisions of ASU 2020-01 effective April 1, 2021.

Convertible Instruments and Contracts in an Entity's Own Equity

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40):Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06"), which simplifies the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock. In addition, ASU 2020-06 enhances information transparency by making targeted improvements to the disclosures for convertible instruments and earnings-per-share guidance, and amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. ASU 2020-06 is effective for interim and annual periods beginning after December 15, 2021, with early adoption permitted after December 15, 2020. The Company is evaluating the impact on the consolidated financial statements and expects to implement the provisions of ASU 2020-06 effective April 1, 2022.

5. ASSET IMPAIRMENT AND RESTRUCTURING COSTS

Year Ended March 31, 2021

Restructuring and other charges

In the three months ended June 30, 2020, the Company completed certain of the restructuring actions that had commenced in the year ended March 31, 2020 (refer to discussion below for restructuring actions in the year ended March 31, 2020), including completing the exit of the Company's operations in South Africa and Lesotho, and the Company recorded final adjustments related to changes in certain estimates recorded at March 31, 2020. In addition, the Company incurred additional costs related primarily to the rationalization of its marketing organization in April 2020. In the three months ended September 30, 2020, the Company recorded (i) adjustments related to changes in the estimated fair value of certain of its Canadian production facilities from March 31, 2020, and (ii) charges related to rationalizing certain research and development activities.

In December 2020, as the partial outcome of an ongoing end-to-end strategic review of its operations, the Company announced a series of Canadian operational changes designed to streamline its operations and further improve its gross margins. The Company has ceased operations at its sites in St. John's, Newfoundland and Labrador; Fredericton, New Brunswick; Edmonton, Alberta; Bowmanville, Ontario; as well as its outdoor cannabis grow operations in Saskatchewan. As a result of these restructuring actions, the Company eliminated approximately 220 full-time positions, and abandoned or impaired certain of its production facilities and intangible assets. Additionally, the Company (i) completed the sale of its production facilities in Aldergrove and Delta, British Columbia in December 2020 and January 2021, respectively, for combined proceeds of $40,650; and (ii) recorded additional charges related to the shifting of the Company's strategy in Latin America, which the Company commenced in the three months ended March 31, 2020.

In addition to recording adjustments associated with changes in certain estimates related to the closure of its Canadian production facilities, in the three months ended March 31, 2021, the Company recognized costs associated with the closure of the production facilities, and rationalizing certain licensing arrangements. This included (i) the impairment of the Company's equity method investment in More Life in the amount of $10,300; (ii) the difference between the termination payment made by the Company to More Life, and the remaining minimum royalty obligations owing to More Life that were derecognized (refer to Note 13); and (iii) charges associated with terminating a licensing agreement with a third party. See Note 20 for further information.

The Company recorded total inventory write-downs of $25,985 in the year ended March 31, 2021 related to the closure of certain of its Canadian and international production facilities.

As a result of these actions the Company recognized aggregate pre-tax charges of $564,049 in the year ended March 31, 2021.

Other impairments

In the year ended March 31, 2021, the Company recognized licensed brand intangible asset impairment charges totaling $6,634, which were identified during its annual impairment testing process and reflected in asset impairment and restructuring costs. These other impairment charges are in addition to the restructuring and impairment costs described above and associated with the Company's restructuring actions.

A summary of the pre-tax charges totaling $570,683 recognized in connection with the Company's restructuring actions and other impairments is as follows:

	Year ended March 31, 2021		
	Restructuring and other charges	Other impairments	Total
Costs recorded in cost of goods sold:			
Inventory write-downs	$ 25,985	$ -	$ 25,985
Costs recorded in operating expenses:			
Impairment and abandonment of property, plant and equipment	426,748	-	426,748
Impairment and abandonment of intangible assets	54,511	6,634	61,145
Contractual and other settlement obligations	22,352	-	22,352
Employee-related and other restructuring costs	24,153	-	24,153
Asset impairment and restructuring costs	527,764	6,634	534,398
Costs recorded in loss from equity method investments:			
Impairment of equity method investments	10,300	-	10,300
Total restructuring, asset impairments and related costs	$ 564,049	$ 6,634	$ 570,683

Costs recorded in cost of goods sold

In the year ended March 31, 2021, the Company recognized charges of $25,985 relating to inventory write-downs associated with its restructuring activities, as described above.

Costs recorded in operating expenses

The Company recognized asset impairment and restructuring costs of $527,764 in the year ended March 31, 2021 as a result of the restructuring actions described above.

As a result of the restructuring actions described above the Company impaired and abandoned certain production facilities, and operating license intangible assets. A loss totaling $481,259 was recognized in the year ended March 31, 2021 representing the difference between the net book value of the long-lived assets and their estimated salvage value or fair value. Of this loss, $426,748 related to property, plant and equipment and $54,511 related to facility operating license intangible assets. The losses relating to property, plant and equipment were primarily attributable to buildings and greenhouses, and production and warehouse equipment.

In the year ended March 31, 2021, the Company recognized contractual and other settlement obligations of $22,352 and employee-related and other restructuring costs of $24,153, which included costs associated with the remediation of damages caused by the fire at the Delta facility in November, the closure of the Canadian facilities as described above, and the sale of the British Columbia facilities.

Year Ended March 31, 2020

Restructuring and other charges

In the three months ended March 31, 2020, the Company commenced an organizational and strategic review of its business which resulted in the following restructuring actions designed to improve organizational focus, streamline operations and align the Company's production capability with projected demand: (i) the closure of certain of the Company's greenhouses as they are no longer essential to our Canadian cannabis cultivation footprint; (ii) exiting non-strategic geographies, including South Africa and Lesotho and the Company's hemp farming operations in New York, and shifting the Company's strategy in Colombia; and (iii) rationalizing certain marketing and research and development activities. The Company recorded a write-down of inventory in the amount of $55,890 related to these restructuring actions, as well as additional amounts totaling $76,199 deemed excess based on current and projected market demand.

As a result of these actions the Company recognized aggregate pre-tax charges of $742,929 in the year ended March 31, 2020 and approximately 600 full-time positions were eliminated.

Other impairments

In the year ended March 31, 2020, the Company recognized contractual and other settlement obligations and brand and license impairment charges totaling $60,020, which were identified during its annual impairment testing process. These charges are reflected in asset impairment and restructuring costs. Additionally, the Company recognized impairment charges relating to certain of its equity method investments totaling $40,326. These charges are recorded in other income (expense), net within the consolidated statements of operations. These other impairment charges are in addition to the restructuring and impairment costs described above and associated with the Company's restructuring actions.

A summary of the pre-tax charges totaling $843,275 recognized in connection with the Company's restructuring actions and other impairments is as follows:

	Year ended March 31, 2020		
	Restructuring and other charges	Other impairments	Total
Costs recorded in cost of goods sold:			
Inventory write-downs	$ 132,089	$ -	$ 132,089
Costs recorded in operating expenses:			
Impairment and abandonment of property, plant and equipment	334,964	-	334,964
Impairment and abandonment of intangible assets	192,987	54,020	247,007
Contractual and other settlement obligations	18,712	6,000	24,712
Employee-related and other restructuring costs	16,583	-	16,583
Asset impairment and restructuring costs	563,246	60,020	623,266
Acceleration of share-based compensation expense related to acquisition milestones	32,694	-	32,694
Share-based compensation expense	32,694	-	32,694
Costs recorded in loss from equity method investments:			
Impairment of equity method investments	14,900	40,326	55,226
Total restructuring, asset impairments and related costs	$ 742,929	$ 100,346	$ 843,275

Costs recorded in cost of goods sold

In the year ended March 31, 2020, the Company recognized charges of $132,089 relating to restructuring charges and inventory write-downs, as described above.

Costs recorded in operating expenses

The Company recognized asset impairment and restructuring costs of $563,246 in the year ended March 31, 2020 as a result of the restructuring actions described above.

As a result of the restructuring actions described above the Company impaired and abandoned certain production facilities, operating licenses and other intangible assets. A loss totaling $527,951 was recognized in the year ended March 31, 2020 representing the difference between the net book value of the long-lived assets and their estimated salvage value or fair value. Of this loss, $334,964 related to property, plant and equipment and $192,987 related to brand, intellectual property and license intangible assets, were recognized in the year ended March 31, 2020. The losses relating to property, plant and equipment were primarily attributable to buildings and greenhouses, and production and warehouse equipment.

In the year ended March 31, 2020, the Company recognized contractual and other settlement obligations of $18,712 and, employee-related and other restructuring costs of $16,583.

In the year ended March 31, 2020, as a result of the restructuring of our operations in Colombia and Lesotho, the Company accelerated share-based compensation expense relating to the unvested milestones associated with the acquisitions of Spectrum Cannabis Colombia S.A.S. ("Spectrum Colombia"), Canindica Capital Ltd. ("Canindica"), and DaddyCann Lesotho PTY Limited ("DCL") in the year ended March 31, 2019. Accordingly, the Company recognized share-based compensation expense of $32,694 in the year ended March 31, 2020.

6. PLAN OF ARRANGEMENT WITH RIV CAPITAL

On December 21, 2020, the Canopy Growth entered into an arrangement agreement (the "RIV Arrangement Agreement") with its wholly-owned subsidiary The Tweed Tree Lot Inc. ("Tweed NB"), RIV Capital and its wholly-owned subsidiary RCC, pursuant to which Canopy Growth acquired certain assets from RCC, as set out below, in exchange for cash, Canopy Growth common shares and the surrender of all shares in the capital of RIV Capital held by Canopy Growth in accordance with a plan of arrangement under the *Business Corporations Act* (Ontario) (the "RIV Arrangement"). The RIV Arrangement was completed on February 23, 2021.

Pursuant to the RIV Arrangement, Canopy Growth increased its conditional ownership interest in TerrAscend Corp. ("TerrAscend") through the acquisition of (i) 19,445,285 exchangeable shares in the capital of TerrAscend (the "TerrAscend Exchangeable Shares") held by RCC; (ii) 2,225,714 common share purchase warrants in the capital of TerrAscend with an exercise price of $5.95 per share held by RCC; (iii) 333,723 common share purchase warrants in the capital of TerrAscend with an exercise

price of $6.49 per share held by RCC; and (iv) a loan receivable owing by TerrAscend Canada Inc. (“TerrAscend Canada”) to RCC. The securities in the capital of TerrAscend held by Canopy Growth are not currently convertible or exercisable and will not be convertible or exercisable until federal laws in the United States with respect to marijuana are amended. Pursuant to the RIV Arrangement, Canopy Growth also acquired (i) all of the Class A preferred shares in the capital of Les Serres Vert Cannabis Inc. (“Vert Mirabel”) held by RCC; and (vi) 143 common shares in the capital of Vert Mirabel, thereby increasing Canopy Growth’s ownership of the issued and outstanding common shares in the capital of Vert Mirabel to approximately 55%. In addition, all of the obligations of Tweed NB owing to RCC pursuant to a royalty agreement between the parties were terminated.

In exchange for the foregoing, Canopy Growth (i) surrendered 36,468,318 Class B multiple voting shares (“MVS”) and 15,223,938 Class A subordinate voting shares (“SVS”) in the capital of RIV Capital; (ii) made a cash payment to RCC of $115,000; and (iii) issued 3,647,902 Canopy Growth common shares to RCC. As a result, following completion of the RIV Arrangement, Canopy Growth no longer has any equity, debt or other interest in RIV Capital, and no longer has any representation on the RIV Capital board of directors.

Following completion of the RIV Arrangement, Canopy Growth now owns 38,890,570 TerrAscend Exchangeable Shares, an aggregate of 22,474,130 common share purchase warrants in the capital of TerrAscend (the “TerrAscend warrants”) and is deemed to own an aggregate of 1,072,450 common shares of TerrAscend that are subject to an option agreement entered into in January 2021 (the “TerrAscend Option”). Canopy Growth beneficially owns, and exercise control or direction over approximately 20% of the issued and outstanding TerrAscend common shares on a fully-diluted basis.

Following this transaction, Canopy Growth no longer controls RIV Capital, and Canopy Growth derecognized the consolidated assets and liabilities of RIV Capital from its consolidated financial statements at their carrying amounts. The derecognized assets and liabilities on February 23, 2021, were as follows:

Acquired assets		
TerrAscend Exchangeable Shares	$	291,500
TerrAscend warrants		32,000
Preferred shares in Vert Mirabel		22,600
Settlement of Tweed NB obligations to RCC		15,000
TerrAscend loan		10,000
Common shares in Vert Mirabel		9,075
Total acquired assets	$	380,175
Consideration paid in shares		(170,284)
Consideration paid in cash		(115,000)
	$	94,891
Derecognition of RIV Capital net assets		
Cash and cash equivalents	$	37,801
Amounts receivable, net		4,327
Prepaid expenses and other assets		995
Equity method investments		5,114
Other financial assets		417,256
Property, plant and equipment		729
Intangible assets		86
Accounts payable		(22,038)
Other accrued expenses and liabilities		(1,703)
Other current liabilities		(32,653)
Other long-term liabilities		(303)
Noncontrolling interests and other		(315,144)
	$	94,467
Gain on completion of RIV Arrangement	$	424

The gain calculated on the derecognition of RIV Capital’s assets and liabilities is the difference between the carrying amounts of the derecognized assets and liabilities of RIV Capital and the fair value of the consideration transferred, being the cash payment made to RCC in the amount of $115,000, the fair value of the Canopy Growth common shares issued to RCC, and the assets acquired.

7. CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are as follows:

	March 31, 2021	March 31, 2020
Cash	$ 436,588	$ 679,581
Cash equivalents	718,065	623,595
	$ 1,154,653	$ 1,303,176

8. SHORT-TERM INVESTMENTS

The components of short-term investments are as follows:

	March 31, 2021	March 31, 2020
Term deposits	$ 463,824	$ 374,000
Government securities	136,620	226,087
Commercial paper and other	544,119	73,236
	$ 1,144,563	$ 673,323

The amortized cost of short-term investments at March 31, 2021 is $1,145,364 (March 31, 2020 – $673,022).

9. AMOUNTS RECEIVABLE, NET

The components of amounts receivable, net are as follows:

	March 31, 2021	March 31, 2020
Accounts receivable, net	$ 67,106	$ 51,166
Interest receivable	5,140	10,303
Indirect taxes receivable	8,281	22,982
Other receivables	11,908	5,704
	$ 92,435	$ 90,155

Included in the accounts receivable, net balance at March 31, 2021 is an allowance for doubtful accounts of $1,411 (March 31, 2020 – $655).

10. INVENTORY

The components of inventory are as follows:

	March 31, 2021	March 31, 2020
Raw materials, packaging supplies and consumables	$ 55,554	$ 75,507
Work in progress	223,652	255,934
Finished goods	88,773	59,645
	$ 367,979	$ 391,086

In the year ended March 31, 2021, the Company recorded write-downs related to inventory in cost of goods sold of $79,859 (year ended March 31, 2020 – $169,338), including charges of $25,985 (year ended March 31, 2020 – $132,089) associated with the strategic review, as described in Note 5.

11. PREPAID EXPENSES AND OTHER ASSETS

The components of prepaid and other assets are as follows:

	March 31, 2021	March 31, 2020
Prepaid expenses	$ 28,349	$ 41,423
Deposits	18,316	7,773
Prepaid inventory	1,496	21,217
Other assets	19,071	14,681
	$ 67,232	$ 85,094

12. PHARMHOUSE

PharmHouse Inc. (“PharmHouse”), a joint venture formed on May 7, 2018, between RIV Capital and 2615975 Ontario Limited (the “PharmHouse JV Partner”), is a company licensed to cultivate cannabis under the Cannabis Act. Upon completion of the RIV Arrangement on February 23, 2021, the Company no longer controlled RIV Capital and RIV Capital’s consolidated assets and liabilities were derecognized from the Company’s consolidated financial statements. The assets and liabilities that were derecognized include those described below in relation to RIV Capital’s investments in, and obligations with respect to, PharmHouse. Refer to Note 6 for further details on the RIV Arrangement.

CCAA Proceedings

During the year ended March 31, 2021, PharmHouse determined that the previously anticipated timeline to generate cash flows from its offtake agreements with the Company and TerrAscend Canada would not be met, and the ultimate timing and receipt of cash inflows pursuant to these agreements became uncertain. As a result of this, as well as broader sector-wide challenges impacting the Canadian cannabis industry, PharmHouse did not have sufficient liquidity and capital resources to meet its business objectives and became unable to meet its financial obligations as they became due.

Accordingly, on September 15, 2020, PharmHouse obtained an order (the “Initial Order”) from the Ontario Superior Court of Justice (the “Court”) granting PharmHouse creditor protection under the Companies’ Creditors Arrangement Act (“CCAA”) (the “CCAA Proceedings”). The Court appointed an independent professional services firm to act as the Monitor of PharmHouse in the CCAA Proceedings while PharmHouse explored a restructuring of its business and operations (the “Restructuring”).

On October 29, 2020, PharmHouse received approval from the Court to commence its Sale and Investor Solicitation Process (“SISP”). The SISP process concluded in March 2021, subsequent to the completion of the RIV Arrangement, when PharmHouse entered into a binding asset purchase agreement to sell various operating assets including its facility and certain equipment at the facility. The asset purchase agreement was approved by the Court in March 2021.

PharmHouse Recoverability Assessment

As a result of the CCAA Proceedings and the Restructuring, RIV Capital determined that there were indicators of impairment present for its investments in various PharmHouse-related financial assets.

RIV Capital performed impairment testing for its various PharmHouse-related financial assets by estimating the fair value of PharmHouse en bloc. Due to the lack of profitable operating history for PharmHouse as a cannabis entity, RIV Capital estimated the fair value of PharmHouse en bloc using an asset-based approach to value PharmHouse’s assets under an orderly liquidation scenario where cannabis operations are not continued at PharmHouse’s facility and the greenhouse is sold for purposes other than cannabis cultivation. This amount was then compared to the carrying values of the various PharmHouse-related financial instruments held by RIV Capital, in sequence based on the priority of claims on PharmHouse’s assets (the “PharmHouse Recoverability Assessment”). The significant components of this fair value analysis included PharmHouse’s greenhouse facility and retrofits, separable machinery and equipment, saleable inventory, and cash. Significant unobservable inputs used by RIV Capital to determine the fair value of PharmHouse’s assets include the selling price per square foot for PharmHouse’s greenhouse facility; the recoverability percentage on the liquidation of PharmHouse’s property, plant and equipment; the selling price per gram of PharmHouse’s existing cannabis inventory; and adjustments for the risk of fair value changes and liquidity. Based on the foregoing, the Company estimated the recoverable value of PharmHouse’s assets in an orderly liquidation scenario to be approximately $57,500.

The impact of the PharmHouse Recoverability Assessment on RIV Capital’s various PharmHouse-related financial instruments is described below.

PharmHouse Financial Guarantee

Prior to February 23, 2021, PharmHouse had entered into a syndicated credit agreement (as amended, the “PharmHouse Credit Agreement”) with a number of Canadian banks (the “PharmHouse Lenders”) to provide PharmHouse with a committed, non-revolving credit facility (the “PharmHouse Credit Facility”) with a maximum principal amount of $90,000, which was fully drawn. The obligations of PharmHouse under the PharmHouse Credit Facility are secured by guarantees of RIV Capital and RCC, and a pledge by RCC of all of the shares of PharmHouse held by it (the “PharmHouse Financial Guarantee”). Accordingly, if PharmHouse is not able to generate sufficient cash flows to service its obligations pursuant to the PharmHouse Credit Facility, RIV Capital and RCC may be required to compensate the PharmHouse Lenders for their loss incurred on the PharmHouse Credit Facility. The PharmHouse Credit Agreement also contains other covenants applicable to RIV Capital and RCC.

Based on the PharmHouse Recoverability Assessment described above, the Company determined that the fair value of PharmHouse’s assets under an orderly liquidation scenario where the facility is not used for cannabis operations may be less than the principal amount owed by PharmHouse pursuant to the PharmHouse Credit Facility. Accordingly, the Company estimated that, prior to February 23, 2021, it had a financial liability related to the PharmHouse Financial Guarantee, reflecting the estimated shortfall between the recoverable amount of PharmHouse en bloc and the Company’s exposure to the PharmHouse Credit Facility.

As at February 23, 2021, the Company estimated the current expected credit loss related to its contingent obligation under the PharmHouse Financial Guarantee to be $32,500, and recognized a financial liability for this amount in the consolidated balance sheet (March 31, 2020 – $nil). Upon completion of the RIV Arrangement on February 23, 2021, this liability was derecognized from the Company's consolidated balance sheet. During the year ended March 31, 2021, the Company recognized an associated current expected credit loss of $32,500 in net income (loss) (years ended March 31, 2020 and 2019 – $nil).

Other financial assets, including loans receivable

Prior to February 23, 2021, RCC had advanced to PharmHouse (i) $40,000 of secured debt financing pursuant to a shareholder loan agreement (March 31, 2020 – $40,000); (ii) $2,450 pursuant to a secured demand promissory note (March 31, 2020 – $2,450); and (iii) $1,206 between August 4, 2020, and September 8, 2020 pursuant to an unsecured promissory note. the Company recognized these instruments as financial assets, initially recorded them at fair value and subsequently measured them at amortized cost. Additionally, pursuant to the Initial Order, RCC entered into an agreement to provide a super-priority, debtor-in-possession interim, non-revolving credit facility to PharmHouse (the "DIP Financing"), with a maximum principal amount available to be drawn by PharmHouse of $9,700, and a maturity date of February 28, 2021. As at February 23, 2021, RCC had advanced $9,300 pursuant to the DIP Financing.

As a result of the PharmHouse Recoverability Assessment described above, the Company recognized a current expected credit loss of $32,500 in the year ended March 31, 2021, related to its contingent obligation under the PharmHouse Financial Guarantee that existed prior to the completion of the RIV Arrangement on February 23, 2021 and the resulting derecognition of RIV Capital's consolidated assets and liabilities. The Company also concluded that the following amounts, as described above, may not be recoverable: (i) $9,300 advanced pursuant to DIP Financing; (ii) $40,000 advanced under the shareholder loan agreement; (iii) $2,450 advanced under the secured demand promissory note; (iv) $1,206 advanced under the unsecured demand promissory note; and (v) $8,989 in interest receivable in relation to these financial instruments. Additionally, it was determined that certain advances in the amount of $15,000 provided to PharmHouse by the Company may not be recoverable, and costs of $35 were incurred associated with the Restructuring in the year ended March 31, 2021. Accordingly, the Company recorded expected credit losses on financial assets and related charges of $109,480 for the year ended March 31, 2021 (years ended March 31, 2020 and 2019 – $nil).

PharmHouse equity method investment

As at February 23, 2021, RCC owned 10,998,660 common shares of PharmHouse (March 31, 2020 – 10,998,660 common shares), representing a 49% equity interest on a non-diluted basis. RCC had not yet received any distributions on account of its common share investment in PharmHouse.

As a result of the PharmHouse Recoverability Assessment described above, the Company determined that there was an other-than-temporary-impairment and recognized an impairment charge for the full amount of its equity method investment of $32,369 (see Note 13) in the year ended March 31, 2021.

13. EQUITY METHOD INVESTMENTS

The following tables present changes in the Company's investments in associates that are accounted for using the equity method in the years ended March 31, 2021 and 2020:

Entity	Instrument	Ownership percentage	Balance at March 31, 2020	Share of net (loss) income	Impairment losses	Derecognition of investment	Derecognition of RIV Capital1	Balance at March 31, 2021
PharmHouse2	Shares	49%	$ 37,025	$ (4,656)	$ (32,369)	$ -	$ -	$ -
More Life	Shares	40%	10,300	-	(10,300)	-	-	-
CanapaR	Shares	49%	8,500	(500)	-	(8,000)		-
Other	Shares	18%-40%	10,018	(3,326)	(1,478)	-	(5,114)	100
			65,843	(8,482)	(44,147)	(8,000)	(5,114)	100

1Refer to Note 6 for information regarding the completion of the plan of arrangement with RIV Capital.
2Refer to Note 12 for information regarding PharmHouse.

Entity	Instrument	Ownership percentage	Balance at March 31, 2019	Additions	Share of net loss	Impairment losses	Derecognition of investment	Balance at March 31, 2020
PharmHouse	Shares	49%	$ 39,278	$ -	$ (2,253)	$ -	$ -	$ 37,025
Agripharm	Shares	40%	36,127	-	(1,963)	(29,164)	-	5,000
More Life	Shares	40%	-	25,200	-	(14,900)	-	10,300
CanapaR	Shares	49%	18,062	-	(1,386)	(8,176)	-	8,500
BCT	Shares	47%	11,653	-	(385)	-	(11,268)	-
Other	Shares	18%-27%	7,265	5,135	(3,207)	(2,986)	(1,189)	5,018
			$ 112,385	$ 30,335	$ (9,194)	$ (55,226)	$ (12,457)	$ 65,843

Where the Company does not have the same reporting date as its investees, the Company will account for its investment one quarter in arrears. Accordingly, certain of the figures in the above tables, including the Company's share of the investee's net income (loss), are based on the investees' results for the years ended December 31, 2020 and December 31, 2019 (with respect to March 31, 2021 and March 31, 2020 balances) with adjustments for any signficant transactions.

Agripharm

In the year ended March 31, 2021, the Company recognized an impairment on its equity method investment in the amount of $1,478 (year ended March 31, 2020 – $29,164).

CHI and BCT

As described in Note 30, the Company acquired a controlling interest in Canopy Health Innovations Inc. ("CHI") on August 3, 2018, resulting in the consolidation of CHI and its equity method investment, Beckley Canopy Therapeutics Limited ("BCT"). BCT is a cannabis research and development organization in the United Kingdom which had been formed through a collaboration agreement between CHI and Beckley Research and Innovations Limited and which gave the parties joint control over the arrangement and a 50% equity interest. As at the date of the CHI acquisition, in accordance with ASC 805 - *Business Combinations* ("ASC 805"), the Company calculated the fair value of the equity investment in BCT to be $8,563.

On September 28, 2018, BCT completed a private placement financing where the Company, indirectly through CHI, acquired additional common shares for $3,986. The Company's participating share was diluted from 50% to 42.2%. The previously mentioned collaboration agreement remains in effect and management has concluded that CHI has maintained joint control over BCT.

On October 11, 2019, the Company acquired all of its unowned interests in BCT and Spectrum Biomedical UK. See Note 30(b)(iv).

CanapaR

On July 24, 2018, the Company acquired a 35% ownership interest in CanapaR Corp. ("CanapaR") for cash consideration of $750. This ownership interest and other rights give the Company significant influence over the investee and the investment is being accounted for using the equity method. As part of the investment, the Company also received a call option to purchase 100% of CanapaR SrL, a Sicily-based company formed for the purposes of organic hemp cultivation and extraction in Italy. The call option is accounted for at fair value with changes recorded in other income (expense), net.

In December 2018 and February 2019, the Company invested a further $17,400 in CanapaR. These follow-on investments increased the Company's ownership interest to 49.2%.

In the year ended March 31, 2020, the Company recognized an impairment loss of $8,176 related to its investment in CanapaR. The fair value was determined using a cost approach by estimating the recoverable amounts of its assets and deducting the value of its liabilities.

On December 30, 2020, CRC sold its shares in CanapaR, in exchange for $7,000 cash and $1,000 in contingent consideration, which was recorded at its estimated fair value as an other financial asset.

More Life

On November 7, 2019 the Company entered into agreements with certain entities that are controlled by Aubrey "Drake" Graham to launch the More Life Growth Company ("More Life"). Under the agreements Canopy Growth sold 100% of the shares of 1955625 Ontario Inc., a wholly owned subsidiary of Canopy Growth that holds the Health Canada license for a facility located in Scarborough, Ontario to More Life ("More Life Facility") in exchange for a 40% interest in More Life. Certain entities that are controlled by Drake hold a 60% ownership interest in More Life.

Following this transaction, the Company no longer controlled 1955625 Ontario Inc. and the Company derecognized the assets and liabilities of 1955625 Ontario Inc. from its consolidated financial statements at their carrying amounts. Management has concluded that the subsidiary does not meet the definition of an operation and no goodwill was allocated. The derecognized assets and liabilities on November 7, 2019, were as follows:

Current assets	$ 100
Intangible assets	2,810
Net assets disposed	$ 2,910
Fair value of retained interest	25,200
Gain on disposal of consolidated entity	$ 22,290

The gain calculated on the derecognition of 1955625 Ontario Inc.'s assets and liabilities was the difference between the carrying amounts of the derecognized assets and liabilities of 1955625 Ontario Inc. and the fair value of the consideration received, being the fair value of the Company's interest in More Life. This gain was recognized in other income (expense), net, in the year ended March 31, 2020. The fair value of this interest on the transaction date was estimated to be $25,200 which was determined using a discounted cash flow approach. The most significant inputs to the fair value measurement are the discount rate and expectations about future royalties.

As consideration for the 60% interest in More Life, certain entities that are controlled by Drake granted More Life the right to exclusively exploit certain intellectual property and brands in association with the growth, manufacture, production, marketing and sale of cannabis and cannabis-related products, accessories, merchandise and paraphernalia in Canada and internationally. More Life sublicensed such rights in Canada to Canopy Growth in exchange for royalty payments. On November 7, 2019, Canopy Growth recorded an intangible asset equal to the present value of the agreed minimum royalty payments. As part of the Company's restructuring of its global operations in the year ended March 31, 2020, the Company recognized an impairment charge related to the remaining intangible assets in the amount of $32,717. The Company and More Life agreed to terminate the sublicense agreement between the two parties as of March 1, 2021, and as a result the Company derecognized the remaining minimum royalty obligations owing to More Life; refer to Note 20. The difference between the termination payment made by the Company to More Life and the remaining minimum royalty obligations was recorded in asset impairment and restructuring costs; refer to Note 5.

Through its ownership and other rights, the Company was determined to have significant influence over More Life and accounts for its interest in More Life using the equity method of accounting. The investment was initially recognized at its fair value of $25,200 and adjusted thereafter to recognize the Company's share of net income (loss) and other comprehensive income (loss). The fair value of the Company's interest in More Life was estimated to be $10,300 at March 31, 2020 using the same valuation techniques and inputs as described above. As at March 31, 2021, as a result of the termination of the sublicense agreement between the Company and More Life, the Company determined that the fair value of its' interest in More Life was $nil, and accordingly, the Company recognized an impairment on its equity method investment in the amount of $10,300 in the year ended March 31, 2021 (year ended March 31, 2020 – $14,900) as part of the restructuring of its global operations. See Note 5 for further information.

Since Canopy Growth controls the facility and the inventory grown at that facility, the property, plant and equipment at the facility and the related inventory have continued being recorded as assets of Canopy Growth since November 7, 2019.

The following tables present current and non-current assets, current and non-current liabilities as well as revenues and net loss of the Company's equity method investments as at and for the years ended December 31, 2020 and 2019, respectively:

Entity	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net loss
Other	$ 4,895	$ 25,051	$ 29,830	$ 1,605	$ 3,705	$ (10,033)

Entity	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Net loss
PharmHouse	$ 5,584	$ 163,888	$ 65,765	$ 87,659	$ 219	$ (4,665)
Agripharm	9,565	68,608	25,776	-	5,093	(8,668)
CanapaR	15,232	10,277	1,722	-	425	(2,624)
Other	10,980	22,338	3,187	10,600	7,022	(10,322)
	$ 41,361	$ 265,111	$ 96,450	$ 98,259	$ 12,759	$ (26,279)

14. OTHER FINANCIAL ASSETS

The following tables outline changes in other financial assets. Additional details on how the fair value of significant investments are calculated are included in Note 26.

Entity	Instrument	Balance at March 31, 2020	Additions	Fair value changes	Foreign currency translation adjustments	Allowance for expected credit losses	Exercise of options / disposal of shares / repayments	Derecognition of RIV Capital[1]	Balance at March 31, 2021
TerrAscend Exchangeable Shares	Exchangeable shares	$ 47,000	$ -	$ 338,000	$ -	$ -	$ -	$ -	$ 385,000
TerrAscend Canada - October 2019	Term loan / debenture	9,520	8,579	(7,859)	-	-	-	-	10,240
TerrAscend Canada - March 2020	Term loan / debenture	44,300	-	16,942	-	-	(4,912)	-	56,330
Arise Bioscience	Term loan / debenture	-	11,758	1,489	(170)	-	-	-	13,077
TerrAscend - October 2019	Warrants	804	4,315	12,131	-	-	-	-	17,250
TerrAscend - March 2020	Warrants	24,200	-	128,710	-	-	-	-	152,910
TerrAscend - December 2020	Warrants	-	13,720	(480)	-	-	-	-	13,240
TerrAscend	Option	-	13,445	(2,845)	-	-	-	-	10,600
Acreage Hempco[2]	Debenture	-	66,995	(37,026)	(2,521)	-	-	-	27,448
SLANG	Warrants	3,500	-	5,900	-	-	-	-	9,400
PharmHouse[3]	Loan receivable	40,000	-	-	-	(40,000)	-	-	-
ZeaKal	Shares	14,186	-	(1,486)	-	-	-	(12,700)	-
Agripharm	Royalty interest	12,600	-	(7,200)	-	-	-	(5,400)	-
Greenhouse	Convertible debenture	10,517	-	(4,117)	-	-	(1,300)	(5,100)	-
Other - at fair value through net income (loss)	Various	28,478	11,251	(7,052)	-	-	(4,234)	(22,956)	5,487
Other - classified as held for investment	Loan receivable	14,148	11,106	-	-	(12,956)	(5,113)	-	7,185
		$ 249,253	$ 141,169	$ 435,107	$ (2,691)	$ (52,956)	$ (15,559)	$ (46,156)	$ 708,167

[1]Refer to Note 6 for information regarding the completion of the plan of arrangement with RIV Capital.
[2]Refer to Note 31 for information regarding Acreage Hempco.
[3]Refer to Note 12 for information regarding PharmHouse.

Entity	Instrument	Balance at March 31, 2019	Additions	Fair value changes	Exercise of options / disposal of shares	Balance at March 31, 2020
TerrAscend	Exchangeable shares	$ 160,000	$ -	$ (113,000)	$ -	$ 47,000
TerrAscend	Warrants	-	28,016	(3,012)	-	25,004
TerrAscend Canada	Term loan / debenture	-	65,653	(11,833)	-	53,820
PharmHouse	Loan receivable	40,000	-	-	-	40,000
Agripharm	Royalty interest	10,254	8,000	(5,654)	-	12,600
ZeaKal	Shares	-	13,487	699	-	14,186
Greenhouse	Convertible debenture	5,944	3,000	1,573	-	10,517
SLANG	Warrants	44,000	-	(40,500)	-	3,500
Other - classified as fair value through net income (loss)	Various	91,816	6,909	(69,255)	(10,475)	18,995
Other - elected as fair value through net income (loss)	Various	9,564	3,127	(2,983)	(225)	9,483
Other - classified as held for investment	Loan receivable	1,849	12,400	-	(101)	14,148
		$ 363,427	$ 140,592	$ (243,965)	$ (10,801)	$ 249,253

TerrAscend Exchangeable Shares

TerrAscend is a publicly traded licensed producer. On December 8, 2017, the Company subscribed for TerrAscend units which included one common share and one warrant. The Company allocated the purchase price to the shares and warrants based on their relative fair values, in the amount of $13,460 and $7,540 respectively. On November 27, 2017, the Company acquired additional TerrAscend shares and following these transactions, the Company owned 24% of the issued and outstanding shares of TerrAscend and the Company concluded it had significant influence over TerrAscend and accounted for its investment using the equity method.

On November 30, 2018, TerrAscend completed the restructuring of its share capital by way of a plan of arrangement ("Arrangement"), pursuant to which the Company exercised its warrants for no cash consideration. After giving effect to the exercise of the warrants the Company held common shares of TerrAscend which were exchanged pursuant to the Arrangement for new TerrAscend Exchangeable Shares. The TerrAscend Exchangeable Shares would only become convertible into common shares following changes in U.S. federal laws regarding the cultivation, distribution or possession of cannabis, the compliance of TerrAscend with such laws and the approval of the various securities exchanges upon which the issuer's securities are listed (the "TerrAscend Triggering Event"). The TerrAscend Exchangeable Shares are not transferrable or monetizable until exchanged into common shares. In the interim, the Company will not be entitled to voting rights, dividends or other rights upon dissolution of TerrAscend. As a result, the Company no longer has significant influence over TerrAscend and ceased using the equity method.

On November 30, 2018 the Company derecognized its investment in the common shares which were being accounted for using the equity method and recognized the TerrAscend Exchangeable Shares. The Company recognized a net gain of $8,678 in other (expense) income, net on the derecognition of the equity investment. The Company accounts for its investment in the TerrAscend Exchangeable Shares at fair value with any changes recorded in other income (expense).

Upon initial recognition, the fair value of the Company's investment in the TerrAscend Exchangeable Shares was estimated to be $135,000. At March 31, 2021 the fair value of the Company's investment in the TerrAscend Exchangeable Shares was estimated to be $385,000 (March 31, 2020 – $47,000) with a gain of $338,000 recorded in other income (expense), net in the year ended March 31, 2021 (year ended March 31, 2020 – a loss of $113,000, year ended March 31, 2019 – a gain of $25,000). See Note 6 for information regarding the completion of the plan of arrangement with RIV Capital, which included the acquisition, by Canopy Growth, of the TerrAscend Exchangeable Shares held by RCC. Additionally, see Note 26 for additional details on how the fair value of the Company's investment is calculated on a recurring basis.

TerrAscend Canada

On October 2, 2019, RIV Capital completed a $13,243 (US$10,000) investment in TerrAscend Canada, a wholly-owned subsidiary of TerrAscend, which included a term loan with a fair value of $10,853 and TerrAscend warrants with a fair value of $2,390. As of March 31, 2021, the fair value of the term loan was $10,240 (March 31, 2020 – $9,520), and the fair value of the warrants was $17,250 (March 31, 2020 – $804). As part of the completion of the plan of arrangement with RIV Capital, as described in Note 6, Canopy Growth acquired these securities from RCC. The non-cash additions in respect to these investments represents the inherent deferred tax liability on the initial acquisition of the assets from RIV Capital, as the accounting carrying value of the assets exceeds the tax basis.

On March 11, 2020, Canopy Growth completed an $80,526 investment in TerrAscend Canada. The investment includes a secured debenture (the "debenture") for $80,526, that matures the earliest of (i) March 10, 2030 and (ii) the later of March 10, 2025 and the date that is 24 months following the date that is the TerrAscend Triggering Event. The debenture bears interest at a rate of 6.1% and is payable annually.

As additional consideration, TerrAscend issued 17,808,975 common share purchase warrants (collectively, the "Warrants"). The Warrants consist of two tranches. The first tranche Warrants total 15,656,242 and are exercisable at a price of $5.41 per common share. They are exercisable upon the occurrence or waiver of TerrAscend the Triggering Event until the earliest of (i) March 10, 2030 and (ii) the later of (A) March 10, 2025 and (B) the date that is 24 months following the occurrence of the TerrAscend Triggering Event.

The second tranche Warrants total of 2,152,733 and are exercisable at a price of $3.74 per common share. They are exercisable upon the occurrence or waiver of the TerrAscend Triggering Event until the earliest of (i) March 10, 2031 and (ii) the later of (A) March 10, 2026 and (B) the date that is 36 months following the occurrence of the TerrAscend Triggering Event.

Canopy Growth has the right to set-off the applicable exercise price payable for the exercise of the Warrants against any amounts owing by TerrAscend, or any amounts owing under the Loan by TerrAscend Canada.

At issuance, the term loan had a fair value of $54,800 and the Warrants had a fair value of $25,626 with $100 of related transaction costs expensed. As of March 31, 2021, the fair value of the debenture was $56,330 (March 31, 2020 – $44,300) and the Warrants had a fair value of $152,910 (March 31, 2020 – $24,200). See Note 26 for additional details on how the fair value of the Company's investment is calculated on a recurring basis.

Arise Bioscience

On December 10, 2020, the Company entered into a loan financing agreement with Arise Bioscience, Inc. ("Arise Bioscience"), a wholly owned subsidiary of TerrAscend. The investment is in the amount of US$20,000 ($25,478) (the "Loan") pursuant to a secured debenture (the "Arise Debenture"). The Arise Debenture bears interest at a rate of 6.1% and is payable beginning in the fourth year after its issuance. The Arise Debenture will mature on December 10, 2030.

In connection with the Loan, TerrAscend issued 2,105,718 common share purchase warrants to the Company (the "Additional Warrants"). 1,926,983 Additional Warrants are exercisable at a price of $15.28 per share, and expire on December 10, 2030. 178,735 Additional Warrants are exercisable at a price of $17.19 per share, and expire on December 10, 2031. The Additional Warrants will be exercisable by the Company following the TerrAscend Triggering Event. The Loan is repayable by Arise Bioscience at any time.

At issuance, the Arise Debenture had a fair value of $11,758 and the Additional Warrants had a fair value of $13,720. As of March 31, 2021, the Arise Debenture had a fair value of $13,077 and the Additional Warrants had a fair value of $13,240. See Note 26 for additional details on how the fair value of the Company's investment is calculated on a recurring basis.

TerrAscend Option

On January 13, 2021, the Company entered into the TerrAscend Option to purchase 1,072,450 common shares of TerrAscend for aggregate consideration of US$10,529 ($13,445). At March 31, 2021 the fair value of the TerrAscend Option was estimated to be $10,600. See Note 26 for additional details on how the fair value of the Company's investment is calculated on a recurring basis.

SLANG

SLANG Worldwide Inc. ("SLANG") is a cannabis-focused branded consumer products company which is listed on the Canadian Securities Exchange ("CSE"). The Company holds share purchase warrants which allow it to acquire shares of SLANG on the occurrence of the triggering event, as defined below, provided the Company enters into a collaboration agreement with SLANG at the time of exercise. The number and exercise price of the share purchase warrants is dependent on the financings completed by SLANG up until the point of exercise. The triggering event is the date the growth, cultivation, production, sale, use and consumption of cannabis and cannabis-related products are permitted in the U.S. for any and all purposes under all applicable federal laws. The warrants expire the earlier of two years following the triggering event and December 15, 2032.

As at March 31, 2021, the share purchase warrants would provide the Company with the right to acquire:

- 31,619,975 shares for an aggregate exercise price of one dollar
- 11,602,370 shares at an exercise price of $1.50 per share
- 5,801,184 shares at an exercise price of $2.25 per share

As at March 31, 2021, management has estimated the fair value of the warrant at to be $9,400 (March 31, 2020 – $3,500), and a gain of $5,900 was recorded in other income (expense), net in the year ended March 31, 2021 (year ended March 31, 2020 – a loss of $40,500, year ended March 31, 2019 – a gain of $4,000). See Note 26 for additional details on how the fair value of the Company's investment is calculated on a recurring basis.

ZeaKal

On June 14, 2019, RIV Capital acquired 248,473 preferred shares of ZeaKal, Inc. ("ZeaKal"), a California-based plant science company, for $13,487 which represents a 9% equity interest on a fully diluted basis. See Note 26 for additional details on how the fair value of the Company's investment is calculated on a recurring basis. During the year ended March 31, 2021, a fair value loss of $1,486 was recognized in other income (expense), net (year ended March 31, 2020 – a gain of $699). As part of the completion of the plan of arrangement with RIV Capital, as described in Note 6, Canopy Growth no longer holds this investment.

Agripharm

RIV Capital advanced $8,000 to Agripharm under a royalty agreement during the year ended March 31, 2020. During the year ended March 31, 2021, a fair value loss of $7,200 was recognized in other income (expense), net (year ended March 31, 2020 – a loss of $5,654). As part of the completion of the plan of arrangement with RIV Capital, as described in Note 6, Canopy Growth no longer holds this investment.

Greenhouse

On January 14, 2019, RIV Capital invested $6,000 in 10831425 Canada Ltd. ("Greenhouse"), an organic, plant-based beverage producer and distributor, pursuant to a senior secured convertible debenture agreement ("Greenhouse Secured Debenture"). As part of the investment, the Company also committed to invest an additional $3,000 in Greenhouse pursuant to an unsecured convertible debenture agreement (the "Greenhouse Unsecured Debenture") and received preferred share purchase warrants and a control warrant. The Company is required to exercise $3,000 in preferred share purchase warrants upon achievement of future revenue targets. On May 1, 2019, the Company advanced $3,000 to Greenhouse pursuant to the Greenhouse Unsecured Debenture. The Greenhouse Secured Debenture, Greenhouse Unsecured Debenture, and warrants are currently exercisable and, if exercised, would together represent approximately 26% of the equity of Greenhouse on a fully diluted basis. In connection with its original investment in Greenhouse, the Company also owns an additional warrant that, if exercised, would increase its ownership interest in Greenhouse to 51%. See Note 26 for additional details on how the fair value of the Company's investment is calculated on a recurring basis.

During the year ended March 31, 2021, a fair value loss of $4,117 was recognized in other income (expense), net (year ended March 31, 2020 – a gain of $1,573). As part of the completion of the plan of arrangement with RIV Capital, as described in Note 6, Canopy Growth no longer holds this investment.

15. PROPERTY, PLANT AND EQUIPMENT

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

	March 31, 2021	March 31, 2020
Buildings and greenhouses	$ 651,166	$ 876,732
Production and warehouse equipment	216,925	300,666
Leasehold improvements	106,837	75,964
Land	34,747	65,003
Office and lab equipment	30,546	29,978
Computer equipment	26,431	30,744
Right-of-use-assets		
Buildings and greenhouses	100,517	169,754
Production and warehouse equipment	530	927
Assets in process	129,428	365,644
	1,297,127	1,915,412
Less: Accumulated depreciation	(222,590)	(390,609)
	$ 1,074,537	$ 1,524,803

Depreciation expense included in cost of goods sold for the year ended March 31, 2021 is $51,737 (year ended March 31, 2020 – $52,249, year ended March 31, 2019 – $25,373). Depreciation expense included in selling, general and administrative expenses for the year ended March 31, 2021 is $19,177 (year ended March 31, 2020 – $21,467, year ended March 31, 2019 – $4,689).

See Note 5 for information on the impairment and abandonment of property, plant and equipment that resulted in charges in the amount of $426,748 that the Company recognized as part of its restructuring actions in the year ended March 31, 2021 (year ended March 31, 2020 – $334,964).

16. INTANGIBLE ASSETS

The components of intangible assets are as follows:

	March 31, 2021		March 31, 2020	
	Gross Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
Finite lived intangible assets				
Licensed brands	$ 21,812	$ 8,894	$ 66,227	$ 53,797
Distribution channel	73,756	35,176	74,768	47,117
Health Canada and operating licenses	-	-	63,631	57,250
Intellectual property	221,288	176,005	240,386	215,044
Software and domain names	18,648	10,799	16,056	10,013
Amortizable intangibles in process	1,952	1,952	9,590	9,590
Total	$ 337,456	$ 232,826	$ 470,658	$ 392,811
Indefinite lived intangible assets				
Operating licenses		$ 8,000		$ 7,000
Acquired brands		67,341		76,555
Total intangible assets		$ 308,167		$ 476,366

Amortization expense included in cost of goods sold for the year ended March 31, 2021 is $80 (year ended March 31, 2020 – $1,030, year ended March 31, 2019 – $35). Amortization expense included in selling, general and administrative expenses for the year ended March 31, 2021 is $56,124 (year ended March 31, 2020 – $50,267, year ended March 31, 2019 – $16,821).

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

2022	$	25,188
2023	$	17,808
2024	$	17,744
2025	$	16,694
2026	$	13,129
Thereafter	$	142,263

See Note 5 for information on (i) the abandonment of intangible assets that resulted in charges in the amount of $54,511 that the Company recognized as part of its restructuring actions in the year ended March 31, 2021 (year ended March 31, 2020 – $192,987) and (ii) impairment charges of $6,634 in the year ended March 31, 2021 (year ended March 31, 2020 – $54,020).

DCL

On May 30, 2018, the Company purchased 100% of the issued and outstanding shares of DCL. Based in the Kingdom of Lesotho, DCL holds a license to cultivate, manufacture, supply, hold, import, export and transport cannabis and its resin.

On closing, 666,362 common shares were issued to former shareholders of DCL at a price of $37.07 for consideration of $24,702. An additional 79,892 common shares were to be issued on the achievement of a licensing milestone. These shares were accounted for as equity classified contingent consideration. Management assessed the probability and timing of achievement and then discounted to present value using a put option pricing model in order to derive a fair value of the contingent consideration of $2,100. There was also the effective settlement of a note receivable of $500, which was advanced in cash by the Company prior to closing, for total consideration of $27,302.

An additional 253,586 common shares were to be issued to the former shareholders of DCL contingent on the achievement of certain operational milestones. These were accounted for as share-based compensation expense, and the fair value of the May 30, 2018 grant of $9,400 was being amortized over the expected vesting period.

The transaction was determined to be an asset acquisition under ASC 805 as DCL did not meet the definition of a business. A relative fair value approach was taken for allocating the consideration to the acquired assets and liabilities. This resulted in a value of $30,421 allocated to the operating license and a related $3,042 deferred income tax liability. The remaining assets and liabilities were not significant. The operating license was not being amortized as the Company concluded that it had an indefinite useful life.

As part of the Company’s restructuring of its global operations in the year ended March 31, 2020 (see Note 5), the Company exited its operations in South Africa and Lesotho by transferring ownership of all of its African operations to a local business, with the transaction closing subsequent to March 31, 2020. Accordingly, the remaining intangible asset associated with the operating license acquired from DCL was impaired as at March 31, 2020 and the resulting charge is included in the restructuring-related impairment charge noted above. Additionally, the Company accelerated the share-based compensation expense relating to the unvested milestones described above, and recognized share-based compensation of $215 in the year ended March 31, 2020.

Spectrum Colombia

On July 5, 2018, the Company acquired Spectrum Colombia, which previously operated as Colombia Cannabis S.A.S. The consideration for the transaction was 1,193,237 common shares with a fair value of $46,119 based on the Company’s share price on the closing date.

On July 5, 2018, in conjunction with the acquisition of Spectrum Colombia the Company acquired all the outstanding shares of Canindica in exchange for 595,184 common shares. Canindica was controlled by the principal of a company that provided services to the Company in connection with its Latin American and Caribbean businesses in the years ended March 31, 2020 and March 31, 2019. Canindica does not meet the definition of a business and the fair value of the consideration paid of $23,004 has been recorded as share-based compensation expense.

Upon the achievement of future cultivation and sales milestones, the Company was to issue up to 2,098,304 additional common shares of the Company to the former shareholders of Spectrum Colombia and shares to a value of $42,623 to the former shareholders of Canindica. The milestone shares were being provided in exchange for services and were being accounted for as share-based compensation expense. Management has estimated the grant date fair value of all these milestone shares to be $106,377 which was expensed rateably over the estimated vesting periods.

The acquisition of Spectrum Colombia was determined to be an asset acquisition under ASC 805 as it did not meet the definition of a business. A relative fair value approach was taken for allocating the consideration to the acquired assets and liabilities. This resulted in a value of $71,519 allocated to the operating license and a related $21,456 deferred income tax liability. The remaining assets and liabilities were not significant.

The operating license was not being amortized as the Company concluded that it had an indefinite useful life.

As part of the Company's restructuring of its global operations in the year ended March 31, 2020 (see Note 5), the Company ceased operations at the cultivation facility in Colombia. Accordingly, the operating license acquired from Spectrum Colombia was abandoned as at March 31, 2020 and the difference between the carrying value and expected salvage value is included in restructuring charges. Additionally, the Company accelerated the share-based compensation expense relating to certain of the unvested milestones associated with the acquisitions of Spectrum Colombia and Canindica, and recognized share-based compensation of $32,479 in the year ended March 31, 2020.

Cafina

On March 25, 2019, the Company acquired Cáñamo y Fibras Naturales, S.L. ("Cafina"), a Spanish-based licensed cannabis producer for consideration of $43,940 of which $36,074 in cash was advanced on closing, The acquisition date fair value of the remaining consideration was estimated to be $7,866 and was to be released to the former shareholders on the second and fourth anniversary of the acquisition, subject to certain representations and warranties.

The acquisition of Cafina was determined to be an asset acquisition under ASC 805 as it did not meet the definition of a business. A relative fair value approach was taken for allocating the consideration to the acquired assets and liabilities. This resulted in a value of $58,467 allocated to the operating license and a related $14,617 deferred income tax liability. The remaining assets and liabilities were not significant. The operating license was not being amortized as the Company concluded that it had an indefinite useful life.

As part of the Company's restructuring of its global operations in the year ended March 31, 2020 (see Note 5), the Company abandoned the operating license acquired from Cafina and the difference between the carrying value and expected salvage value is included in restructuring charges.

17. GOODWILL

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

Balance, March 31, 2019	$ 1,489,859
Purchase accounting allocations	443,724
Finalization of Storz & Bickel purchase price allocation	(24,990)
Foreign currency translation adjustments	45,878
Balance, March 31, 2020	1,954,471
Foreign currency translation adjustments	(65,117)
Balance, March 31, 2021	$ 1,889,354

18. OTHER ACCRUED EXPENSES AND LIABILITIES

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

	March 31, 2021	March 31, 2020
Property, plant and equipment	$ 3,978	$ 1,173
Professional fees	7,719	7,677
Employee compensation	47,137	33,415
Other	41,979	22,729
	$ 100,813	$ 64,994

19. DEBT

The components of debt are as follows:

	Maturity Date	March 31, 2021	March 31, 2020
Convertible senior notes at 4.25% interest with semi-annual interest payments	July 15, 2023		
Principal amount		$ 600,000	$ 600,000
Accrued interest		5,664	5,454
Non-credit risk fair value adjustment		109,710	(27,120)
Credit risk fair value adjustment		(27,960)	(128,130)
		687,414	450,204
Credit facility	March 18, 2026	891,677	-
Transferred receivables, bearing interest rate of EURIBOR plus 0.850%		-	4,678
Other revolving debt facility, loan, and financings		3,872	10,533
		1,582,963	465,415
Less: current portion		(9,827)	(16,393)
Long-term portion		$ 1,573,136	$ 449,022

Credit Facility

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

The Credit Facility has no principal payments, matures on March 18, 2026, has a coupon of LIBOR plus 8.50% and is subject to a LIBOR floor of 1.00%. In the event that LIBOR can no longer be adequately ascertained or is no longer available, an alternative rate as permitted under the Credit Agreement will be used. The Company's obligations under the Credit Facility are guaranteed by material wholly-owned Canadian and U.S. subsidiaries of the Company. The Credit Facility is secured by substantially all of these assets, including material real property, of the borrowers and each of the guarantors. The Credit Agreement contains representations and warranties, and affirmative and negative covenants, including a financial covenant requiring minimum liquidity of US$200,000 at the end of each fiscal quarter.

The proceeds from the Credit Facility were $893,160, and the carrying amount is reflected net of financing costs.

Convertible senior notes

On June 20, 2018, the Company issued convertible senior notes (the "Notes") with an aggregate principal amount of $600,000. The Notes bear interest at a rate of 4.25% per annum, payable semi-annually on January 15th and July 15th of each year commencing from January 15, 2019. The Notes will mature on July 15, 2023. The Notes are subordinated in right of payment to any existing and future senior indebtedness, including indebtedness under the revolving credit facility. The Notes will rank senior in right of payment to any future subordinated borrowings. The Notes are effectively junior to any secured indebtedness and the Notes are structurally subordinated to all indebtedness and other liabilities of the Company's subsidiaries.

Holders of the Notes may convert the Notes at their option at any time from January 15, 2023 to the maturity date. The Notes will be convertible, at the holder's option, at a conversion rate of 20.7577 common shares for every $1 principal amount of Notes (equal to an initial conversion price of approximately $48.18 per common share), subject to adjustments in certain events. In addition, the holder has the right to exercise the conversion option from September 30, 2018 to January 15, 2023, if (i) the market price of the Company common shares for at least 20 trading days during a period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day, (ii) during the 5 business day period after any consecutive 5 trading day period (the "measurement period") in which the trading price per $1 principal amount of the Notes for each trading day in the measurement period was less than 98% of the product of the last reported sales price of the Company's common shares and the conversion rate on each such trading day, (iii) the Notes are called for redemption or (iv) upon occurrence of certain corporate events ("Fundamental Change"). A Fundamental Change occurred upon completion of the investment by Constellation Brands, Inc. ("CBI") in November 2018, and no note holders surrendered any portion of their Notes as at the repurchase date of December 5, 2018.

The Company may, upon conversion by the holder, elect to settle in either cash, common shares, or a combination of cash and common shares, subject to certain circumstances. Under the terms of the indenture if a Fundamental Change occurs and a holder elects to convert its Notes from and including on the date of the fundamental change up to, and including, the business day immediately prior

to the fundamental change repurchase date, the Company may be required to increase the conversion rate for the Notes so surrendered for conversion by a number of additional common shares.

The Company cannot redeem the Notes prior to July 20, 2021, except in the event of certain changes in Canadian tax law. On or after July 20, 2021, the Company could redeem for cash, subject to certain conditions, any or all of the Notes, at its option, if the last reported sales price of the Company's common shares for at least 20 trading days during any 30 consecutive trading day period ending within 5 trading days immediately preceding the date on which the Company provides notice of redemption exceeds 130% of the conversion price on each applicable trading day. The Company may also redeem the Notes, if certain tax laws related to Canadian withholding tax change subject to certain further conditions. The redemption of Notes in either case shall be at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

For accounting purposes, the equity conversion feature did not meet the equity classification guidance, therefore the Company elected the fair value option under ASC 825 - *Fair Value Measurements*. The Notes were initially recognized at fair value on the balance sheet. All subsequent changes in fair value, excluding the impact of the change in fair value related to Company's own credit risk are recorded in other income (expenses), net. The changes in fair value related to the Company's own credit risk is recorded through other comprehensive income (loss). Transaction costs directly attributable to the issuance of the Notes were immediately expensed in the consolidated statements of operations in the amount of $16,380.

The overall change in fair value of the Notes during the years ended March 31, 2021 and March 31, 2020 was an increase of $237,210 and a decrease of $385,500, respectively, which included contractual interest of $25,710 and $25,500, respectively. Refer to Note 26 for additional details on how the fair value of the Notes is calculated.

Alberta Treasury Board financing

On March 31, 2019 the Company acquired the limited partnership units of the limited partnerships that held the Delta and Aldergrove, British Columbia facilities and assumed the Alberta Treasury Board ("ATB") financing liability. The facility bears interest at prime plus 1.0% and matures on October 31, 2021. Quarterly principal payments are $2,500. The ATB term loan is secured by a financial charge over real property held by the Company in Delta and Aldergrove. On June 14, 2019, the Company repaid and terminated its ATB term loan facility. A payment of $95,180 was made to settle the loan balance.

Transferred receivables

The carrying amount of the transferred receivables include receivables which are subject to a factoring arrangement. Under this agreement, C3 has transferred the relevant receivables to PB Factoring GmbH in exchange for cash. The transferred receivables to PB Factoring GmbH are $nil (March 31, 2020 – $4,851) and the associated secured borrowing is $nil (March 31, 2020 – $4,678). The factoring arrangement with PB Factoring GmbH was repaid and subsequently terminated effective December 31, 2020.

Other revolving debt facility, loans, and financings

On August 13, 2019 the Company, through its wholly owned subsidiary, Tweed Farms Inc., entered into a $40,000 revolving debt facility with Farm Credit Canada ("FCC"). This debt facility replaced the previous loans with FCC. The extinguishment of $4,912 in previous FCC debt resulted in no gain or loss.

The current outstanding balance of the FCC debt facility is $nil (March 31, 2020 – $5,268) with an interest rate of 3.45%, or FCC prime rate plus 1.0%, and matures on September 3, 2024.

The FCC debt facility is secured by a first charge on the properties in Niagara-on-the-Lake, Ontario, a corporate guarantee from the Company, and a general corporate security agreement.

Debt payments

As of March 31, 2021, the required principal repayments under long-term debt obligations for each of the five succeeding fiscal years and thereafter are as follows:

2022	$ 924
2023	921
2024	600,921
2025	921
2026	942,380
Thereafter	-
	$ 1,546,067

20. OTHER LIABILITIES

The components of other liabilities are as follows:

	As at March 31, 2021			As at March 31, 2020		
	Current	Long-term	Total	Current	Long-term	Total
Acquisition consideration related liabilities	$ 16,577	$ 7,808	$ 24,385	$ 104,028	$ 9,791	$ 113,819
Lease liabilities	42,061	94,164	136,225	40,356	120,047	160,403
Minimum royalty obligations	1,005	1,751	2,756	9,368	50,445	59,813
Refund liability	6,441	-	6,441	17,586	-	17,586
Settlement liabilities and other	40,344	3,517	43,861	44,471	10,377	54,848
	$ 106,428	$ 107,240	$ 213,668	$ 215,809	$ 190,660	$ 406,469

In March 2021, the Company and More Life agreed to terminate the sublicense agreement between the two parties, and as a result the Company derecognized the remaining minimum royalty obligations owing to More Life in the amount of $33,681; refer to Note 13.

In March 2021, as part of its rationalization of certain licensing arrangements, the Company terminated a licensing agreement with a third party and, as a result, derecognized the remaining minimum royalty obligations owing to the third party in the amount of $18,810.

21. REDEEMABLE NONCONTROLLING INTEREST

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

	BC Tweed	Vert Mirabel	BioSteel	Total
As at March 31, 2018	$ 56,300	$ 4,850	$ -	$ 61,150
Income attributable to noncontrolling interest	-	2,885	-	2,885
Adjustments to redemption amount	16,300	(1,335)	-	14,965
Purchase of redeemable noncontrolling interest	(72,600)	-	-	(72,600)
As at March 31, 2019	-	6,400	-	6,400
Initial recognition of noncontrolling interest	-	-	18,733	18,733
Income (loss) attributable to noncontrolling interest	-	8,220	(1,731)	6,489
Adjustments to redemption amount	-	5,630	32,498	38,128
As at March 31, 2020	-	20,250	49,500	69,750
Net loss attributable to redeemable noncontrolling interest	-	(11,906)	(6,171)	(18,077)
Adjustments to redemption amount	-	3,156	80,471	83,627
As at March 31, 2021	$ -	$ 11,500	$ 123,800	$ 135,300

22. SHARE CAPITAL

CANOPY GROWTH

Authorized

An unlimited number of common shares.

(i) Equity financings

There were no equity financings during the years ended March 31, 2021 and 2020.

On November 1, 2018, the Company issued 104,500,000 common shares from treasury and two tranches of warrants to CBI in exchange for proceeds of $5,072,500. The first tranche warrants, being the Tranche A Warrants, will allow CBI to acquire 88.5 million additional common shares of Canopy Growth for a fixed price of $50.40 per share. The second tranche warrants, being the Original Tranche B Warrants, allows CBI to acquire 51.3 million additional common shares at a price equal to the 5-day volume weighted average price of the common shares on the Toronto Stock Exchange (“TSX”) at the time of exercise. The Original Tranche B Warrants can only be exercised after the Tranche A Warrants have been exercised. The Tranche A Warrants vested immediately upon closing of the transaction and the Original Tranche B Warrants become exercisable once the Tranche A Warrants have been exercised. The Tranche A Warrants and the Original Tranche B Warrants had an initial expiry date of November 1, 2021, which was

subsequently extended to November 1, 2023, in the case of the Tranche A Warrants and November 1, 2026, in the case of the Original Tranche B Warrants (as reclassified as the Tranche B Warrants and the Tranche C Warrants).

The proceeds of the common share issuance were allocated to the common shares and Tranche A Warrants based on their relative fair values in the amount of $3,567,149 and $1,505,351, respectively. The fair value of the common shares was determined using the closing price on October 31, 2018, and the fair value of the warrants was determined using a Black-Scholes model. Share issuance costs of $8,509 were allocated to the common shares and $3,591 to the warrants. Since the Original Tranche B Warrants were initially issued with an exercise price equal to the 5-day volume weighted average price immediately prior to exercise, they fail the 'fixed for fixed' criterion and were classified as a derivative liability. Management has estimated that the value of this liability is nominal, and no value was allocated to the Original Tranche B Warrants. The Tranche A Warrants and Original Tranche B Warrants were subsequently modified on June 27, 2019, refer to Note 31 for additional details.

(ii) Other issuances of common shares

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

	Number of shares	Share capital	Share based reserve
Completion of acquisition milestones	2,598,978	$ 46,903	$ (19,059)
Other issuances	449,729	14,906	(14,894)
Total	3,048,707	$ 61,809	$ (33,953)

During the year ended March 31, 2020, the Company issued the following shares, net of share issuance costs, as a result of business combinations, milestones being met, and other equity-settled transactions:

	Number of shares	Share capital	Share based reserve
Acquisition of BC Tweed NCI release from escrow	6,940,531	$ 223,036	$ (223,036)
Completion of acquisition milestones	1,121,605	29,561	(29,687)
Other issuances	597,936	19,369	(19,511)
Total	8,660,072	$ 271,966	$ (272,234)

During the year ended March 31, 2019, the Company issued the following shares, net of share issuance costs, as a result of business combinations, milestones being met, and other equity-settled transactions:

	Number of shares	Share capital	Share based reserve
Hiku	7,943,123	$ 543,616	$ -
BC Tweed NCI	6,353,438	244,100	223,036
ebbu	5,275,005	233,802	29,880
CHI	3,076,941	97,832	-
Spectrum Colombia	1,193,237	46,018	-
Completion of acquisition milestones	2,455,446	45,277	(45,310)
DCL	666,362	24,644	1,956
Other issuances	897,079	28,984	(6,927)
Total	27,860,631	$ 1,264,273	$ 202,635

(iii) Warrants

	Number of whole warrants	Average exercise price	Warrant value
Balance outstanding at March 31, 2018	18,912,012	$ 12.96	$ 70,455
Issuance of warrants	88,472,861	50.40	1,501,760
Replacement warrants granted through Hiku acquisition	920,452	41.28	30,611
Exercise of warrants	(457,002)	41.12	(12,901)
Expiry of warrants	(1)	3.80	-
Balance outstanding at March 31, 2019	107,848,322	$ 43.80	$ 1,589,925
Tranche A warrant modification	-	-	1,049,153
Issuance of Tranche B warrants	38,454,444	76.68	-
Other issuance of warrants	9,200	32.83	359
Exercise of warrants	(12,523)	35.55	(486)
Balance outstanding at March 31, 2020[1]	146,299,443	$ 52.44	$ 2,638,951
Exercise of warrants	(18,882,927)	12.98	(70,513)
Expiry of warrants	(343,380)	41.49	-
Balance outstanding at March 31, 2021[1]	127,073,136	$ 58.33	$ 2,568,438

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

RIV CAPITAL

Completion of RIV Arrangement

The RIV Arrangement was completed on February 23, 2021. Pursuant to the RIV Arrangement, Canopy Growth surrendered 36,468,318 MVS and 15,223,938 SVS in the capital of RIV Capital and as a result held no MVS (March 31, 2020 – 36,468,318) and no SVS (March 31, 2020 – 15,223,938). The Company's MVS and SVS holdings at March 31, 2020 represented a 27.3% ownership interest and 84.4% voting interest in RIV Capital at that time. The voting rights allowed the Company to direct the relevant activities of RIV Capital such that the Company had control over RIV Capital until the completion of the RIV Arrangement on February 23, 2021, and RIV Capital was consolidated in these financial statements until that date. Upon completion of the RIV Arrangement, the Company no longer controlled RIV Capital, and the Company derecognized RIV Capital's consolidated assets and liabilities from its consolidated financial statements.

Share buyback

On April 2, 2020, RIV Capital received approval from the TSX to commence a normal course issuer bid ("NCIB") to purchase up to 10,409,961 SVS, representing 10% of RIV Capital's issued and outstanding SVS, in the open market or as otherwise permitted by the TSX, subject to the normal terms and limitations of such bids. The NCIB expired on April 1, 2021.

Daily purchases were limited to 70,653 SVS, representing 25% of the average daily trading volume on the TSX over a specified period. The NCIB was utilized at the sole discretion of RIV Capital, with no contractual obligation to purchase any specified number of shares. All SVS purchases made by RIV Capital under the NCIB were funded out of RIV Capital's working capital and were cancelled immediately.

During the year ended March 31, 2021, RIV Capital repurchased and cancelled a total of 273,300 SVS under the NCIB program for $307, at a weighted average acquisition price of $1.11 per share.

Financings

Year ended March 31, 2021

There were no financings during the year ended March 31, 2021, other than the release of shares related to share purchase financings as noted above.

Year ended March 31, 2020

There were no financings during the year ended March 31, 2020, other than the release of shares related to share purchase financings as noted above.

Year ended March 31, 2019

On April 6, 2018, RIV Capital completed a non-brokered private placement of 454,545 Class B Shares for aggregate gross proceeds of $500 and share issuance costs of $nil.

On July 6, 2018, RIV Capital completed a private placement offering, pursuant to which RIV Capital issued an aggregate of 29,774,857 subscription receipts at a price of $3.50 per subscription receipt for gross proceeds of $104,212, including $15,050 invested by the Company. RIV Capital issued 28,792,000 subscription receipts pursuant to a brokered offering and 982,857 subscription receipts on a non-brokered basis. Funds from the private placement were placed in escrow pending the completion of the reverse takeover ("RTO") with AIM2 Ventures Inc. ("AIM2"), defined as the Qualifying Transaction. Share issue costs of $3,371 were incurred as part of this private placement offering, which have been deducted from the carrying value of the noncontrolling interest.

On September 17, 2018 RIV Capital completed the RTO, the funds were released from escrow and RIV Capital began trading on the TSX Venture Exchange.

Since AIM2 does not have the inputs and processes capable of producing outputs that are necessary to meet the definition of a business as defined by ASC 805, the RTO has been accounted for under ASC 718 - *Stock-based compensation*. Accordingly, the RTO has been accounted for at the fair value of the equity instruments granted by the shareholders of RIV Capital to the shareholders and option holders of AIM2. Consideration paid by the acquirer of $1,353 is measured at the fair value of the equity issued to the shareholders of AIM2 (361,377 shares at $3.50 per share, 36,137 options with a fair value of $89 calculated using a Black-Scholes option pricing model and 18,821 broker warrants measured using the Black-Scholes option pricing model), with the excess amount above the fair value of the net assets acquired, treated as a reduction to equity.

The assets acquired and liabilities assumed at their fair value on the acquisition date are as follows.

	Amount
Consideration	$ 1,353
Cash acquired	584
Difference to deficit	769

On February 27, 2019, RIV Capital completed a brokered equity financing pursuant to which a syndicate of underwriters purchased 13,225,000 SVS of RIV Capital on a bought deal basis at a price of $4.80 per SVS (the "Issue Price") for gross proceeds of approximately $63,479 (the "Bought Deal"). Concurrent with the Bought Deal, the Company purchased 6,250,000 SVS on a private placement basis, at a price per SVS equal to the Issue Price for additional gross proceeds of approximately $30,000. Share issuance costs of $2,979 were paid in connection with the offering.

Associated with the July 2018 and February 2019 financings, an amount of $5,246 has been recorded as an increase in equity attributable to the parent which represents the change in the carrying amount of the noncontrolling interest as a result of the difference between the consideration paid and the net assets acquired and the dilution of Canopy Growth's ownership interest.

23. SHARE-BASED COMPENSATION

CANOPY GROWTH CORPORATION SHARE-BASED COMPENSATION PLAN

Canopy Growth's eligible employees participate in a share-based compensation plan as noted below.

On September 21, 2020, the Company's shareholders approved amendments to the Company's Amended and Restated Omnibus Incentive Plan (as amended and restated, the "Omnibus Plan") pursuant to which the Company can issue share-based long-term incentives. The Omnibus Plan approved by the shareholders extended the maximum term of each Option (as defined below) to be granted by the Company to ten years from the date of grant rather than six years from the date of grant. All directors, officers, employees and independent contractors of the Company are eligible to receive awards of common share purchase options ("Options"), restricted share units ("RSUs"), performance share units ("PSUs"), deferred share units, stock appreciation rights, performance awards, or other shares-based awards (collectively, the "Awards") under the Omnibus Plan.

Under the Omnibus Plan, the maximum number of shares issuable from treasury pursuant to Awards shall not exceed 15% of the total outstanding shares from time to time less the number of shares issuable pursuant to all other security-based compensation arrangements of the Company. The maximum number of common shares reserved for Awards is 57,431,277 at March 31, 2021 (March 31, 2020 – 52,516,939). As of March 31, 2021, the only Awards issued have been options and RSUs under the Omnibus Plan.

The Omnibus Plan is administered by the Board of Directors of the Company who establishes exercise prices, at not less than the market price at the date of grant, and expiry dates. Options under the Omnibus Plan generally remain exercisable in increments with 1/3 being exercisable on each of the first, second and third anniversaries from the date of grant, with expiry dates set at ten years from issuance. The Board of Directors has the discretion to amend general vesting provisions and the term of any award, subject to limits contained in the Omnibus Plan.

The Employee Share Purchase Plan (the "Purchase Plan") is the Company's only other share-based compensation arrangement. Under the Purchase Plan, the aggregate number of common shares that may be issued is 600,000, and the maximum number of common shares which may be issued in any one fiscal year shall not exceed 300,000. As of March 31, 2021, 37,312 common shares have been issued under the Purchase Plan.

The following is a summary of the changes in the Company's Omnibus Plan employee options during the years ended March 31, 2019, 2020 and 2021:

	Options issued	Weighted average exercise price
Balance outstanding at March 31, 2018	17,245,835	$ 12.95
Options granted	22,145,198	51.49
Replacement options issued as a result of the CHI acquisition	568,005	14.98
Replacement options issued as a result of the Hiku acquisition	291,629	10.64
Options exercised	(5,318,923)	11.48
Options forfeited/cancelled	(2,099,849)	55.37
Balance outstanding at March 31, 2019	32,831,895	$ 34.10
Options granted	9,454,714	33.87
Options exercised	(3,900,032)	10.63
Options forfeited/cancelled	(5,878,182)	44.95
Balance outstanding at March 31, 2020	32,508,395	$ 34.89
Options granted	478,215	28.15
Options exercised	(7,062,317)	22.22
Options forfeited	(8,219,982)	41.27
Balance outstanding at March 31, 2021	17,704,311	$ 36.79

The following is a summary of the outstanding stock options as at March 31, 2021:

	Options Outstanding		Options Exercisable	
Range of Exercise Prices	Outstanding at March 31, 2021	Weighted Average Remaining Contractual Life (years)	Exercisable at March 31, 2021	Weighted Average Remaining Contractual Life (years)
$0.06 - $24.62	2,453,326	3.35	1,487,082	2.60
$24.63 - $33.53	4,101,039	4.11	2,135,373	3.61
$33.54 - $36.80	3,565,712	3.69	2,235,097	3.67
$36.81 - $42.84	3,149,145	3.92	1,691,484	3.52
$42.85 - $67.64	4,435,089	3.88	2,434,908	3.76
	17,704,311	3.83	9,983,944	3.49

At March 31, 2021, the weighted average exercise price of options outstanding and options exercisable was $36.79 and $36.97, respectively (March 31, 2020 – $34.89 and $31.84, respectively).

The Company recorded $67,737 in share-based compensation expense related to Options issued to employees and contractors for the year ended March 31, 2021 (for the year ended March 31, 2020 – $248,450, for the year ended March 31, 2019 – $151,813). The share-based compensation expense for the year ended March 31, 2021 includes an amount related to 2,152,938 options being provided in exchange for services which are subject to performance conditions (for the year ended March 31, 2020 – 2,160,068, for the year ended March 31, 2019 – 595,000).

During the year ended March 31, 2019, the Company issued replacement options to employees in relation to the acquisitions of CHI and Hiku Brands Company Ltd. ("Hiku") (Note 30) and recorded share-based compensation expense of $10,917, related to these replacement options, of which $7,503 relates to an immediate share-based compensation expense recorded at the CHI acquisition date to reflect the accelerated vesting of certain CHI replacement options.

With the exception of 17,559 options which are subject to market-based performance conditions (March 31, 2020 – 571,689) and valued using the Monte Carlo simulation model, the Company uses the Black-Scholes option pricing model to establish the fair value of options granted during the years ended March 31, 2021, 2020 and 2019 on their measurement date by applying the following assumptions:

	March 31, 2021	March 31, 2020	March 31, 2019
Risk-free interest rate	0.36%	1.38%	2.00%
Expected life of options (years)	1 - 7	3 - 5	2 - 5
Expected volatility	76%	73%	75%
Expected forfeiture rate	17%	12%	12%
Expected dividend yield	nil	nil	nil
Black-Scholes value of each option	$15.24	$19.83	$24.98

Volatility was estimated by using the historical volatility of the Company and other companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

During the year ended March 31, 2021, 7,062,317 Options issued under the Omnibus Plan were exercised ranging in price from $0.06 to $67.64 for gross proceeds of $156,897 (for the year ended March 31, 2020 – 3,900,032 Options issued under the Omnibus Plan were exercised ranging in price from $0.06 to $40.68 for gross proceeds of $41,413, for the year ended March 31, 2019 – 5,318,923 Options under the Omnibus Plan were exercised ranging in prices from $0.56 to $40.68 for gross proceeds of $48,159).

During the year ended March 31, 2021, the Company issued 142,826 RSUs under the Omnibus Plan. For the year ended March 31, 2021, the Company recorded $11,448 in share-based compensation expense related to these RSUs (for the year ended March 31, 2020 – $2,308, for the year ended March 31, 2019 – $3,709). The following is a summary of changes in the Company's RSUs during the years ended March 31, 2019, 2020 and 2021:

	Number of RSUs
Balance outstanding at March 31, 2018	-
RSUs granted	201,821
RSUs released	(52,871)
RSUs cancelled and forfeited	(11,722)
Balance outstanding at March 31, 2019	137,228
RSUs granted	875,673
RSUs released	(29,892)
RSUs cancelled and forfeited	(100,000)
Balance outstanding at March 31, 2020	883,009
RSUs granted	142,826
RSUs released	(120,399)
RSUs cancelled and forfeited	(152,126)
Balance outstanding at March 31, 2021	753,310

Share-based compensation expense related to acquisition milestones is comprised of:

	Years ended		
	March 31, 2021	March 31, 2020	March 31, 2019
Canindica	$ 2,398	$ 15,308	$ 42,499
Spectrum Colombia	-	34,861	28,893
Spectrum Denmark	-	550	9,895
Other	5,738	11,453	18,877
	$ 8,136	$ 62,172	$ 100,164

During the year ended March 31, 2021, 2,598,978 shares (during the year ended March 31, 2020 – 1,121,605, during the year ended March 31, 2019 – 2,455,446) were released on completion of acquisition milestones. At March 31, 2021, there were up to 3,153,585 shares to be issued on the completion of acquisition and asset purchase milestones. In certain cases, the number of shares to be issued is based on the volume weighted average share price at the time the milestones are met. The number of shares has been estimated assuming the milestones were met at March 31, 2021. The number of shares excludes shares that were to be issued on July

4, 2023 to the previous shareholders of Spectrum Colombia and Canindica based on the fair market value of the Company's Latin American business on that date. See Note 16 for further information.

In the year ended March 31, 2020, as a result of the restructuring of our operations in Colombia and Lesotho, the Company accelerated share-based compensation expense relating to the unvested milestones associated with the acquisitions of Spectrum Colombia, Canindica, and DCL in the year ended March 31, 2019. Accordingly, the Company recognized share-based compensation expense of $32,694 in the year ended March 31, 2020. See Note 5 for further information.

During the year ended March 31, 2021, the Company recorded share-based payments of $nil (during the year ended March 31, 2020 – $nil, during the year ended March 31, 2019 – $4,781) related to shares issued for payment of royalties and sales and marketing services.

BioSteel share-based payments

On October 1, 2019, the Company purchased 72% of the outstanding shares of BioSteel Sports Nutrition Inc. ("BioSteel") (see Note 30(b)(iii)). BioSteel has a stock option plan under which non-transferable options to purchase common shares of BioSteel may be granted to directors, officers, employees, or independent contractors of the BioSteel. As at March 31, 2021, the Company had 1,581,000 (March 31, 2020 – 1,008,000) options outstanding which vest in equal tranches over a 5-year period. In determining the amount of share-based compensation related to these options, BioSteel used the Black-Scholes option pricing model to establish the fair value of options on their measurement date. The Company recorded $1,169 (year ended March 31, 2020 – $489) of share-based compensation expense related to the BioSteel options during the year ended March 31, 2021 with a corresponding increase in noncontrolling interest.

RIV CAPITAL SHARE-BASED COMPENSATION PLAN

Seed Capital Options

On May 12, 2017, seed capital options were issued. These seed capital options consisted of 10,066,668 SVS that were issued by way of share purchase loans. Since they were issued through loans, they are not considered issued for accounting purposes until the loan is repaid. The seed capital options were measured at fair value on May 12, 2017, using a Black-Scholes option pricing model and will be expensed over their vesting period. Where there are performance conditions in addition to service requirements RIV Capital has estimated the number of shares it expects to vest and is amortizing the expense over the expected vesting period.

	Seed capital options issued	Seed capital loan balance
Balance outstanding at March 31, 2018	10,066,668	$ 503
Options exercised	(6,227,776)	(311)
Balance outstanding at March 31, 2019	3,838,892	$ 192
Options exercised	(999,998)	(50)
Options forfeited	(33,334)	(2)
Balance outstanding at March 31, 2020	2,805,560	$ 140
Options exercised	(1,905,559)	(95)
Options forfeited	(533,334)	(26)
Options expired	(333,333)	(17)
Balance outstanding at February 23, 2021	33,334	$ 2

RIV Capital had a long-term incentive plan ("LTIP") under which non-transferable options, RSUs, PSU, stock appreciation rights, and restricted stock may be granted to directors, officers, employees, or other eligible service providers of RIV Capital. Pursuant to the LTIP, the maximum number of SVS issuable from treasury pursuant to outstanding options, RSUs and PSUs was not to exceed 10% of the issued and outstanding SVS and MVS, on an aggregate basis.

The LTIP was administered by the Board of Directors of RIV Capital who established exercise prices, at not less than the market price at the date of the grant, and expiry dates. Options under the LTIP generally became exercisable in increments, with one-third being exercisable on each of the first, second, and third anniversaries from the date of grant, and had expiry dates five years from the date of grant. The Board of Directors of RIV Capital had the discretion to amend general vesting provisions and the term of any option grant, subject to limits contained in the LTIP. The seed capital options were not within the scope of the LTIP.

The following is a summary of the changes in RIV Capital's stock options, excluding the seed capital options presented separately, during the years ended March 31, 2019 and 2020, and during the period from April 1, 2020 to the completion of the RIV Arrangement on February 23, 2021:

	Options issued	Weighted average exercise price
Balance outstanding at March 31, 2018	5,915,000	$ 0.68
Options granted	6,762,137	3.32
Options exercised	(154,882)	0.78
Balance outstanding at March 31, 2019	12,522,255	$ 1.98
Options granted	2,068,000	3.38
Options exercised	(1,244,997)	0.90
Options forfeited	(166,667)	0.60
Options expired	(112,587)	3.33
Balance outstanding at March 31, 2020	13,066,004	$ 2.31
Options granted	-	-
Options exercised	(2,175,001)	0.64
Options expired	(632,667)	3.59
Options forfeited	(643,336)	2.67
Balance outstanding at February 23, 2021	9,615,000	$ 2.72

In determining the amount of share-based compensation related to options issued during the year, RIV Capital used the Black-Scholes option pricing model to establish the fair value of options granted in the period from April 1, 2020 to February 23, 2021, and the years ended March 31, 2020 and 2019 on their measurement date by applying the following assumptions:

	March 31, 2021	March 31, 2020	March 31, 2019
Risk-free interest rate	-	1.40%	1.70%
Expected life of options (years)	-	3 - 4	0.4 - 4
Expected volatility	-	70%	70%
Expected forfeiture rate	-	nil	nil
Expected dividend yield	-	nil	nil
Black-Scholes value of each option	-	$1.69	$1.80

Volatility was estimated using companies that RIV Capital considered comparable that have trading and volatility history prior to RIV Capital becoming public. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

In the period from April 1, 2020 to February 23, 2021, the Company recorded $1,933 (year ended March 31, 2020 – $6,567, year ended March 31, 2019 – $6,844) in share-based compensation expense related to these options and the seed capital options with a corresponding increase to noncontrolling interests.

In the period from April 1, 2020 to February 23, 2021, RIV Capital granted 28,884 (year ended March 31, 2020 – 356,308, year ended March 31, 2019 – none) restricted share units which vest immediately. For the year ended, the Company recorded $190 (year ended March 31, 2020 – $290, year ended March 31, 2019 – $nil) of share-based compensation expense related to these restricted share units.

In the period from April 1, 2020 to February 23, 2021, RIV Capital granted 1,210,000 (years ended March 31, 2019 and 2020 – none) performance share units which vest over a three-year period. In the period from April 1, 2020 to February 23, 2021, 330,000 performance share units were forfeited (years ended March 31, 2019 and 2020 – none). In the period from April 1, 2020 to February 23, 2021, the Company recorded $536 (years ended March 31, 2019 and 2020 – $nil) of share-based compensation expense related to these performance share units.

24. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income includes the following components:

	Foreign currency translation adjustments	Changes of own credit risk of financial liabilities	Fair value of other financial assets	Accumulated other comprehensive income (loss)
As at March 31, 2018	$ 608	$ -	$ 34,800	$ 35,408
Cumulative effect from adoption of ASU2016-1	-	-	(34,800)	(34,800)
Other comprehensive income (loss)	40,617	(47,130)	-	(6,513)
As at March 31, 2019	41,225	(47,130)	-	(5,905)
Other comprehensive income	85,498	175,260	-	260,758
Income tax expense	-	(33,954)	-	(33,954)
As at March 31, 2020	126,723	94,176	-	220,899
Other comprehensive loss	(154,969)	(100,170)	-	(255,139)
As at March 31, 2021	$ (28,246)	$ (5,994)	$ -	$ (34,240)

25. NONCONTROLLING INTERESTS

The net change in the noncontrolling interests is as follows:

	RIV Capital	Vert Mirabel	BioSteel	Other non-material interests	Total
As at March 31, 2018	$ 80,844	$ 750	$ -	$ 4,138	$ 85,732
Comprehensive income (loss)	20,325	4,550	-	(655)	24,220
Share-based compensation	6,844	-	-	-	6,844
Net loss attributable to redeemable noncontrolling interest	-	(2,885)	-	-	(2,885)
Ownership changes	143,487	7	-	(432)	143,062
Warrants	28,512	-	-	-	28,512
As at March 31, 2019	280,012	2,422	-	3,051	285,485
Comprehensive (loss) income	(77,313)	12,930	(1,731)	-	(66,114)
Net (loss) income loss attributable to redeemable noncontrolling interest	-	(8,220)	1,731	-	(6,489)
Share-based compensation	6,857	-	489	-	7,346
Ownership changes	1,530	-	-	-	1,530
As at March 31, 2020	211,086	7,132	489	3,051	221,758
Comprehensive income (loss)	94,532	(14,261)	(6,171)	-	74,100
Net loss attributable to redeemable noncontrolling interest	-	11,906	6,171	-	18,077
Share-based compensation	2,659	-	1,169	-	3,828
Ownership changes[1]	(308,527)	(4,777)	-	-	(313,304)
Warrants	250	-	-	-	250
As at March 31, 2021	$ -	$ -	$ 1,658	$ 3,051	$ 4,709

[1] Refer to Note 6 for information regarding the completion of the plan of arrangement with RIV Capital.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

The following table represents our financial assets and liabilities measured at estimated fair value on a recurring basis:

	Fair value measurement using			
	Quoted prices prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
March 31, 2021				
Assets:				
Short-term investments	$ 1,144,563	$ -	$ -	$ 1,144,563
Restricted short-term investments	11,332	-	-	11,332
Other financial assets	254	-	700,728	700,982
Liabilities:				
Convertible senior notes	-	687,414	-	687,414
Liability arising from Acreage Arrangement	-	-	600,000	600,000
Warrant derivative liability	-	-	615,575	615,575
March 31, 2020				
Assets:				
Short-term investments	$ 673,323	$ -	$ -	$ 673,323
Restricted short-term investments	21,539	-	-	21,539
Other financial assets	2,596	36	192,473	195,105
Liabilities:				
Convertible senior notes	-	450,204	-	450,204
Liability arising from Acreage Arrangement	-	-	250,000	250,000
Warrant derivative liability	-	-	322,491	322,491

See Note 5 for further details regarding the abandonment and impairment of long-lived assets as a result of the Company’s restructuring of its global operations and its annual impairment testing for the years ended March 31, 2021 and 2020.

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

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

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

Financial asset / financial liability	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Acreage financial instrument	Probability weighted expected return model	Probability of each scenario	Change in probability of occurrence in each scenario will result in a change in fair value
		Number of common shares to be issued	Increase or decrease in value and number of common shares will result in a decrease or increase in fair value
		Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
		Estimated premium on US legalization	Increase or decrease in estimated premium on US legalization will result in an increase or decrease in fair value
		Control premium	Increase or decrease in estimated control premium will result in an increase or decrease in fair value
		Market access premium	Increase or decrease in estimated market access premium will result in an increase or decrease in fair value
TerrAscend Exchangeable Shares, TerrAscend Option	Put option pricing model	Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
Hempco Debenture	Discounted cash flow	Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
TerrAscend warrants - October 2019, March 2020, December 2020	Monte Carlo simulation model	Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
Arise Bioscience term loan, TerrAscend Canada term loan - October 2019, March 2020	Discounted cash flow	Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
		Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
SLANG Worldwide Warrant	Black-Sholes option pricing model	Probability and timing of US legalization	Increase or decrease in probability of US legalization will result in an increase or decrease in fair value
Warrant derivative liability	Monte Carlo simulation model	Volatility of Canopy Growth share price	Increase or decrease in volatility will result in an increase or decrease in fair value
BioSteel redeemable NCI	Discounted cash flow	Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
		Future wholesale price and production levels	Increase or decrease in future wholesale price and production levels will result in an increase or decrease in fair value
Vert Mirabel redeemable noncontrolling interest	Discounted cash flow	Discount rate	Increase or decrease in discount rate will result in a decrease or increase in fair value
		Future wholesale price and production levels	Increase or decrease in future wholesale price and production levels will result in an increase or decrease in fair value

27. REVENUE

Revenue is disaggregated as follows:

	Years ended		
	March 31, 2021	March 31, 2020	March 31, 2019
Canadian recreational cannabis net revenue			
Business-to-business[1]	$ 163,585	$ 121,605	$ 93,836
Business-to-consumer	66,016	52,044	23,144
	229,601	173,649	116,980
Canadian medical cannabis net revenue[2]	55,448	51,647	65,221
	285,049	225,296	182,201
International and other revenue			
C[3]	62,335	53,770	-
Other	31,296	15,869	10,243
	93,631	69,639	10,243
Global cannabis net revenue	378,680	294,935	192,444
Other consumer products			
Storz & Bickel	80,998	48,329	17,768
This Works	33,314	24,725	-
Other	53,657	30,783	16,129
Other consumer products revenue	167,969	103,837	33,897
Net revenue	$ 546,649	$ 398,772	$ 226,341

[1]Canadian recreational business-to-business net revenue reflects excise taxes of $54,928 (year ended March 31, 2020 - $35,649, and year ended March 31, 2019 - $23,552).
[2]Canadian medical cannabis net revenue reflects excise taxes of $5,621 (year ended March 31, 2020 - $5,205, and year ended March 31, 2019 - $3,538).

The Company recognizes variable consideration related to estimated future product returns and price adjustments as a reduction of the transaction price at the time revenue for the corresponding product sale is recognized. Net revenue reflects actual returns and variable consideration related to estimated returns and price adjustments in the amount of $14,000 for the year ended March 31, 2021 (year ended March 31, 2020 – $51,500, and year ended March 31, 2019 – $nil). As of March 31, 2021, the liability for estimated returns and price adjustments was $6,441 (March 31, 2020 – $17,586).

28. OTHER INCOME (EXPENSE), NET

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

	Years ended		
	March 31, 2021	March 31, 2020	March 31, 2019
Fair value changes on other financial assets	$ 435,107	$ (243,965)	$ 83,393
Fair value changes on liability arising from Acreage Arrangement	(399,849)	(645,190)	-
Fair value changes on convertible senior notes	(162,540)	184,740	(203,095)
Fair value change on warrant derivative liability	(293,084)	795,149	-
Fair value changes on acquisition related contingent consideration	39,608	12,293	(1,016)
Interest income	21,367	66,327	49,312
Interest expense	(8,459)	(6,716)	(2,035)
Foreign currency loss	(18,013)	(1,245)	(5,572)
Gain on acquisition/disposal of consolidated entity	634	61,775	62,682
Debt issuance costs	-	-	(16,380)
Settlement loss	-	-	(28,611)
Other income (expense), net	(2,647)	1,161	1,613
	$ (387,876)	$ 224,329	$ (59,709)

29. INCOME TAXES

Net loss before income taxes was generated as follows:

	Years ended		
	March 31, 2021	March 31, 2020	March 31, 2019
Domestic - Canada	$ (1,611,210)	$ (1,167,000)	$ (670,508)
Foreign - outside of Canada	(72,751)	(342,054)	(37,405)
	$ (1,683,961)	$ (1,509,054)	$ (707,913)

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

	Years ended		
	March 31, 2021	March 31, 2020	March 31, 2019
Current			
Domestic - Canada	$ (19,318)	$ (12,342)	$ (1,428)
Foreign - outside of Canada	(2,091)	(4,356)	(960)
	$ (21,409)	$ (16,698)	$ (2,388)
Deferred			
Domestic - Canada	$ 36,505	$ 78,624	$ (2,464)
Foreign - outside of Canada	(1,955)	59,688	740
	34,550	138,312	(1,724)
Income tax recovery (expense)	$ 13,141	$ 121,614	$ (4,112)

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

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

A reconciliation of the amount of income taxes reflected above compared to the expected income taxes calculated at the combined Canadian federal and provincial enacted statutory tax rate of 26.5% for each of the three years ended March 31, 2021, 2020 and 2019 is as follows:

	Years ended		
	March 31, 2021	March 31, 2020	March 31, 2019
Net loss before income taxes	$ (1,683,961)	$ (1,509,054)	$ (707,913)
Expected tax rate	26.5%	26.5%	26.5%
Expected income tax recovery (expense)	446,250	399,899	187,597
Non-deductible and non-taxable items	81,883	22,947	(34,999)
Non-deductible fair value changes on Acreage Arrangement	(105,960)	(170,975)	-
Non-taxable fair value changes on warrant derivative liability	(77,663)	210,715	-
Non-deductible share-based compensation	(21,121)	(84,873)	(72,463)
Change in valuation allowance	(358,964)	(215,975)	(78,425)
Effect of tax rates outside of Canada	10,870	(3,248)	(4,060)
Non-taxable portion of capital gains and losses	38,705	(34,961)	-
Other	(859)	(1,915)	(1,762)
Income tax recovery (expense)	$ 13,141	$ 121,614	$ (4,112)

Current income taxes payable in the amount of $5,267 (March 31, 2020 – $14,690) is included in accounts payable and current income taxes receivable in the amount of $5,259 (March 31, 2020 – $nil) is included in other accounts receivable.

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

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

	Years ended	
	March 31, 2021	March 31, 2020
Deferred income tax assets		
Property, plant and equipment	$ 74,603	$ 47,497
Intangible assets	5,063	29,848
Inventory reserves and write-downs	39,893	27,815
Other reserves and accruals	7,957	6,556
Losses carried forward	608,002	300,332
Equity method investments and other financial assets	14,900	17,309
Deferred financing costs	3,587	8,049
Other	6,226	8,765
Gross deferred income tax assets	760,231	446,171
Valuation allowances	(677,847)	(318,883)
Total deferred income tax assets, net	$ 82,384	$ 127,288
Deferred income tax liabilities		
Property, plant and equipment	$ (25,864)	$ (38,556)
Intangible assets	(43,449)	(82,953)
Convertible senior notes	-	(41,141)
Equity method investments and other financial assets	(31,176)	(53)
Deferred financing costs	(2,785)	-
Other	(489)	(7,753)
Total deferred income tax liabilities	(103,763)	(170,456)
Net deferred income tax assets (liabilities)*	$ (21,379)	$ (43,168)

* A balance of deferred tax asset in the amount of $nil (March 31, 2020 – $3,945) is included in other assets and $(21,379) (March 31, 2020 – $(47,113)) is included in deferred income tax liabilities.

In evaluating whether it is more likely than not that all or a portion of a deferred income tax asset will be realized consideration is given to the estimated reversal of deferred income tax liabilities and future taxable income. The Company has recognized valuation allowances for operating losses carried forward, capital losses carried forward and other deferred income tax assets when it is believed that it is more likely than not that these items will not be realized.

As at March 31, 2021, the Company had temporary differences associated with investments in foreign subsidiaries for which no deferred income tax liabilities have been recognized, as the Company is able to control the timing of the reversal of these temporary differences and material undistributed earnings are considered permanently invested. Determination of the amount of the unrecognized deferred income tax liability is not practicable due to the inherent complexity of the multi-jurisdictional operations of the Company.

As at March 31, 2021 the Company has the following losses carried forward available to reduce future years' taxable income, which losses expire as follows:

Expiring within 5 years	$ -
Expiring between 5 and 10 years	541
Expiring between 10 and 15 years	73,917
Expiring between 15 and 20 years	1,621,740
Indefinite	245,331
	$ 1,941,529

Total in Canada	$	1,688,793
Total in United States		133,359
Total in Europe		90,646
Total in other jurisdictions		28,731
	$	1,941,529

Total operating losses	$	1,941,529
Total capital losses (carried forward indefinitely)		705,241
	$	2,646,770

30. ACQUISITIONS

(a) Year ended March 31, 2021

There were no acquisitions during the year ended March 31, 2021.

(b) Acquisitions completed in the year ended March 31, 2020

The following table summarizes the consolidated balance sheet impact at acquisition of the Company's business combinations that occurred in the year ended March 31, 2020:

	C3 (i)	This Works (ii)	BioSteel (iii)	BCT (iv)	Spectrum UK (iv)	Storz & Bickel 30(c)(v)	Total
Cash and cash equivalents	$ 2,818	$ 1,619	$ 225	$ 7,886	$ -	$ -	$ 12,548
Other current assets	15,140	8,239	12,972	2,296	67	-	38,714
Property, plant and equipment	8,345	478	391	5	895	-	10,114
Intangible assets							
Brands	10,613	22,114	3,600	-	-	-	36,327
Distribution channel	4,058	12,988	14,700	-	-	-	31,746
Operating licenses	-	-	-	-	1,158	-	1,158
Intellectual property	36,520	16,848	20,900	5,267	-	24,990	104,525
Software and domain names	8	176	541	-	-	-	725
Goodwill	287,010	22,214	35,939	85,700	12,861	(24,990)	418,734
Accounts payable and other accrued expenses and liabilities	(3,652)	(4,100)	(3,852)	(2,176)	(922)	-	(14,702)
Debt and other liabilities	(3,942)	-	(3,659)	-	-	-	(7,601)
Deferred income tax liabilities	(11,219)	(7,911)	(3,817)	(838)	(36)	-	(23,821)
Net assets	$ 345,699	$ 72,665	$ 77,940	$ 98,140	$ 14,023	$ -	$ 608,467
Noncontrolling interests	-	-	(18,733)	-	-	-	(18,733)
Net assets acquired	$ 345,699	$ 72,665	$ 59,207	$ 98,140	$ 14,023	$ -	$ 589,734
Consideration paid in cash	$ 345,699	$ 72,665	$ 47,924	$ 45,098	$ -	$ -	$ 511,386
Fair value of previously held equity interest	-	-	-	37,919	14,023	-	51,942
Replacement options	-	-	-	1,885	-	-	1,885
Other consideration	-	-	11,283	13,238	-	-	24,521
Total consideration	$ 345,699	$ 72,665	$ 59,207	$ 98,140	$ 14,023	$ -	$ 589,734
Consideration paid in cash	$ 345,699	$ 72,665	$ 47,924	$ 45,098	$ -	$ -	$ 511,386
Less: Cash and cash equivalents acquired	(2,818)	(1,619)	(225)	(7,886)	-	-	(12,548)
Net cash outflow	$ 342,881	$ 71,046	$ 47,699	$ 37,212	$ -	$ -	$ 498,838

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

(i) C³

On April 30, 2019, the Company acquired 100% of the shares of C³ Cannabinoid Compound Company ("C³") for total cash consideration of $345,699. C³ is a European based biopharmaceutical company that develops, manufactures and commercializes natural and synthetic cannabinoid based active ingredients. In connection with the acquisition, the Company entered into a five-year cooperation agreement with the former majority shareholder of C³, for which the Company paid $7,804. This amount will be expensed ratably over the contract term.

In the year ended March 31, 2020, the Company finalized the purchase price allocation to the individual assets acquired and liabilities assumed using the acquisition method. The measurement period adjustments include:

Measurement period impact	Adjustments	Useful life (years)	Valuation methodology
Acquisition related intangible assets			
Distribution channel	$ 4,058	10	Income approach
Intellectual property	36,520	10	Relief-from-royalty
Licensed brands	10,613	2	Relief-from-royalty
Other adjustments			
Inventory step-up	1,814		
Deferred income tax liabilities	(11,219)		
Net impact to goodwill	**$ (41,786)**		

(ii) This Works

On May 21, 2019, the Company acquired 100% of the shares of TWP UK Holdings Limited ("This Works") and its subsidiary companies, This Works Products Limited, TWP USA Inc. and TWP IP Limited for total cash consideration of $72,665 (GBP 43,296). Based in London, United Kingdom, This Works is a natural skincare and sleep solutions company.

In the year ended March 31, 2020, the Company finalized the purchase price allocation to the individual assets acquired and liabilities assumed using the acquisition method. The measurement period adjustments include:

Measurement period impact	Adjustments	Useful life (years)	Valuation methodology
Acquisition related intangible assets			
Acquired brands	$ 19,130	Indefinite	Relief-from-royalty
Distribution channel	12,988	10	Income approach using a multi-period excess earnings method
Intellectual property	16,848	10	Replacement cost
Licensed brands	2,984	5	Income approach using a multi-period excess earnings method
Other adjustments			
Inventory step-up	1,755		
Deferred income tax liabilities	(7,911)		
Net Impact to Goodwill	**$ (45,794)**		

(iii) BioSteel

On October 1, 2019, the Company purchased 72% of the outstanding shares of BioSteel, a North America-based producer of sports nutrition products. Initial cash consideration was $50,707 subject to certain adjustments and holdbacks such that $47,924 was advanced on closing. The purchase price was to be further adjusted based on a multiple of BioSteel's calendar 2019 net revenue. Management has concluded that this purchase price adjustment is nominal.

Through its voting rights, the Company controls BioSteel and therefore, the acquisition was accounted for as a business combination. The noncontrolling interests of $18,733 recognized at acquisition date were recorded at their share of fair value.

Prior to September 30, 2019, the Company had advanced a total of $8,500 to BioSteel under a secured loan agreement. The acquisition resulted in an effective settlement of the loan payable of $8,500 which has been recorded as other consideration. Immediately following the October 1 acquisition, the Company subscribed for additional shares of BioSteel for consideration of $14,000 which was funded through a cash advance of $10,000 and the conversion of $4,000 of the loan payable. After completing this investment, the Company's ownership interest in BioSteel is 76.7%.

The shares not purchased by the Company will be retained by certain current shareholders and management for a period of up to 5 years (the "Rollover Shareholders"). On the third anniversary of the closing Canopy Growth will have a right to purchase, and the

Rollover Shareholders will have a right to sell one half of the remaining interest held by the Rollover Shareholders to Canopy Growth at a specified valuation based on a multiple of Biosteel's net revenue. On the fifth anniversary of the closing Canopy Growth will have a right to purchase, and the Rollover Shareholders will have a right to sell the balance of the remaining interest held by the Rollover Shareholders to Canopy Growth at a valuation to be mutually agreed upon by the parties. The call and put options represent redeemable noncontrolling interest ("BioSteel Redeemable NCI") and is recorded at fair value on initial recognition. See Note 21 for a continuity of the BioSteel Redeemable NCI. See Note 26 for additional details on how the fair value is calculated.

In the year ended March 31, 2020, the Company finalized the purchase price allocation to the individual assets acquired and liabilities assumed using the acquisition method. The measurement period adjustments include:

Measurement period impact	Adjustments	Useful life (years)	Valuation methodology
Acquisition related intangible assets			
Acquired brands	$ 3,600	Indefinite	Relief-from-royalty
Distribution channel	14,700	11	Income approach using a multi-period excess earnings method
Intellectual property	20,900	11	Relief-from-royalty, net of product migration
Other adjustments			
Inventory step-up	2,710		
Deferred income tax liabilities	(3,817)		
Net impact to goodwill	**$ (38,093)**		

(iv) BCT and Spectrum UK

BCT is a cannabis research and development organization in the United Kingdom which was formed in fiscal 2018 through a collaboration agreement between CHI and Beckley Research and Innovations Limited. In the fourth quarter of fiscal 2019, the Company and BCT had formed another joint venture – Spectrum Biomedical UK ("Spectrum UK"). The purpose of Spectrum UK was to become the exclusive distributor of cannabis-based medicinal products made by the Company. Since their inception the Company had been accounting for its 42% interest in BCT and its 67% interest in Spectrum UK using the equity method. Though BCT and Spectrum UK are VIE's, due to the fact that both entities are jointly controlled, Canopy Growth is not the primary beneficiary of either entity and therefore is not required to consolidate either entity.

On October 11, 2019, the Company acquired all its unowned interest in BCT to increase its total ownership of BCT's issued and outstanding shares to 100%. Following this transaction, the Company will control both BCT and Spectrum UK, and both BCT and Spectrum UK will be accounted for as wholly owned subsidiaries.

Cash consideration for this transaction was $58,336 of which $45,098 was advanced on closing, $8,750 was repaid during October 2020, and $5,861 will be paid on October 1, 2021 and has a fair value of $5,746.

Consideration also included 155,565 replacement options. The fair value of the replacement options was determined using a Black-Scholes model and $1,885 of the total fair value has been included as consideration paid to acquire BCT as it related to pre-combination vesting service and $1,987 of the fair value will be recognized as share-based compensation expense rateably over the post-combination vesting period.

The acquisition of the unowned interests is accounted for as business combinations achieved in stages under ASC 805. The Company remeasured its 42% interest in BCT and its 67% interest in Spectrum UK to fair value and recognized a total gain of $39,485 which reflects the difference between the carrying value of $12,457 and the implied fair value $51,942. The fair value was estimated to be the transaction price less an estimated control premium of 5%.

The consideration paid for BCT included $250 cash and 16,430 replacement options that were issued to a member of key management of the Company that was a shareholder and option holder in BCT.

In the year ended March 31, 2020, the Company finalized the purchase price allocation to the individual assets acquired and liabilities assumed using the acquisition method. The measurement period adjustments include:

Measurement period impact	Adjustments	Useful life (years)	Valuation methodology
Acquisition related intangible assets			
Intellectual property	$ 5,267	1	Replacement cost
Operating license	1,158	1	Replacement cost
Other adjustments			
Deferred income tax liabilities	(874)		
Net impact to goodwill	**$ (5,551)**		

(c) Acquisitions completed in the year ended March 31, 2019

The following table summarizes the consolidated balance sheet impact at acquisition of the Company's business combinations that occurred in the year ended March 31, 2019:

	CHI (i)	Hiku (ii)	ebbu (iii)	POS (iv)	Storz & Bickel (v)	Other	Total
Cash and cash equivalents	$ 8,369	$ 4,089	$ -	$ 2,908	$ 1,056	$ (37)	$ 16,385
Other current assets	177	6,327	138	12,992	8,363	83	28,080
Property, plant and equipment	121	15,846	1,821	9,541	23,609	-	50,938
Investments	8,563	1,204	-	-	-	-	9,767
Intangible assets							
Brands	-	17,000	-	-	38,463	-	55,463
Distribution channel	-	-	-	-	3,143	-	3,143
Operating licenses	-	37,300	-	-	-	-	37,300
Intellectual property	20,000	-	51,600	23,300	58,816	-	153,716
Software and domain names	-	103	-	328	276	-	707
Goodwill	137,445	539,331	327,013	93,248	117,175	1,538	1,215,750
Accounts payable and other accrued expenses and liabilities	(954)	(3,691)	-	(4,172)	(4,490)	(16)	(13,323)
Debt and other liabilities	-	(1,954)	(665)	(3,145)	(28,247)	-	(34,011)
Deferred income tax liabilities	(4,806)	(14,598)	(13,731)	(6,042)	(23)	-	(39,200)
Net assets	168,915	600,957	366,176	128,958	218,141	1,568	1,484,715
Noncontrolling interests	-	-	-	-	-	-	-
Net assets acquired	$ 168,915	$ 600,957	$ 366,176	$ 128,958	$ 218,141	$ 1,568	$ 1,484,715
Consideration paid in cash	$ -	$ 11,994	$ 16,060	$ 128,958	$ 203,786	$ -	$ 360,798
Consideration paid in shares	98,034	543,866	234,052	-	-	1,568	877,520
Gain on fair value of previously held equity interest	62,682	-	-	-	-	-	62,682
Replacement options	8,199	13,537	-	-	-	-	21,736
Replacement warrants	-	30,611	-	-	-	-	30,611
Other consideration	-	949	-	-	-	-	949
Contingent consideration	-	-	116,064	-	14,355	-	130,419
Total consideration	$ 168,915	$ 600,957	$ 366,176	$ 128,958	$ 218,141	$ 1,568	$ 1,484,715
Consideration paid in cash	$ -	$ 11,994	$ 16,060	$ 128,958	$ 203,786	$ -	$ 360,798
Less: Cash and cash equivalents acquired	(8,369)	(4,089)	-	(2,908)	(1,056)	37	(16,385)
Net cash outflow	$ (8,369)	$ 7,905	$ 16,060	$ 126,050	$ 202,730	$ 37	$ 344,413

(i) CHI

CHI is a cannabis research innovator. On August 3, 2018, the Company acquired all its unowned interest in CHI to increase its total ownership to 100% of CHI's issued and outstanding shares. Immediately preceding the acquisition, CHI amalgamated with its wholly owned subsidiary, Canopy Animal Health ("CAH"), creating one amalgamated corporation which continued as CHI. In addition, the vesting of certain CHI and CAH options was accelerated and certain options were exercised. Following this transaction, the Company will control CHI and CHI will be accounted for as a wholly owned subsidiary. CHI shares and options were exchanged at a ratio of 0.379014 CHI shares to one Canopy Growth share or replacement option, resulting in 2,591,369 common shares, 568,005 replacement options and 485,572 common shares of which 217,859 are subject to certain trading restrictions ("Compensation Shares") being issued. This consideration included 278,230 shares and 154,208 replacement options that were issued to key management personnel of the Company that were shareholders and option holders in CHI.

The fair value of the shares issued totaled $98,034 which is comprised of $87,717 calculated as the 2,591,369 common shares issued at the Company's share price on the date of the transaction and $10,317 which reflects the fair value of the Compensation Shares issued, calculated using a Black-Scholes model.

The fair value of the replacement options was determined using a Black-Scholes model and the total fair value has been allocated to the consideration paid for CHI only to the extent that it related to pre-combination services. As a result, $8,199 of the total fair value has been included as consideration paid to acquire CHI as it related to pre-combination vesting service and $11,714 of the fair value will be recognized as share-based compensation expense rateably over the post-combination vesting period (see Note 23 for details on the share-based compensation expense).

Prior to this acquisition, the Company's 43% participating share was accounted for using the equity method. The acquisition of the 57% interest is accounted for as a business combination achieved in stages under ASC 805. The Company remeasured its 43% interest to fair value and recognized a gain of $62,682 which reflects the difference between the carrying value of $nil and the implied fair value $62,682. The fair value was estimated to be the transaction price less an estimated control premium of 5%.

The Company has finalized the purchase price allocation to the individual assets acquired and liabilities assumed using the acquisition method. The measurement period adjustments made were to recognize the acquired intellectual property ("IP") intangible asset with a fair value of $20,000 and a deferred income tax liability of $4,806. The fair value of the IP was estimated using a cost-based approach, where a rate of return has been applied to the amount that CHI had invested in research and development up to the date of acquisition. The IP will be amortized over the estimated useful life of 15 years.

(ii) Hiku

On September 5, 2018, the Company purchased 100% of the issued and outstanding shares of Hiku. Hiku is federally licensed to cultivate and sell cannabis through its wholly owned subsidiary DOJA Cannabis Ltd. Hiku also operates a network of retail stores selling coffee, clothing and curated accessories, across British Columbia, Alberta and Ontario. Hiku shares, options and warrants were exchanged at a ratio of 0.046 Hiku shares to one Canopy Growth share, replacement option, or warrant.

On the acquisition date Hiku had convertible debentures outstanding with a principal amount of $618 which were convertible into 498,387 Hiku common shares. As a result of the acquisition the conversion feature was adjusted in accordance with the above exchange ratio. The fair value of these debentures on September 5, 2018 was estimated to be $1,570 which was allocated $949 to the conversion feature and $621 to the debt component. On November 5, 2018 in accordance with the terms of the debenture the Company completed the forced conversion of the debenture in exchange for 22,866 shares.

Prior to closing the Company advanced cash of $10,000 to Hiku pursuant to a promissory note. The funds were used to pay the termination fee owed by Hiku in connection with a previously announced transaction.

On closing the Company issued 7,943,123 common shares with a fair value of $543,866, based on the Company's share price on the date of the transaction, cash consideration of $11,994, 920,452 replacement warrants and 291,629 replacement options. The fair value of the replacement warrants was estimated to be $30,611 using a Black-Scholes model. The replacement options' fair value totaled $17,693, calculated using a Black-Scholes model, of which $13,537 was included as consideration paid as it related to pre-combination services and the residual $4,156 fair value will be recognized as share-based compensation expense rateably over the post-combination vesting period. Other consideration also included $949 related to the convertible debenture and the effective settlement of the promissory note of $10,000.

The Company has finalized the purchase price allocation to the individual assets acquired and liabilities assumed using the acquisition method. The measurement period adjustments made were to recognize the acquired brand and operating license intangible assets with a fair value of $17,000 and $37,300, respectively, and a deferred income tax liability of $14,598. The fair value of the brand was estimated using a cost-based approach, where a rate of return has been applied to the amount that Hiku had invested in developing their Tokyo Smoke brand up to the date of acquisition. The fair value of the operating license was estimated using a market approach where recent transactions to purchase the same type of license were analyzed and applied to the licenses held by Hiku at the date of acquisition. Both the brand and operating licenses will not be amortized as the Company has concluded that both intangible assets have an indefinite useful life.

(iii) ebbu

On November 23, 2018 the Company acquired substantially all the assets and intellectual property of ebbu Inc. (“ebbu”), a Colorado-based hemp research operation in exchange for $25,000 cash and 6,221,210 common shares of which $7,462 cash and 899,424 common shares were held back for a period of 12 to 18 months in respect of certain representations and warranties of the seller. Up to a further $100,000 will be paid subject to the achievement of certain scientific related milestones within a period of two years of closing. The Company will have the option of satisfying these milestone payments in cash, shares or a combination of cash and shares, subject to the restriction that each payment must be comprised of at least 10% cash but the cash portion cannot exceed 19.9% of the payment. If such payments are satisfied in common shares, the number of common shares will be calculated based on the volume weighted average price of the common shares on the TSX for the 20 trading days immediately prior to the date of achievement of the milestone.

The assets transferred constitute a business and the transaction will be accounted for as a business combination. The consideration for this transaction is estimated to be $366,176. This includes cash and common shares transferred on closing with a value of $16,060 and $234,052 respectively and contingent consideration of $116,064. The contingent consideration includes $29,880 which is classified as equity and $86,184 which is classified as a liability. Management has estimated the fair value of the contingent consideration by assessing the probability of releasing the holdback amounts and probability and timing of achieving the milestones. The fair value of the equity classified contingent consideration is determined using a put option pricing model. The fair value of the liability classified contingent consideration is determined by discounting the expected cash outflows to present value. The fair value of acquisition consideration related liabilities at March 31, 2021 is $nil (March 31, 2020 is $79,936).

Management has determined that a portion of the consideration transferred is being provided in exchange for services and will be accounted for as compensation expense. The grant date fair value of this compensation has been estimated to be $8,416 which will be expensed rateably over the estimated vesting periods.

The Company has finalized the purchase price allocation to the individual assets acquired and liabilities assumed using the acquisition method. The measurement period adjustments made were to recognize the acquired intellectual property (“IP”) intangible asset with a fair value of $51,600 and a deferred income tax liability of $13,731. The fair value of the IP was estimated using a market-based approach, where a valuation multiple was derived from a review of comparable companies’ investment in IP. This multiple was then applied to ebbu’s investment in research and development up to the date of the acquisition. The IP will be amortized over the estimated useful life of 15 years.

(iv) POS

On November 23, 2018 the Company entered into a debenture financing arrangement with POS Holdings Inc. (“POS”), now referred to as KeyLeaf, concurrent with the grant of an option to acquire 100% of the outstanding shares of POS. POS is a bio-processing facility located in Saskatchewan, Canada. POS was determined to be a VIE with Canopy Growth as the primary beneficiary and was therefore consolidated effective November 23, 2018.

On July 1, 2018, the Company had entered into an agreement whereby the Company was granted an option to acquire all the assets of POS in exchange for $6,000. The amount advanced for this option was to be applied against the purchase price of the assets of POS when the option was exercised and had been recorded as a deposit. In addition, the Company had entered into an agreement for processing services to be conducted by POS on behalf of the Company and had made advances of $13,864 under this agreement. Since processing under this agreement had not yet commenced, all the amounts advanced prior to November 23, 2018 had been recorded as a prepaid expense. The deposit and prepaid amounts form part of the consideration transferred. On November 23, 2018, the Company advanced $109,094 pursuant to a convertible debenture for total cash consideration of $128,958 to date.

The Company has finalized the purchase price allocation to the individual assets acquired and liabilities assumed using the acquisition method. The measurement period adjustments made were to recognize the acquired IP intangible asset with a fair value of $23,300 and a deferred income tax liability of $6,042. The fair value of the IP was estimated using an income approach which involved estimating future net cash flows and applying an appropriate discount rate to those future cash flows. The IP will be amortized over the estimated useful life of 15 years.

(v) Storz & Bickel

On December 6, 2018 the Company acquired Storz & Bickel, related entities, and IP for $203,786 cash. Based in Tuttlingen, Germany Storz & Bickel are designers and manufacturers of medically approved vaporizers.

Up to an additional €10,000 will be paid to the former shareholders of Storz & Bickel subject to the achievement of certain market launch milestones. This represents liability classified contingent consideration. Management has estimated the fair value of this consideration to be $14,355 by assessing the probability and timing of achievement of the milestones and discounting the expected cash outflows to present value. Other liabilities assumed include an amount of $21,447 owing to the former shareholders of Storz & Bickel.

During the year ended March 31, 2020, the Company completed its final assessment of the fair value of the assets acquired and liabilities assumed of Storz & Bickel. The measurement period adjustments resulted in an increase to the fair value of intangible assets of $24,990 and a corresponding decrease to goodwill (see Note 30(b)). On finalization of the purchase price allocation, a charge to amortization expense of $2,030 was recorded in the statement of consolidated operations to reflect the increased fair value of the amortizable intangible assets acquired.

Acquisition of noncontrolling shareholder's interest in BC Tweed

On October 10, 2017, the Company entered into a definitive joint venture agreement with a large-scale greenhouse operator (the "Partner") to form a new company, BC Tweed Joint Venture Inc. ("BC Tweed") ("Original Transaction"). BC Tweed was 66.67% owned by the Company and 33.33% owned by the Partner. As part of the Original Transaction, BC Tweed agreed to lease from the Partner a 1.3 million square feet greenhouse facility located on a 55-acre parcel of land in British Columbia ("Aldergrove Lease"). In December 2017, BC Tweed agreed to lease and develop a second greenhouse of 1.7 million square feet ("Delta Lease") from the Partner. The greenhouse operation transferred by the Partner met the definition of a business and was accounted for as a business combination. The Company concluded that, based on the shareholders' agreement and the contractual terms of the offtake agreement, the significant relevant activities are unilaterally controlled by the Company and BC Tweed was consolidated in these financial statements.

The Partner had the option to sell its interest in BC Tweed, in whole or in part, to the Company. This put option was exercisable only on specific dates following the license date – the 4th anniversary of the sales license date, then at the 6th, 8th, 10th and 12th anniversaries. The put option represents redeemable noncontrolling interest ("BC Tweed Redeemable NCI"). On October 10, 2017 the fair value of the BC Tweed Redeemable NCI was estimated to be $36,400 using a discounted cash flow approach by estimating the expected future cash flows and applying a discount rate to arrive at the present value of the put option's strike price. On March 31, 2018 the BC Tweed Redeemable NCI was estimated to be $56,300 and the increase of $19,900 was recorded in additional paid in capital.

As part of the Original Transaction, BC Tweed entered into call/put option agreements with the Partner to acquire all the limited partnership units of the limited partnerships which hold the greenhouses and related property. BC Tweed has the right to exercise the call options for a term of seven years from the respective license dates of the facilities. Since these options represent options to acquire the limited partnership units, the options were accounted for as derivative financial instruments which were recognized initially and subsequently at fair value through profit or loss. Management had estimated that the fair value of these options is $nil as the exercise price of the options approximates the fair value of the limited partnership units.

On July 5, 2018, the Company acquired the noncontrolling shareholder's (the "Partner's") 33% interest in BC Tweed (the "Subsequent Transaction") for total consideration of $495,386. Consideration included $1,000 in cash and 13,293,969 shares of the Company of which 5,091,523 shares were released on closing and the remaining 8,202,446 shares were placed in escrow. The shares placed in escrow will be released over a period of up to three years, with the exact timing of release dependent on the occurrence of specified events. As of March 31, 2019, 1,261,915 of the escrowed shares have been released.

The 5,091,523 shares issued on close were recorded at an issue price of $39.70 per share for consideration of $202,133. The fair value of the shares held in escrow was estimated to be $265,253 using a put option pricing model discounted to reflect management's best estimate of the expected dates of release. On closing of the Subsequent Transaction, the call option held by BC Tweed on the limited partnership units of the limited partnerships which hold the greenhouses and related property was amended to effectively increase the call option price by $27,000. Management has determined that this increase in the call option price represents additional consideration for the Partner's interest. On closing of the Subsequent Transaction the excess of the consideration paid for the Partner's 33% interest over the fair value of the BC Tweed Redeemable NCI on the transaction date of $72,600 was recognized as a $422,786 charge to Equity.

Under the Original Transaction, upon various milestones being achieved, the Company had agreed to issue 310,316 common shares over two tranches and a further $2,750 of common shares of the Company in two additional tranches to the Partner. These payments were accounted for as share-based compensation expense and the grant date fair value of $6,731 was being amortized over the estimated vesting period. On closing of the Subsequent Transaction, the Company amended the terms of this share-based compensation arrangement to accelerate the vesting of 155,158 shares, and to cancel the remaining tranches of the compensation arrangement. As a result, the unamortized balance of the grant date fair value of the share-based compensation of $954 was expensed in the year ended March 31, 2019.

On October 24, 2018 the Company amended the terms of the lease agreements for Aldergrove Lease and Delta Lease and the amended leases were classified as finance leases. The Company recognized the assets under finance lease and finance lease liability of $73,000. On March 31, 2019 the Company exercised the call options and acquired the limited partnership units of the limited partnerships that held greenhouse facilities under lease which resulted in the Company derecognizing the asset under finance lease, the finance lease liability and the contingent consideration and recognizing the greenhouse facilities and the ATB financing with a principal amount of $95,000.

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

Acreage Arrangement

On June 24, 2020, the Company and Acreage Holdings, Inc. ("Acreage") entered into a proposal agreement (the "Proposal Agreement") to amend the terms of the existing plan of arrangement (the "Original Acreage Arrangement") made pursuant to an arrangement agreement (the "Acreage Arrangement Agreement") between the Company and Acreage dated April 18, 2019, as amended on May 15, 2019. Pursuant to the terms of the Original Acreage Arrangement, shareholders of Acreage and holders of certain securities convertible into Acreage Existing SVS (as defined below) as of June 26, 2019, received an immediate aggregate total payment of US$300,000 ($395,190) in exchange for granting Canopy Growth both the right and the obligation (the "Acreage financial instrument") to acquire all of the issued and outstanding shares of Acreage following the occurrence or waiver of changes in U.S. federal law to permit the general cultivation, distribution, and possession of marijuana or to remove the regulation of such activities from the federal laws of the United States (the "Triggering Event") and subject to the satisfaction or waiver of the conditions set out in the Acreage Arrangement Agreement.

In September 2020, Acreage obtained the requisite approvals of the shareholders of Acreage and the Supreme Court of British Columbia and on September 23, 2020, the Company and Acreage entered into a second amendment to the Acreage Arrangement Agreement (the "Acreage Amending Agreement") and implemented an amended and restated plan of arrangement (the "Acreage Amended Arrangement"). The Acreage Amended Arrangement provides for, among other things, the following:

- A capital reorganization of Acreage (the "Capital Reorganization"), pursuant to which Acreage amended its Notice of Articles and Articles to, among other things, create the Fixed Shares (as defined below), the Floating Shares (as defined below) and the Fixed Multiple Shares (as defined below) and remove the existing Acreage subordinated voting shares (the "Existing SVS"), the existing Acreage proportionate voting shares (the "Existing PVS") and the existing Acreage multiple voting shares (the "Existing MVS"). Pursuant to the Capital Reorganization (i) each outstanding Existing SVS was exchanged for 0.7 of a Fixed Share and 0.3 of a Floating Share; (ii) each outstanding Existing PVS was exchanged for 28 Fixed Shares and 12 Floating Shares; and (iii) each outstanding Existing MVS was exchanged for 0.7 of a Fixed Multiple Share and 0.3 of a Floating Share;
- The new Class E subordinated voting shares (the "Fixed Shares") have the same attributes as the Existing SVS and are listed on the CSE under the ticker symbol ACRG.A.U. Following the occurrence or waiver (at the discretion of Canopy Growth) of the Triggering Event and subject to the satisfaction or waiver of the conditions set out in the Acreage Arrangement Agreement (as modified in connection with the Amended Arrangement), Canopy Growth will acquire all of the issued and outstanding Fixed Shares based on an amended exchange ratio equal to 0.3048 of a common share to be received for each Fixed Share held (reduced from 0.5818 per Existing SVS pursuant to the Original Acreage Arrangement). The foregoing exchange ratio for the Fixed Shares is subject to adjustment in accordance with the Amended Arrangement if, among other things, Acreage issues greater than the permitted number of Fixed Shares;
- The new Class D subordinated voting shares (the "Floating Shares") are listed on the CSE under the ticker symbol ACRG.B.U. Upon the occurrence or waiver (at the discretion of Canopy Growth) of the Triggering Event, Canopy Growth will have the right exercisable for a period of 30 days, to acquire all of the issued and outstanding Floating Shares for cash or common shares or a combination thereof, in Canopy Growth's sole discretion at a price equal to the 30-day volume weighted average trading price of the Floating Shares on the CSE, subject to a minimum call price of US$6.41 per Floating Share. The foregoing exchange ratio for the Floating Shares is subject to adjustment in accordance with the Acreage Amended Arrangement if Acreage issues greater than the permitted number of Floating Shares. The acquisition of the Floating Shares, if acquired, will take place concurrently with the closing of the acquisition of the Fixed Shares;
- The new Class F multiple voting shares (the "Fixed Multiple Shares") have the same attributes as the Existing MVS, provided that each Fixed Multiple Share entitles the holder thereof to 4,300 votes per share at shareholder meetings of Acreage. Immediately prior to the acquisition of the Fixed Shares, each issued and outstanding Fixed Multiple Share will automatically be exchanged for one Fixed Share and thereafter be acquired by Canopy Growth upon the same terms and conditions as the acquisition of the Fixed Shares;
- If the occurrence or waiver of the Triggering Event does not occur within 10 years from the date the Acreage Amended Arrangement was implemented (being September 23, 2030), Canopy Growth's rights to acquire both the Fixed Shares and the Floating Shares will terminate;
- Upon implementation of the Acreage Amended Arrangement, Canopy Growth made a cash payment to the shareholders of Acreage and holders of certain securities convertible into Existing SVS in the aggregate amount of US$37,500 ($49,849); and
- Acreage is only permitted to issue an aggregate of up to 32,700,000 Fixed Shares and Floating Shares.

At March 31, 2021, the Acreage financial instrument represents a financial liability of $600,000 (March 31, 2020 – $250,000), as the estimated fair value of the Acreage business is less than the estimated fair value of the consideration to be provided upon the exercise of the Acreage financial instrument. Fair value changes of $(399,849) were recognized in other income (expense), net in the year ended March 31, 2021 (year ended March 31, 2020 – $(645,190)) (see Note 28). The fair value determination includes a high degree of subjectivity and judgment, which results in significant estimation uncertainty. See Note 26 for additional details on how the fair value of the Acreage financial instrument is calculated on a recurring basis. From a measurement perspective, the Company has elected the fair value option under ASC 825.

In connection with the Acreage Amended Arrangement, on September 23, 2020, an affiliate of the Company advanced US$50,000 ($66,995) to Universal Hemp, LLC, a wholly-owned subsidiary of Acreage ("Acreage Hempco") pursuant to a secured debenture (the "Hempco Debenture"). In accordance with the terms of the Hempco Debenture, the funds cannot be used, directly or indirectly, in connection with or for any cannabis or cannabis-related operations in the United States, unless and until such operations comply with all applicable laws of the United States. The Hempco Debenture bears interest at a rate of 6.1% per annum, matures 10 years from the implementation of the Acreage Amended Arrangement (being September 23, 2030) or such earlier date in accordance with the terms of the Hempco Debenture, and all interest payments made pursuant to the Hempco Debenture are payable in cash by Acreage Hempco. The Hempco Debenture is not convertible and is not guaranteed by Acreage.

The amount advanced on September 23, 2020 pursuant to the Hempco Debenture has been recorded in other financial assets (see Note 14), and the Company has elected the fair value option under ASC 825 (see Note 26). At March 31, 2021, the estimated fair value of the Hempco Debenture issued to an affiliate of the Company by Acreage Hempco was $27,448, measured using a discounted cash flow model, and fair value changes and foreign currency translation adjustments totaling $(39,547) were recognized in other income (expense), net in the year ended March 31, 2021 (see Note 28). An additional US$50,000 may be advanced pursuant to the Hempco Debenture subject to the satisfaction of certain conditions by Acreage Hempco.

Amendment to the CBI Investor Rights Agreement and warrants

On April 18, 2019, certain wholly-owned subsidiaries of CBI and Canopy Growth entered into the a second amended and restated investor rights agreement (the "New Investor Rights Agreement") and a consent agreement (the "Consent Agreement"). In connection with these agreements, on June 27, 2019, Canopy Growth (i) extended the term of the Tranche A Warrants to November 1, 2023; and (ii) replaced the Original Tranche B Warrants with two new tranches of warrants (the "Tranche B Warrants" and the "Tranche C Warrants") as follows:

- the Tranche B Warrants are exercisable to acquire 38.5 million common shares at a price of C$76.68 per common share; and
- the Tranche C Warrants are exercisable to acquire 12.8 million common shares at a price equal to the 5-day volume-weighted average price of the common shares immediately prior to exercise.

In connection with the Tranche B Warrants and the Tranche C Warrants, Canopy Growth will provide CBI with a share repurchase credit of up to $1.583 billion on the aggregate exercise price of the Tranche B Warrants and Tranche C Warrants in the event that Canopy Growth does not purchase for cancellation the lesser of (i) 27,378,866 common shares; and (ii) common shares with a value of $1.583 billion, during the period commencing on April 18, 2019 and ending on the date that is 24 months after the date that CBI exercises all of the Tranche A Warrants. The share repurchase credit feature is accounted for as a derivative liability, with the fair value continuing to be $nil at March 31, 2021.

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

The Tranche B Warrants are accounted for as derivative instruments measured at fair value in accordance with ASC 815. At March 31, 2021, the fair value of the warrant derivative liability was $615,575 (March 31, 2020 – $322,491), and fair value changes of $(293,084) have been recognized in other income (expense), net in the year ended March 31, 2021 (year ended March 31, 2020 – gain of $795,149) (see Note 28). The fair value determination includes a high degree of subjectivity and judgment, which results in significant estimation uncertainty. See Note 26 for additional details on how the fair value of the warrant derivative liability is calculated on a recurring basis.

The Tranche C Warrants are accounted for as derivative instruments, with the fair value continuing to be $nil at March 31, 2021.

32. LEASES

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

The right-of-use asset is initially measured at cost, which is primarily comprised of the initial amount of the lease liability, plus initial direct costs and lease payments at or before the lease commencement date, less any lease incentives received, and is amortized on a straight-line basis over the remaining lease term. All right-of-use assets are reviewed periodically for impairment. The lease liability is initially measured at the present value of lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. We elected to recognize expenses for leases with a term of 12 months or less on a straight-line basis over the lease term and not to recognize these short-term leases on the balance sheet. Leases have varying terms with remaining lease terms of up to approximately 30 years. Certain of our lease arrangements provide us with the option to extend or to terminate the lease early.

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

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

Balance sheet location

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

	March 31, 2021	March 31, 2020
Property, plant and equipment		
Operating lease	$ 47,522	$ 73,435
Finance lease	39,427	85,784
	$ 86,949	$ 159,219
Other current liabilities:		
Operating lease	$ 11,491	$ 15,050
Finance lease	30,570	25,306
Other long-term liabilities:		
Operating lease	62,285	68,409
Finance lease	31,879	51,638
	$ 136,225	$ 160,403

Lease expense

The components of total lease expense are as follows:

	Years ended	
	March 31, 2021	March 31, 2020
Operating lease expense	$ 10,846	$ 10,340
Finance lease expense:		
Amortization of right-of-use assets	2,303	1,494
Interest on lease liabilities	1,674	1,163
	$ 14,823	$ 12,997

Lease maturities

As of March 31, 2021, the minimum payments due for lease liabilities for each of the five succeeding fiscal years and thereafter are as follows:

	Operating Leases	Finance Leases
2022	$ 13,312	$ 11,940
2023	12,314	8,023
2024	10,568	8,116
2025	9,970	8,200
2026	8,833	38,476
Thereafter	26,163	9,604
Total lease payments	$ 81,160	$ 84,359
Less: Interest	7,384	21,910
Total lease liabilities	$ 73,776	$ 62,449

As of March 31, 2021, we have additional operating leases that have not yet commenced with immaterial aggregated minimum payments on an undiscounted basis.

As of March 31, 2021, future lease expense for operating leases is expected to be as follows:

2022	$ 11,925
2023	10,911
2024	9,047
2025	8,308
2026	7,214
Thereafter	20,562
	$ 67,967

Supplemental information

	Years ended	
	March 31, 2021	March 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 18,792	$ 18,715
Operating cash flows from finance leases	1,674	1,163
Financing cash flows from finance leases	2,303	1,425
Right-of-use assets obtained in exchange for new lease liabilities:		
Operating leases	$ 13,592	$ 20,734
Finance leases	1,428	58,443

	March 31, 2021	March 31, 2020
Weighted-average remaining lease term:		
Operating leases	7	7
Finance leases	4	4
Weighted-average discount rate		
Operating leases	4.50%	4.50%
Finance leases	4.50%	4.50%

33. RELATED PARTY

Year ended March 31, 2021

On February 23, 2021, the Company completed the RIV Arrangement with RIV Capital and RCC. Refer to Note 6 for a description of the RIV Arrangement.

In connection with the Proposal Agreement entered into by the Company and Acreage on June 24, 2020 to amend the terms of the Original Acreage Arrangement, the Company entered into the Second Consent Agreement with CBI and its affiliates.

Year ended March 31, 2020

In connection with the Acreage Arrangement Agreement, the Company entered into several agreements with CBI and its affiliates, including the New Investor Rights Agreement, the Consent Agreement and amendments to the Original Tranche B Warrants. See Note 31 for further information.

Year ended March 31, 2019

On November 16, 2018, the Company acquired two previously leased facilities from a company controlled by a former director of the Company for cash proceeds of $31,281, including $1,454 to repay the loan to the director’s company. The director resigned from the Company’s Board on November 1, 2018 following the previously discussed investment by CBI. The basis for the consideration paid was supported by independent appraisals of the properties. The Toronto facility leases had original expiration dates on October 15, 2018 and August 31, 2024 and the Edmonton facility lease was to expire on July 31, 2037. One of the Toronto facilities and the Edmonton facility were purchased on November 16, 2018. Included in the expenses for the year ended March 31, 2019 for rent and operating costs was $1,259.

The Company has entered into cannabis offtake agreements with certain of its equity method investees (Note 13) and entities in which it holds equity or other financial instruments (Note 14). These agreements are in the normal course of operations and will be measured at the exchange amounts agreed to by the parties.

34. COMMITMENTS

The Company has entered into agreements in which it has committed to purchase a minimum amount of inventory, pay a minimum amount of royalty expenses, incur expenditures for property, plant and equipment and procure various other goods or services. The following summarizes the Company's annual minimum commitments associated with its contractual agreements as of March 31, 2021. This amount excludes the Company's debt and lease related commitments which are disclosed elsewhere in Notes 19 and 32, respectively in these consolidated financial statements.

2022	$ 99,845
2023	45,900
2024	51,687
2025	10,306
2026	6,036
Thereafter	-
	$ 213,774

35. SEGMENTED INFORMATION

Reportable segments

Prior to the fourth quarter of the year ended March 31, 2021, the Company had the following two operating segments, which were also its reportable segments: (i) cannabis, hemp and other consumer products; and (ii) RIV Capital. Following the completion of the RIV Arrangement in February 2021 (refer to Note 6) and the completion of restructuring actions in the third and fourth quarters of the year ended March 31, 2021 associated with the end-to-end review of the Company's operations (refer to Note 5), the Company has changed the structure of its internal management financial reporting. Accordingly, in the fourth quarter of the year ended March 31, 2021, the Company is reporting its financial results for the following two operating segments, which are also its reportable segments: (i) global cannabis; and (ii) other consumer products. These segments reflect how the Company's operations are managed, how the Company's Chief Executive Officer, who is the chief operating decision maker ("CODM"), allocates resources and evaluates performance, and how the Company's internal management financial reporting is structured.

The Company's global cannabis segment encompasses the production, distribution and sale of a diverse range of cannabis and cannabinoid-based consumer products in Canada and internationally pursuant to applicable international and domestic legislation, regulations and permits. The Company's other consumer products segment comprises the production, distribution and sale of consumer products, including (i) Storz & Bickel vaporizers; (ii) This Works beauty, skincare, wellness and sleep products; (iii) BioSteel sports nutrition beverages, mixes, protein, gum and mints; and (iv) other revenue sources. The Company's CODM evaluates the performance of these two segments focusing on (i) segment net revenue, and (ii) segment gross margin and gross margin percentage as the measure of segment profit or loss. Accordingly, information regarding segment net revenue and segment gross margin for the comparative periods has been recast to reflect the aforementioned change in reportable segments.

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

	Years ended		
	March 31, 2021	March 31, 2020	March 31, 2019
Segmented net revenue			
Global cannabis	$ 378,680	$ 294,935	$ 192,444
Other consumer products	167,969	103,837	33,897
	$ 546,649	$ 398,772	$ 226,341
Segmented gross margin:			
Global cannabis	$ 7,045	$ (76,836)	$ 16,487
Other consumer products	59,915	45,152	11,758
	66,960	(31,684)	28,245
Selling, general and administrative expenses	575,389	693,737	392,250
Share-based compensation	91,149	320,276	273,447
Expected credit losses on financial assets and relates charges	109,480	-	-
Asset impairment and restructuring costs	534,398	623,266	-
Operating Loss	(1,243,456)	(1,668,963)	(637,452)
Loss from equity method investments	(52,629)	(64,420)	(10,752)
Other income (expense), net	(387,876)	224,329	(59,709)
Loss before incomes taxes	$ (1,683,961)	$ (1,509,054)	$ (707,913)

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

Entity-wide disclosures

Disaggregation of net revenue by geographic area:

	Years ended		
	March 31, 2021	March 31, 2020	March 31, 2019
Canada	$ 329,172	$ 256,166	$ 198,476
Germany	116,379	93,945	17,894
United States	64,926	24,568	9,965
Other	36,172	24,093	6
	$ 546,649	$ 398,772	$ 226,341

Disaggregation of long-lived tangible assets by geographic area:

	March 31, 2021	March 31, 2020
Canada	$ 847,678	$ 1,289,838
United States	143,747	105,660
Other	83,112	129,305
	$ 1,074,537	$ 1,524,803

For the year ended March 31, 2021, no customer represented more than 10% of the Company's net revenue (years ended March 31, 2020 and 2019, one and two, respectively).

36. SUBSEQUENT EVENTS

Acquisition of Ace Valley

On April 1, 2021, the Company entered into a share purchase agreement (the "AV Share Purchase Agreement") with Tweed Inc., AV Cannabis Inc. ("Ace Valley"), an Ontario-based cannabis brand with a focus on premium, ready-to-enjoy products including vapes, pre-roll joints and gummies, and the shareholders of Ace Valley (the "AV Vendors") pursuant to which the Company indirectly acquired all of the issued and outstanding shares of Ace Valley. Pursuant to the terms of the AV Share Purchase Agreement, the Company may be required to make certain earn-out payments to the AV Vendors, which may result in an additional cash payment or the issuance of Canopy Growth common shares, subject to the fulfillment of certain conditions by April 1, 2023.

Acquisition of Supreme Cannabis

On April 7, 2021, the Company entered into an arrangement agreement (the "Supreme Arrangement Agreement") with The Supreme Cannabis Company, Inc. ("Supreme Cannabis"), pursuant to which the Company has agreed to acquire all of the issued and outstanding common shares in the capital of Supreme Cannabis (the "Supreme Cannabis Shares") in accordance with a plan of arrangement under the *Canada Business Corporations Act* (the "Supreme Arrangement"). Supreme Cannabis is a producer of recreational, wholesale and medical cannabis products, with a global diversified portfolio of distinct cannabis companies, products and brands. Pursuant to the terms of the Supreme Arrangement Agreement, shareholders of Supreme Cannabis will be entitled to receive 0.01165872 of a Canopy Growth common share and C$0.0001 in cash for each Supreme Cannabis Share held immediately prior to closing of the Supreme Arrangement.

The Supreme Arrangement is subject to the conditions set out in the Supreme Arrangement Agreement, including, among others: (i) approval by the Ontario Superior Court of Justice at a hearing upon the procedural and substantive fairness of the terms and conditions of the Supreme Arrangement; (ii) approval under the *Competition Act* (Canada); and (iii) approval of at least two-thirds of the votes cast by the shareholders of Supreme Cannabis voting at a special meeting of shareholders, with such meeting scheduled to be held on June 10, 2021.

37. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

A summary of selected quarterly financial information is as follows:

	QUARTER ENDED				
	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	Full year
Net revenue	$ 110,416	$ 135,266	$ 152,528	$ 148,439	$ 546,649
Gross margin	$ 6,495	$ 26,080	$ 24,585	$ 9,800	$ 66,960
Net loss	$ (128,322)	$ (96,552)	$ (829,251)	$ (616,695)	$ (1,670,820)
Net loss attributable to Canopy Growth Corporation	$ (108,501)	$ (32,061)	$ (904,380)	$ (699,978)	$ (1,744,920)
Net loss per common share attributable to Canopy Growth Corporation:					
Basic and diluted loss per share	$ (0.30)	$ (0.09)	$ (2.43)	$ (1.85)	$ (4.69)

	QUARTER ENDED				
	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	Full year
Net revenue	$ 90,482	$ 76,613	$ 123,764	$ 107,913	$ 398,772
Gross margin	$ 18,290	$ 3,643	$ 38,208	$ (91,825)	$ (31,684)
Net (loss) income	$ (194,051)	$ 242,650	$ (109,634)	$ (1,326,405)	$ (1,387,440)
Net (loss) income attributable to Canopy Growth Corporation	$ (185,869)	$ 258,918	$ (91,354)	$ (1,303,021)	$ (1,321,326)
Net (loss) income per common share attributable to Canopy Growth Corporation:					
Basic (loss) earnings per share	$ (0.54)	$ 0.75	$ (0.26)	$ (3.72)	$ (3.80)
Diluted (loss) earnings per share	$ (0.54)	$ 0.25	$ (0.26)	$ (3.72)	$ (3.80)

Exhibit 4.1

DESCRIPTION OF SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of March 31, 2021, Canopy Growth Corporation ("Canopy", "we", "us" and "our") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our common shares, no par value ("Common Shares").

The following description of our Common Shares is a summary and does not purport to be complete. It is based on and qualified in its entirety by reference to our Articles of Incorporation, as amended (the "Articles of Incorporation") and our Bylaws, as amended (the "Bylaws"), each of which are incorporated by reference as an exhibit to our Annual Report on Form 10-K for the year ended March 31, 2021, of which this Exhibit 4.1 is a part.

Description of Common Shares

Authorized Capital Shares: Our authorized capital shares consists of an unlimited number of Common Shares. The primary trading markets of exchange for our Common Shares are The NASDAQ Global Select Market ("NASDAQ") and the Toronto Stock Exchange ("TSX"), under the trading symbols "CGC" and "WEED", respectively.

Voting Rights: Holders of our Common Shares are entitled to receive notice of and to attend all meetings of shareholders to be convened by Canopy. Each holder of our Common Shares is entitled to one vote per Common Share held on all matters voted on by the shareholders, either in person or by proxy. At any meeting of shareholders, every matter brought before such meeting shall, unless otherwise required by our Articles of Incorporation, Bylaws or by applicable law, be determined by the affirmative vote of the majority of the votes cast on the matter. Our Common Shares do not have cumulative voting rights.

Dividends and Liquidation Rights: Holders of Common Shares are entitled to receive dividends, if any, as may be declared by our board of directors in its discretion, out of funds legally available for the payment of dividends. Holders of Common Shares are entitled to share ratably in all assets of Canopy legally available for distribution to holders of Common Shares in the event of liquidation, dissolution or winding-up of Canopy, whether voluntary or involuntary.

Other Rights and Preferences: There are no sinking fund, preemptive, conversion, redemption or exchange rights attached to our Common Shares.

The transfer agent and registrar for our Common Shares is Computershare Investor Services Inc.

Foreign Ownership of Our Common Shares

There is no limitation imposed by our Articles of Incorporation or Bylaws on the right of non-Canadian residents to hold our Common Shares or exercise voting rights on our Common Shares. The following provides a brief summary of certain limitations imposed by Canadian laws on the rights of non-Canadian residents to hold our Common Shares or exercise voting rights on our Common Shares, but should not be deemed to be comprehensive or complete in any part, and any such holder or potential holder of our Common Shares should undertake a more thorough review of such applicable laws, or consult the advice or services of a qualified expert or professional.

Competition Act: Limitations on the ability to acquire and hold our Common Shares may be imposed by the *Competition Act* (Canada). This legislation permits the Commissioner of Competition of Canada ("Commissioner"), to review any acquisition or establishment, directly or indirectly, including through the acquisition of shares, of control over or of a significant interest in us. This legislation grants the Commissioner jurisdiction, for up to one year after the acquisition has been substantially completed, to seek a remedial order, including an order to prohibit the acquisition or require divestitures, from the Canadian Competition Tribunal, which order may be granted where the Competition Tribunal finds that the acquisition prevents or lessens, or is likely to prevent or lessen, competition substantially.

This legislation also requires any person or persons who intend to acquire more than 20% of our Common Shares or, if such person or persons already own more than 20% of our Common Shares prior to the acquisition, more than 50% of our Common Shares, to file a notification with the Canadian Competition Bureau if certain financial thresholds are exceeded. Where a notification is required, unless an exemption is available, the legislation prohibits completion of the acquisition until the expiration of the applicable statutory waiting period, unless the Commissioner either waives or terminates such waiting period.

Investment Canada Act: Under the *Investment Canada Act* an "acquisition of control" of a Canadian business by a "non-Canadian" (as determined pursuant to the *Investment Canada Act*) involving the "acquisition of control" are either (i) subject to review prior to completion (a "Reviewable Transaction") or (ii) subject to a requirement to submit a notification in prescribed form with the responsible Canadian federal government department or departments not later than 30 days after closing (a "Notifiable Transaction") An investment will be a Reviewable Transaction where the applicable financial threshold is met. Subject to certain exemptions, a Reviewable Transaction may not be implemented until an application for review has been filed and the responsible Minister or Ministers of the federal cabinet has determined that the investment is likely to be of "net benefit to Canada" taking into account certain factors set out in the *Investment Canada Act*.

The *Investment Canada Act* contains various rules to determine if there has been an "acquisition of control" by a non-Canadian. For example, for purposes of determining whether an investor has acquired control of a corporation by acquiring shares, the following general rules apply, subject to certain exceptions: the acquisition of a majority of the undivided ownership interests in the voting shares of the corporation is deemed to be acquisition of control of that corporation; the acquisition of less than a majority, but one third or more, of the voting shares of a corporation or of an equivalent undivided ownership interest in the voting shares of the corporation is presumed to be acquisition of control of that corporation unless it can be established that, on the acquisition, the corporation is not controlled in fact by the acquirer through the ownership of voting shares; and the acquisition of less than one third of the voting shares of a corporation or of an equivalent undivided ownership interest in the voting shares of the corporation is deemed not to be acquisition of control of that corporation.

The *Investment Canada Act*, also includes a discretionary national security review regime which allows the federal government to review a much broader range of investments by a non-Canadian to "acquire, in whole or part, or to establish an entity carrying on all or any part of its operations in Canada" where the federal government believes that the investment by a non-Canadian could be "injurious to national security". No financial threshold applies to a national security review. The federal government has broad discretion to determine whether an investor is a non-Canadian and therefore subject to national security review. A national security review may occur on a pre- or post-closing basis.

Certain Canadian Income Tax Considerations for U.S. Shareholders

The following summarizes, as of the date of filing, certain Canadian federal income tax considerations generally applicable under the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the

"Canadian Tax Act") and the *Canada-United States Tax Convention (1980)*, as amended (the "Convention") to the holding and disposition of our Common Shares.

This summary is restricted to beneficial owners of our Common Shares each of whom, at all relevant times and for purposes of the Canadian Tax Act and the Convention: (i) is neither resident nor deemed to be resident in Canada; (ii) is resident solely in the United States and is entitled to benefits of the Convention; (iii) does not use or hold, and is not deemed to use or hold, our Common Shares in, or in the course of, carrying on a business in Canada; (iv) deals at arm's length with and is not affiliated with us; (v) holds our Common Shares as capital property; and (vi) is not an "authorized foreign bank" (as defined in the Canadian Tax Act) or an insurer that carries on business in Canada and elsewhere (each such holder, a "U.S. Resident Holder"). Generally, a U.S. Resident Holder's Common Shares will be considered to be capital property of the holder provided that the holder is not a trader or dealer in securities, does not acquire, hold or dispose of (or is not deemed to have acquired, held or disposed of) our Common Shares in one or more transactions considered to be an adventure or concern in the nature of trade, and does not hold or use (or is not deemed to hold or use) our Common Shares in the course of carrying on a business.

This summary is based upon the current provisions of the Canadian Tax Act and the Convention in effect as of the date hereof, and our understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency ("CRA") published in writing prior to the date of filing. This summary does not anticipate or take into account any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, except specific proposals to amend the Canadian Tax Act publicly and officially announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Tax Proposals"). This summary assumes that the Tax Proposals will be enacted in the form proposed. This summary does not take into account any other federal or any provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those set out herein. No assurances can be given that the Tax Proposals will be enacted as proposed or at all, or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and is not intended and should not be construed as legal or tax advice to any particular U.S. Resident Holder. Accordingly, prospective purchasers or holders of our Common Shares are urged to consult their own tax advisors with respect to their own particular circumstances.

Taxation of Dividends: Under the Canadian Tax Act, dividends paid or credited, or deemed to be paid or credited, to a U.S. Resident Holder on our Common Shares will be subject to Canadian withholding tax at a rate of 25% of the gross amount of such dividends, unless the rate is reduced under the Convention. Under the Convention, the rate of withholding tax on dividends applicable to U.S. Resident Holders who are entitled to benefits under the Convention and beneficially own the dividends is generally reduced to 15% (or to 5% if the U.S. Resident Holder is a company that owns at least 10% of the voting shares of Canopy) of the gross amount of such dividends.

Disposition of Common Shares: Generally, a U.S. Resident Holder will not be subject to tax under the Canadian Tax Act in respect of any capital gain realized by such U.S. Resident Holder on a disposition or deemed disposition of our Common Shares unless our Common Shares constitute "taxable Canadian property" of the U.S. Resident Holder and are not "treaty-protected property" (each as defined in the Canadian Tax Act). Our Common Shares will not be "taxable Canadian property" to a holder provided that, at the time of the disposition or deemed disposition, the Common Shares are listed on a "designated stock exchange" for purposes of the Canadian Tax Act (which currently includes the NASDAQ and the TSX), unless at any time during the 60-month period immediately preceding the disposition of the Common Shares the following two conditions are met concurrently: (a) (i) the U.S. Resident Holder, (ii) persons with whom

the U.S. Resident Holder did not deal at arm's length, (iii) partnerships in which the U.S. Resident Holder or a person described in (ii) holds a membership interest directly or indirectly through one or more partnerships, or (iv) any combination of the persons and partnerships described in (i) through (iii), owned 25% or more of the issued shares of any class or series of the capital stock of Canopy; and (b) more than 50% of the fair market value of the Common Shares was derived directly or indirectly, from one or any combination of real or immovable property situated in Canada, "Canadian resource properties", "timber resource properties" (each as defined in the Canadian Tax Act), and options in respect of or interests in, or for civil law rights in, any such properties (whether or not such property exists). In certain circumstances set out in the Canadian Tax Act, the Common Shares may be deemed to be "taxable Canadian property".

Even if the Common Shares are taxable Canadian property to a U.S. Resident Holder, any capital gain realized on the disposition or deemed disposition of such Common Shares will not be subject to tax under the Canadian Tax Act provided that the value of such Common Shares is not derived principally from real property situated in Canada (within the meaning of the Convention).

A U.S. Resident Holder contemplating a disposition of our Common Shares that may constitute taxable Canadian property should consult a tax advisor prior to such disposition.

Exhibit 10.1

Director and Officer Indemnification Agreement

THIS INDEMNIFICATION AGREEMENT (the **"Agreement"**) is made as of this ____ day of _____, between Canopy Growth Corporation (the **"Corporation"**), a corporation incorporated under the laws of Canada (the **"Act"**) and _____ (the **"Indemnified Party"**).

RECITALS:

A. The Indemnified Party has served as _____ of the Corporation since _____.

B. The Board of Directors of the Corporation (the **"Board"**) has determined that the Corporation should act to assure the Indemnified Party of reasonable protection through indemnification against certain risks arising out of prior and continuing service to, and prior and continuing activities on behalf of, the Corporation to the extent permitted by law. This protection will continue for the Indemnified Party's if the Indemnified Party continues to work for the Corporation and their job title, as noted above, changes.

NOW THEREFORE the parties agree as follows:

1. **Indemnification.** The Corporation will, subject to the terms and conditions hereof, indemnify and save harmless the Indemnified Party and the heirs and legal representatives of the Indemnified Party to the fullest extent permitted by applicable law:

(a) from and against all Expenses (as defined below) sustained or incurred by the Indemnified Party in respect of any civil, criminal, administrative, investigative or other Proceeding (as defined below) in which the Indemnified Party is involved in by reason of being or having been a director or officer of the Corporation; and

(b) from and against all Expenses sustained or incurred by the Indemnified Party as a result of serving as a director or officer of the Corporation in respect of any act, matter, deed or thing whatsoever made, done, committed, permitted or acquiesced in by the Indemnified Party as a director or officer of the Corporation, whether before or after the effective date of this Agreement.

"Expenses" means all costs, charges, damages, awards, settlements, liabilities, fines, penalties, statutory obligations, professional fees and retainers and other expenses or losses of whatever nature or kind, actually and reasonably incurred by the Indemnified Party in respect of any Proceeding, provided that any such costs, charges, professional fees and other expenses in the case of Section 1(b) are incurred in accordance with the Corporation's expense policy, as applicable.

"**Final Judgment**" means a final judgment of an applicable court that has become non-appealable.

"Proceeding" includes a claim, demand, suit, proceeding, inquiry, hearing, discovery or investigation, of whatever nature or kind, whether threatened, anticipated, pending, commenced, continuing or completed, and any appeal, and whether or not brought by the Corporation.

2. **Entitlement to Indemnification**

2.1 The rights provided to an Indemnified Party hereunder will, subject to applicable law, apply without reduction to an Indemnified Party provided that: (a) the Indemnified Party acted honestly and in good faith

with a view to the best interests of the Corporation or Related Entity (as defined below); and (b) in the case of a criminal Proceeding, the Indemnified Party had reasonable grounds for believing that the Indemnified Party's conduct in respect of which the Proceeding was brought was lawful. Notwithstanding the foregoing, in the event that the Indemnified Party becomes subject to a Proceeding as a result of the Corporation or Related Entity operating in violation of US federal laws, the rights provided to the Indemnified Party hereunder will apply irrespective of the Indemnified Party's belief of the lawfulness of the Corporation's conduct.

2.2 This indemnity will not apply to (a) claims initiated by the Indemnified Party against the Corporation or any subsidiary except for claims relating to the enforcement of this Agreement; (b) claims initiated by the Indemnified Party against any other person or entity unless the Corporation or Related Entity (as defined below), as applicable, has joined with the Indemnified Party in or consented to the initiation of that Proceeding; (c) claims by the Corporation for the forfeiture and recovery by the Corporation of bonuses or other compensation received by the Indemnified Party from the Corporation due to the Indemnified Party's violation of applicable securities or other laws; (d) any amount in respect of which the Indemnified Party may not be relieved of liability under the Act or otherwise at law; (e) Expenses to the extent the Indemnified Party is indemnified or reimbursed for Expenses or Expense Advances, as applicable and is, in each case, actually paid, other than pursuant to this Agreement or pursuant to a Policy (as defined below) without any written obligation to reimburse any third party for such Expenses or Expense Advances, as applicable; (f) Expenses to the extent that payment is actually made to the Indemnified Party under a valid and enforceable Policy (notwithstanding the foregoing, this subsection cannot be relied upon by the Corporation with respect to denying any subrogation claim commenced against the Corporation by an insurer seeking recovery from the Corporation of any payment paid by such insurer, pursuant to a Policy, to the Indemnified Party); or (g) Expenses or claims arising out of the Indemnified Party's breach of any employment agreement with the Corporation or any of its subsidiaries.

2.3 The indemnities in this Agreement also apply to an Indemnified Party in respect of his or her service as an officer or director of a Related Entity.

"**Related Entity**" means (a) a corporation that is or was an "affiliate" (within the meaning of that term as used in the Act) of the Corporation at a time the Indemnified Party is or was a director or officer of such corporation; (b) a corporation of which the Indemnified Party is or was a director or officer at the request of the Corporation; or (c) a partnership, trust, joint venture or other unincorporated entity of which the Indemnified Party is or was, or holds or held a position equivalent to that of, a director or officer, at the request of the Corporation.

2.4 In respect of a Proceeding by or on behalf of the Corporation or a Related Entity against the Indemnified Party, the Corporation will not indemnify the Indemnified Party or make Expense Advances to the Indemnified Party unless court approval to furnish such indemnity is obtained in accordance with the applicable provisions of the Act. If prior court approval is required under applicable law in connection with any claim for Expense Advances (as defined below), unless (a) the indemnity provided pursuant to this Agreement does not apply as contemplated pursuant to Section 2.1; or (b) pursuant to Section 2.2, excluding Section 2.2(d), the Corporation is not obligated pursuant to the terms of this Agreement to indemnify for Expenses in relation to such Proceeding; or (c) at the time this Agreement is made, the Corporation is prohibited from giving an indemnity for such liabilities by the Corporation's notice of articles or articles, upon written request by the Indemnified Party, the Corporation will promptly seek at its sole expense and use all reasonable efforts to obtain that approval as soon as reasonably possible in the circumstances. The Corporation will also pay the expenses of the Indemnified Party, to the extent permitted by applicable law, in connection with any such approval process. Subject to the exceptions set out in this Section 2.4 and applicable law, the obligations of the Corporation under this Section 2.4 will apply even if

the position of the Corporation on the substantive right to indemnification is or may be that the Indemnified Party is not entitled to same.

2.5 If the Corporation proposes to deny all or part of any claim for indemnification hereunder by the Indemnified Party on the basis that (a) the conditions of Section 2 (other than Section 2.2) are not met, or (b) the amount for which indemnification is being sought was not reasonably incurred, and payment of such claim does not require prior court approval under applicable law, the Corporation will:

(i) promptly pay the indemnified amount claimed or, if the dispute concerns the reasonableness of the incurrment, pay the amount the Corporation believes to be reasonable incurred in the circumstances, acting reasonably and assuming the Indemnified Party is entitled to indemnification hereunder, and

(ii) bring the matter before a court of competent jurisdiction, at its own expense and use all reasonable efforts to obtain a Final Judgment determining the question of entitlement to indemnification as soon as reasonably possible in the circumstances.

The Corporation will continue to indemnify the Indemnified Party, including payment of all reasonable Expenses of the Indemnified Party in connection with the approval proceeding, until a Final Judgment on the Indemnified Party's entitlement to be indemnified has been obtained.

2.6 The Indemnified Party will repay to the Corporation any amount paid hereunder if it is determined by a court of competent jurisdiction in a Final Judgment that the Indemnified Party is not entitled to indemnification hereunder, or that the amount for which indemnification is being sought is not reasonable, or that the payment of such costs is prohibited by applicable law and the amount must be repaid.

3. **Presumptions/Knowledge**

3.1 For purposes of any determination hereunder the Indemnified Party will be deemed to have acted in good faith, in the best interests of the Corporation and with reasonable grounds for believing his or her conduct was lawful unless and until a court of competent jurisdiction has rendered a Final Judgment to the contrary. The Corporation will have the burden of establishing the absence of good faith, failure to act in its best interests or lack of reasonable grounds for lawful conduct belief.

3.2 The knowledge and/or actions, or failure to act, of any other director, officer, agent or employee of the Corporation or any other entity will not be imputed to the Indemnified Party for purposes of determining the right to indemnification under this Agreement.

3.3 The Corporation will have the burden of establishing that any Expense it wishes to challenge is not reasonable.

4. **Notice by Indemnified Party.** As soon as is practicable, upon the Indemnified Party becoming aware of any Proceeding which may give rise to indemnification under this Agreement other than a Proceeding commenced by the Corporation, the Indemnified Party will give written notice (the "**Notice of Proceeding**") to the Corporation. Failure to give notice in a timely fashion will not disentitle the Indemnified Party to indemnification. Upon receipt of such notice, the Corporation will give prompt notice of the Proceeding to any applicable insurer from whom the Corporation has purchased insurance that may provide coverage to the Corporation or the Indemnified Party in respect of the Proceeding, but such failure by the Corporation to give prompt notice of the Proceeding shall not disqualify, impair or otherwise limit the Indemnified Party's right to indemnification hereunder.

5. **Investigation by Corporation.** The Corporation may conduct any investigation it considers appropriate of any Proceeding of which it receives notice under Section 4, and will pay all costs of that investigation. Upon receipt of reasonable notice from the Corporation, the Indemnified Party will, acting reasonably, co-operate fully with the investigation provided that the Indemnified Party will not be required to provide assistance that would prejudice: (a) his or her defence; (b) his or her ability to fulfill his or her business obligations; or (c) his or her business and/or personal affairs. The Indemnified Party will, for the period of time that s/he cooperates with the Corporation with respect to an investigation, be compensated by the Corporation at an amount per day (or partial day) as approved by the Board from time to time, plus out-of-pocket Expenses actually incurred by or on behalf of the Indemnified Party in connection therewith, provided that the Indemnified Party will not be entitled to the per diem if he/she is employed as an officer of the Corporation on such day.

6. **Payment for Expenses of a Witness.** Notwithstanding any other provision of this Agreement, to the extent that the Indemnified Party is, by reason of the fact that the Indemnified Party is or was a director or officer of the Corporation or Related Entity, or acting in a capacity similar to an officer or director a Related Entity, a witness or participant other than as a named party in a Proceeding, the Corporation will pay to the Indemnified Party all out-of-pocket Expenses actually and reasonably incurred by or on behalf of the Indemnified Party in connection therewith. The Indemnified Party will also be compensated by the Corporation at an amount per day (or partial day) as approved by the Board from time to time, provided that the Indemnified Party will not be entitled to the per diem if he/she is a full-time employee of the Corporation on such day.

7. **Expense Advances.** Subject to the terms and conditions hereof, the Corporation will, upon request by the Indemnified Party, make advances (**"Expense Advances"**) to the Indemnified Party of all Expenses for which the Indemnified Party may seek indemnification under this Agreement before the final disposition of the relevant Proceeding to the extent permitted by law. The Indemnified Party shall be entitled to obtain Expense Advances for anticipated Expenses. In connection with such requests, the Indemnified Party will provide the Corporation with a written affirmation of the Indemnified Party's good faith belief that the Indemnified Party is legally entitled to indemnification in accordance with this Agreement, along with sufficient particulars of the Expenses to be covered by the proposed Expense Advance to enable the Corporation to make an assessment of its reasonableness, and all such Expenses that are certified by statutory declaration of the Indemnified Party as being reasonable will be presumed to be reasonable. The Indemnified Party's entitlement to such Expense Advance will include those Expenses incurred in connection with any Proceeding by the Indemnified Party against the Corporation seeking or relating to the enforcement or interpretation of this Agreement. The Corporation will make payment to the Indemnified Party within 10 business days after the Corporation has received the Expense Advance request from the Indemnified Party. All Expense Advances for which indemnification is sought must relate to Expenses anticipated within a reasonable time of the request. The Indemnified Party will repay to the Corporation all surplus Expense Advances not actually used by the Indemnified Party for Expenses.

If requested by the Corporation, the Indemnified Party will provide a written undertaking to the Corporation confirming the Indemnified Party's obligations under Section 2.6 as a condition to receiving an Expense Advance.

8. **Indemnification Payments.** Subject to Section 2 and with the exception of Expense Advances which are governed by Section 7, the Corporation will pay to the Indemnified Party any amounts to which the Indemnified Party is entitled hereunder promptly upon the Indemnified Party providing the Corporation with reasonable details of the claim.

9. **Right to Independent Legal Counsel.** If the Indemnified Party is named as a party or a witness to any Proceeding, or the Indemnified Party is questioned or any of his or her actions, omissions or activities

are in any way investigated, reviewed or examined in connection with or in anticipation of any actual or potential Proceeding, the Indemnified Party will be entitled to retain independent legal counsel at the Corporation's expense to act on the Indemnified Party's behalf to provide an initial assessment to the Indemnified Party of the appropriate course of action for the Indemnified Party. The Indemnified Party will be entitled to continued representation by independent counsel at the Corporation's expense beyond the initial assessment unless the parties agree that there is no conflict of interest at that time between the Corporation and the Indemnified Party that necessitates independent representation and a conflict of interest is unlikely to arise in the Proceeding at any later date.

10. **Settlement.** The parties will act reasonably in pursuing the settlement of any Proceeding. The Corporation may not negotiate or effect a settlement of claims against the Indemnified Party without the consent of the Indemnified Party, acting reasonably. The Indemnified Party may negotiate a proposed settlement without the consent of the Corporation. The Corporation will consider in good faith in the best interests of the Corporation whether or not to consent to any such proposed settlement and will advise the Indemnified Party of its determination on a timely basis. If the Corporation, acting reasonably, advises the Indemnified Party that it does not consent to the settlement provided the settlement is expressly stated to be made by the Indemnified Party on his or her own behalf without any admission of liability by the Corporation, the Indemnified Party may nonetheless effect the settlement, but the Corporation will not be liable for indemnification under this Agreement with respect to any such settlement.

11. **Directors' & Officers' Insurance** The Corporation will ensure that its liabilities under this Agreement, and the potential liabilities of the Indemnified Party that are subject to indemnification by the Corporation pursuant to this Agreement, are at all times supported by a directors' and officers' liability insurance policy (the **"Policy"**) that (a) has been approved by the Board, and (b) treats current and former directors equally and current and former officers equally. As may be required by the Policy, the Corporation will immediately notify the Policy's insurers on receipt of a Notice of Proceeding and will promptly advise the Indemnified Party that the insurers have been notified of the potential claim. If the Corporation is sold or enters into any business combination or other transaction as a result of which the Policy is terminated and the Indemnified Party resigns or ceases to continue as an officer or director of the continuing entity, the Corporation will, prior to the closing of such transaction, cause run off "tail" insurance to be purchased for the benefit of the Indemnified Party with substantially the same coverage for the balance of the 6-year term set out in Section 22 without any gap in coverage. On request, the Corporation will provide to the Indemnified Party a copy of each policy of insurance providing the coverages contemplated by this Section promptly after coverage is obtained, and evidence of each annual renewal thereof, and will promptly notify the Indemnified Party if the insurer cancels, makes material changes to coverage or refuses to renew coverage (or any part of the coverage).

12. **Attornment.** For the purpose of all legal proceedings this Agreement will be deemed to have been performed in the Province of Ontario and the courts of the Province of Ontario will have jurisdiction to entertain any action arising under this Agreement. The Corporation and the Indemnified Party each hereby attorn to the jurisdiction of the courts of the Province of Ontario.

13. **Non-Exclusivity.** The rights of the Indemnified Party under this Agreement will be in addition to any other rights the Indemnified Party may have under the Corporation’s constating documents, the Act, or any other contract or otherwise (the “**Other Indemnity Provisions**”), provided that (a) to the extent that the Indemnified Party otherwise would have any greater right to indemnification under any Other Indemnity Provision, the Indemnified Party will be deemed to have such greater right under this Agreement and (b) to the extent that any change is made to any Other Indemnity Provision which permits any greater right to indemnification than that provided under this Agreement as of the date hereof, the Indemnified Party will be deemed to have such greater right hereunder. The Corporation will not adopt any amendment to any of

its constating documents that would have the effect of denying, diminishing or encumbering the Indemnified Party's right to indemnification under this Agreement or any Other Indemnity Provision.

14. **Tax Adjustment.** Should any payment made pursuant to this Agreement, including the payment of insurance premiums or any payment made by an insurer under an insurance policy, be deemed to constitute a taxable benefit or otherwise be or become subject to any tax or levy, then the Corporation will, upon written request of the Indemnified Party, pay such amounts necessary to ensure that the amount received by or on behalf of the Indemnified Party, after the payment of or withholding for tax, fully reimburses the Indemnified Party for the actual cost, expense or liability incurred by or on behalf of the Indemnified Party. However, the foregoing sentence will not apply to any compensation paid as a per diem to the Indemnified Party pursuant to Sections 5 or 6.

15. **Legal Expenses.** If any action is instituted by the Indemnified Party under this Agreement to enforce or interpret any of the terms hereof, the Indemnified Party shall be entitled to be paid all Expenses, including the reasonable fees of counsel, incurred by the Indemnified Party with respect to such action, unless as a part of such action, the court of competent jurisdiction determines that any of the material assertions made by the Indemnified Party as a basis for such action were not made in good faith or were frivolous and vexatious.

16. **Governing Law.** This Agreement will be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

17. **Priority and Term.** This Agreement will supersede any previous agreement between the Corporation and the Indemnified Party dealing with this subject matter, and will be deemed to be effective as of the date that is the earlier of (a) the date on which the Indemnified Party first became a director or officer of the Corporation; or (b) the date on which the Indemnified Party first served, at the Corporation's request, as a director or officer, or an individual acting in a capacity similar to a director or officer, of another entity.

18. **Severability.** If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule or law, or public policy, that provision will be severed from this Agreement and all other conditions and provisions of this Agreement will remain in full force and effect so long as the economic or legal substance of this Agreement is not affected in any manner materially adverse to the Indemnified Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the provisions of this Agreement are fulfilled to the fullest extent possible.

19. **Binding Effect; Successors and Assigns.** This Agreement shall bind and enure to the benefit of the successors, heirs, executors, personal and legal representatives and permitted assigns of the parties hereto, including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Corporation. The Corporation shall require and cause any successor (whether direct or indirect, and whether by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Corporation, by written agreement in form and substance reasonably satisfactory to the Indemnified Party, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform if no such succession had taken place. Subject to the requirements of this Section 19, this Agreement may be assigned by the Corporation to any successor (whether direct or indirect, and whether by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Corporation provided that no assignment will relieve the assignor of its obligations hereunder. This Agreement may not be assigned by the Indemnified Party.

20. **Covenant.** Subject to the express terms of this Agreement, the Corporation hereby covenants and agrees that it will not take any action, including, without limitation, the enacting, amending or repealing of any by-law, which would in any manner adversely affect or prevent the Corporation's ability to perform its obligations under this Agreement.

21. **Parties to Provide Information and Co-operate.** The Corporation and the Indemnified Party shall from time to time provide such information and co-operate with the other as the other may reasonably request in respect of all matters under the Agreement.

22. **Survival.** The obligations of the Corporation under this Agreement, other than Section 11 Directors' and Officers' Insurance obligation, will continue until the later of (a) 15 years after the Indemnified Party ceases to be a director or officer of the Corporation or any other entity in which he or she serves in a similar capacity at the request of the Corporation and (b) with respect to any Proceeding commenced prior to the expiration of such 15-year period with respect to which the Indemnified Party is entitled to claim indemnification hereunder, one year after the final termination of that Proceeding. The obligations of the Corporation under Section 11 of this Agreement will continue for 6 years after the Indemnified Party ceases to be a director or officer of the Corporation or any other entity in which he or she serves in a similar capacity at the request of the Corporation.

23. **Independent Legal Advice.** The Indemnified Party acknowledges that the Indemnified Party has been advised to obtain independent legal advice with respect to entering into this Agreement that the Indemnified Party has obtained such independent legal advice. The Indemnified Party is entering into this Agreement with full knowledge of the contents hereof, of the Indemnified Party's own free will and with full capacity and authority to do so.

24. **Execution and Delivery.** This Agreement may be executed by the parties in counterparts and may be executed and delivered by facsimile or electronic transmission and all such counterparts, facsimiles and electronic transmissions together will constitute one and the same agreement.

[THE REMAINDER OF THIS PAGE IS LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

CANOPY GROWTH CORPORATION

by: /s/ Phil Shaer

Name: Phil Shaer
Title: Chief Legal Officer
Authorized Signing Officer

Witness Signature

Name:

Witness Name

###COMPANY_LOGO###

###GRANT_DATE###

###PARTICIPANT_NAME###

PERSONAL AND CONFIDENTIAL

BY EMAIL

Dear ###PARTICIPANT_NAME###;

I am pleased to confirm that you have been granted options (the "Options") to purchase Common Shares of Canopy Growth Corporation ("Canopy Growth") under Canopy Growth's Omnibus Incentive Plan (the "Plan"). This letter sets forth the terms and conditions of the Options, which are as follows:

Number of Common Shares subject to the Options:	###TOTAL_AWARDS### (the "Optioned Shares")
Date of Grant:	###GRANT_DATE### (the "Grant Date")
Vesting Start Date:	###GRANT_DATE### (the "Vesting Start Date")
Exercise Price (per share):	###GRANT_PRICE###
	The Options will vest and be exercisable in 1/3 of the total grant on the following dates: ###VEST_SCHEDULE_TABLE### On the last date, all Options will be fully vested and become exercisable.
Vesting:	The term of the Options shall not exceed 10 years from the Date of Grant, after which your right to purchase the Options lapses. The Options will not vest during any period of notice or pay in lieu of notice in connection with the termination of your employment without cause. The termination date for the purpose of your entitlement in respect of the Options will be the date that either you or Canopy Growth provide the other with notice of resignation or termination of employment.
Exercise:	The Options shall only be exercisable with respect to vested Optioned Shares.
Expiry Date:	###EXPIRY_DATE###
Confidentiality	The terms of this Options grant are confidential and we expect that you will maintain the confidentiality of the grant and not disclose details to other members of the Canopy Growth team or anyone outside Canopy Growth.

Section 13 of the Plan (Change in Control Provisions) shall not apply to any Awards (including the Options) granted hereunder unless otherwise determined by the Committee or the Board (as such terms are defined in the Plan); provided, however, that the direct or indirect acquisition by the CBG Group of more than 50% of the combined voting power of Canopy Growth's then outstanding securities as a result of the CBG Group's beneficial ownership of common shares of Canopy Growth held as of the close of the private placement transaction with CBG Holdings LLC ("CBG") to be completed on or around October 31, 2018 (the CBG Closing"), combined with common shares of Canopy Growth acquired by the

CBG Group pursuant to the exercise of any or all of its warrants to purchase common shares of Canopy Growth that were held as of the CBG Closing shall not, in any event or circumstance, constitute a “Change in Control” within the meaning of the Plan. For purposes of this paragraph, “CBG Group” means Greenstar Canada Investment Limited, CBG, and Constellations Brands, Inc. and its respective direct and indirect subsidiaries.

Other than as set out in the preceding paragraph, the Options shall be subject in all respects to the terms and conditions of the Plan, a copy of which you have received, as the same may be amended from time to time. We encourage you to review the Plan in detail.

As a condition to the grant of your Options, you are required to indicate your agreement to comply with the terms and conditions of the Plan by signing the acknowledgement electronically at the foot of this letter. Canopy Growth may require, as a condition to the issuance of shares pursuant to the exercise of the Options, that in addition to the exercise price you also pay to Canopy Growth any federal, provincial/state or local withholding taxes required by law to be withheld in respect of the exercise of the Options.

The Options are intended to provide you with an opportunity to share in the potential future growth of Canopy Growth. It recognizes your value and the significant impact that your ideas, enthusiasm and hard work will have in making Canopy Growth a success.

It is through working together as a team that we can make Canopy Growth a leader in our field.

Yours very truly,

CANOPY GROWTH CORPORATION

By: ###SIGNATURECEO###

Name: David Klein

Title: CEO

I understand and agree that my Options are subject in all respects to the terms and conditions of the Plan, as the same may be amended from time to time. I have read, understood and agree to comply with the Plan.

###PARTICIPANT_NAME###	###HOME_ADDRESS###	###ACCEPTANCE_DATE###
Signature	Address	Accepted

###COMPANY_LOGO###

RESTRICTED STOCK UNIT GRANT AGREEMENT

(FOR SETTLEMENT IN SHARES ONLY)

###GRANT_DATE###

###PARTICIPANT_NAME###

I am pleased to confirm that, in connection with services to be rendered by you over the period that includes the vesting dates outlined in the table below, you have been granted Restricted Stock Units (the "**RSUs**") of Canopy Growth Corporation ("**Canopy Growth**") under Canopy Growth's Amended and Restated Omnibus Incentive Plan (the "**Plan**"). This letter shall constitute an Award Agreement under the Plan and sets forth the terms and conditions of the RSUs, which are as follows:

Number of RSUs awarded:	###TOTAL_AWARDS### (the "RSU Shares")
Date of Grant:	###GRANT_DATE### (the "Grant Date")
Vesting:	###VEST_SCHEDULE_TABLE###
Expiry Date:	###EXPIRY_DATE###

Note 1: If your employment with Canopy Growth is terminated or if you cease to provide service to Canopy Growth before your RSUs vest, then any RSUs which have not yet vested as of the Termination Date[1] will **not ever vest** and will have no value whatsoever.

Note 2: Notwithstanding the vesting dates outlined in the table above, these vesting dates may be automatically adjusted if they would otherwise: (i) be a date that is not a business day; (ii) be a date that is within a Blackout Period or (iii) be a date that is prior to Canopy Growth being in receipt of your executed copy of this letter, which confirms your agreement to comply with the terms and conditions of the Plan. In case of any of the foregoing, the vesting date of the applicable RSUs is deemed to be adjusted to the business day immediately following the date of the event set out in (i), (ii) or (iii), described above, as the case may be.

Note 3: Section 13 of the Plan (Change in Control Provisions) shall not apply to any Awards (including the RSUs) granted hereunder unless otherwise determined by the Committee or the Board; provided, however, that the direct or indirect acquisition by the CBG Group

(as defined below) of more than 50% of the combined voting power of Canopy Growth's then outstanding securities as a result of the CBG Group's beneficial ownership of common shares of Canopy Growth held as of the close of the private placement transaction with CBG Holdings LLC ("**CBG**") completed on November 1, 2018 (the **CBG Closing**"), combined with common shares of Canopy Growth acquired by the CBG Group pursuant to the exercise of any or all of its warrants to purchase common shares of Canopy Growth that were held as of the CBG Closing shall not, in any event or circumstance, constitute a "Change in Control" within the meaning of the

[1] Termination Date" means, for the purposes of this Agreement, the earliest of: (a) the date on which you give notice of your intention to resign from Canopy Growth; (b) the date on which you quit your employment without providing notice of resignation; (c) the date on which Canopy Growth gives you notice of the termination of your employment; (d) the date on which Canopy Growth lawfully terminates your

employment without providing notice; (e) the date of your death; or (f) the date on which you are legally deemed to no longer be eligible to be a Participant under the Plan.

Plan. For purposes of this paragraph, "CBG Group" means Greenstar Canada Investment Limited, CBG, and Constellations Brands, Inc. and its respective direct and indirect subsidiaries.

The terms of this RSU grant are confidential and we expect that you will maintain the confidentiality of the grant and not disclose details to other members of the Canopy Growth team or anyone outside Canopy Growth.

This Award Agreement and your acceptance thereof are subject to the Plan. You acknowledge having received a copy of the Plan. All capitalized terms that are not defined in this letter shall be as defined in the Plan. Other than as set out in the paragraph immediately below, if there is any inconsistency between the terms of this Award Agreement and the Plan, you acknowledge that the terms of the Plan shall govern.

As a condition to the grant of your RSUs, you are required to indicate your agreement to comply with the terms and conditions of the Plan and this Award Agreement by signing the acknowledgement electronically at the foot of this letter.

CANOPY GROWTH CORPORATION

###SIGNATURECEO###

By:

Name: David Klein

Title: Chief Executive Officer

I understand and agree that my RSUs are subject in all respects to the terms and conditions of the Plan, as the same may be amended from time to time and this Award Agreement. I have read, understood and agree to comply with the terms of this Notice and the Plan.

###PARTICIPANT_NAME###	###HOME_ADDRESS###	
###ACCEPTANCE_DATE###		
Signature	Address	Accepted

Exhibit 10.6

CANOPY GROWTH CORPORATION

NON-EMPLOYEE DIRECTOR COMPENSATION TABLE

As of March 31, 2021

The directors[1] of Canopy Growth Corporation shall receive the following applicable fees as previously recommended by the Corporate Governance, Compensation and Nominating Committee ("**CGCN Committee**") and approved by the Board, including RSUs (the "**Director RSUs**"):

FY2021 Fees	**Annual Amount ($)**
Board of Directors Chair Retainer	225,000
Annual Equity Grants to Board of Directors Chair- RSUs	225,000
Board Retainer	150,000
Annual Equity Grants to Non-Chair Board Members- RSUs	150,000
Audit Committee Chair Retainer	30,000
Audit Committee Member Retainer	15,000
CGCN Committee Chair Retainer	20,000
CGCN Committee Member Retainer	15,000

[1]Note that David Klein, Robert Hanson, William Newlands and Jim Sabia do not receive board fees.

EXECUTIVE EMPLOYMENT AGREEMENT

MADE this 7th day of August, 2020

B E T W E E N:

Phillip ("Phil") Shaer

Employee

- and -

Canopy Growth Corporation

Company

WHEREAS the Employee has been employed by Tweed Inc. since March 15, 2016;

AND WHEREAS Tweed Inc. is a wholly owned subsidiary of Company;

AND WHERAS the Parties do now wish to confirm the terms and conditions of the Employee's employment with Company;

NOW THEREFORE in consideration of the terms and conditions of this Agreement, including, but not limited to, the increase in Base Salary compensation, the sufficiency of which consideration is hereby acknowledged, the Parties hereby agree that: This Agreement contains the terms and conditions of the Employee's employment with the Company as its Chief Legal Officer ("**CLO**"), reporting to the Chief Executive Officer.

1. Duties and Responsibilities

As CLO, you will report to and comply with the directions of the Company's Chief Executive Officer. You agree to perform the duties of your position diligently and to the best of your ability. We may need to make reasonable changes to these duties as necessary, to achieve our organizational objectives and you agree to accept those changes provided that reasonable notice of those changes is provided to you in advance.

2. Effective Date

The Parties mutually agree that Term and terms of this Agreement shall commence *nunc pro tunc* as of April 1, 2020.
Notwithstanding the effective date of the terms of this Agreement, the Company confirms that the Term of your employment commenced on **March 15, 2016** (the **"Commencement Date"**.)

While this Agreement replaces your prior employment agreement with Tweed Inc. in its entirety, the Company confirms that any Directors and Officers Indemnification Agreement, signed by you and the Company and/or you and Tweed Inc., continues in full force and effect.

3. Location of Work

The Company's head office is located at 1 Hershey Drive, Smiths Falls, ON, Canada. However, the Company operates on a global scale. You will be expected to travel throughout the world, on a not infrequent basis, in order to satisfy the terms of this Agreement.

4. Policies

It will be a condition of your employment with the Company that you adhere to all Company rules and policies. The Company reserves the right to revise, revoke, or introduce new rules and policies, as the Company may deem necessary from time to time, and you will also be required to abide by any changes in the rules and policies, once they come into effect.

5. Compensation and Benefits

(a) Base Salary

You will be paid a Base Salary of three hundred twenty thousand Canadian dollars and no cents (CAD $320,000.00) per year, subject to statutory and benefits deductions.

(b) Short Term Incentive

In addition to your Base Salary, you are eligible for an annual short-term incentive ("**STI**") performance bonus of 75% of your Base Salary (the "**Target Award**"), with a payout range of 0-2x the Target Award based on the achievement of certain mutually developed financial/operational/strategic and individual performance objectives which have been: (a) developed jointly with the Chief Executive Officer and Chief Financial Officer, and (b) approved by the Board.

(c) Long Term Incentive

You will be eligible to participate in Canopy Growth's Amended and Restated Omnibus Incentive Plan, as approved by the Board and as amended from time to time (the "**Incentive Plan**").

Notwithstanding the terms of the Incentive Plan, any options or RSUs held by you at the time of your termination (expressly excluding those granted to you following January 1, 2020) shall continue to vest for a one year period following your termination provided it was without cause.

Pursuant to the Incentive Plan, you will be eligible to receive a long-term incentive ("**LTI**") award of 200% your Base Salary, which utilizes the Fair Market Value share price (as defined in the Incentive Plan) ("**FMV price**") on the grant date, 60% of which shall be in the form of stock options ("**Options**") and 40% of which shall be restricted stock units ("**RSUs**"). The LTI shall vest in accordance with the terms of the Incentive Plan unless modified by either (x) the terms of this Agreement, especially including but not limited to Section 6(b)(ii) or (y) the terms of the individual award.

(d) Extended Health Benefits

You shall be entitled to apply for the health and insurance benefits offered to executive employees. The terms and carrier of the Company's health and insurance benefits are subject to change from time to time, at the Company's sole discretion.

(e) Vacation Entitlement

Subject to the requirements of the *Employment Standards Act, 2000*, you will be entitled to five (5) weeks vacation time per vacation entitlement year. All such vacation time is to be scheduled in accordance with business requirements.

You will also be entitled to vacation pay in the following amounts:

i) For the first five years of your employment, 4% of your Wages earned, excluding vacation pay.
ii) After your fifth year of service, 6% of your Wages earned, excluding vacation pay.

For the purpose of this Agreement, "Wages" has the definition assigned to it in the *Employment Standards Act, 2000*.

Any vacation time that you take in any given year shall count first towards your statutory entitlement and then towards any additional vacation time to which you are entitled pursuant to the terms of this Agreement. You may carry-over a maximum of ten (10) days of vacation time with the approval of the Board.

You agree that if you have received vacation pay before it is earned, then the Company may deduct the applicable amount from any payments owing to you when your employment ends.

6. End of Employment

Your employment may cease under any of the following six (6) circumstances. These termination provisions will apply throughout your employment with the Company regardless of any changes to your salary, benefits, position title, or job responsibilities.

(a) Your Resignation

You may resign from your employment by giving us not less four (4) weeks' written notice.

At the Company's sole option, the Company may waive the obligation for you to work in active employment during the period following the tendering of such notice of resignation. If the Company elects to exercise its option to waive the obligation to work during the notice of resignation period, then you agree to be placed on garden leave without advancing the argument of constructive dismissal. Alternatively, the Company may elect to immediately terminate your employment and provide you with only the minimum statutory requirements required in consideration of the termination of one's employment.

(b) Termination by the Company Without Cause

(i) Ordinary Course

If the Company elects to terminate your employment for reasons other than Cause or wilful misconduct, then it may do so, for any reason not prohibited by statute, by providing you with all of, but no more than, the following:

(a) The greater of:

i. eighteen (18) months' notice or payment of Wages (plus applicable vacation pay) in lieu of such notice; or

ii. the minimum amount of notice or pay in lieu of notice (plus applicable vacation pay) as is required to be provided to you pursuant to the provisions of Ontario *Employment Standards Act, 2000;*

(b) one and a half times the average actual amounts paid as STI during the prior two years;

(c) in addition to (b), pro-rated STI for the year worked to the date on which notice of termination is provided, as calculated in accordance with section 5 of this Agreement;

(d) any statutory severance pay that may be required to be provided to you pursuant to the provisions of the *Employment Standards Act, 2000*; and

(e) the continuation of any statutorily prescribed benefits for the minimum amount of time prescribed by the provisions of the *Employment Standards Act, 2000*.

You understand and agree that as a condition of receiving any payments pursuant to the above paragraph 6(b)(i) that exceed the statutory entitlements provided by the *ESA*, you shall be required to (a) execute a release in favour of the Company, (b) immediately execute written resignations from any position as officer or director of the Company or any of its subsidiaries and affiliates, as well as (c) immediately comply with section 7 of the Intellectual Property and Confidential Information

Agreement. You also understand and agree that you shall be obligated to use all reasonable efforts to mitigate any and all damages suffered as a result of termination, with all remuneration received as a result of such mitigation forming a credit to those payments that are due by the Company to you pursuant to paragraph 6(b)(i), which are in excess of the statutory entitlements provided by the *ESA*.

Any incentive compensation owing to you will be calculated and paid out in the usual manner and at the usual time in accordance with the terms of the applicable plan/program then in effect, but subject to the terms and conditions of the applicable plan on termination or resignation of employment.

Notwithstanding anything in this Agreement, the Company guarantees that you will at all times receive your minimum entitlements under the governing employment standards legislation in force at the time of your termination from employment.

You specifically acknowledge that by entering into this agreement you are hereby forfeiting your right to claim common law notice of termination, which may be greater than the amount of notice required to be provided to you pursuant to the provisions of this Agreement.

(ii) Change in Control

As used in this Agreement, "**Change of Control**" means

(a) Any person or related group of persons acquires possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the Company, whether through the ability to exercise voting power, by contract, or otherwise. Without limiting the foregoing, the following shall be deemed to be a "Change of Control": a person or related group of persons acquires securities of the Company or CBC to which are attached more than 50% of the votes that may be cast to elect directors of the corporation are beneficially owned by that person or related group of persons;

(b) the sale or disposition of all or substantially all of the assets of the Company to a non-affiliated party; or

(c) the merger, amalgamation, arrangement or consolidation (or similar transaction) of the Company with or into any other non-affiliated corporation in which the shareholders of the Company, prior to such transaction do not, in the aggregate, hold securities of the Company, to which are attached more than 50% of the votes that may be cast to elect directors of the corporation.

Notwithstanding the foregoing, a transaction shall not constitute a Change of Control if its purpose is to: (i) change the jurisdiction of the Corporation's incorporation, (ii)

create a holding company that will be owned in substantially the same proportions by the persons who hold the Corporation's securities immediately before such transaction, or (iii) obtain funding for the Corporation in a financing that is approved by the Corporation's Board of Directors. A determination by the Company that you will not be paid some or all of a discretionary bonus shall not be considered to be a reduction in your overall target rate of compensation for the purposes of the following.

Notwithstanding any other term of this Agreement or the terms of the Incentive Plan, if: (**a**) a Change of Control occurs, irrespective of whether the above-noted Options are being assumed, substituted, exchanged or terminated in connection with the Change of Control, and (**b**) either:

(a) Your employment is terminated by the Company for any reason other than for Cause or wilful misconduct within one (1) year following such Change of Control; or

(b) You resign your employment with the Company within sixty (60) days following either of the following events:

a. You are demoted or your responsibilities are materially reduced without your consent, in either case within one (1) year following the date of such Change of Control; or

b. Your overall target rate of compensation is reduced within the one (1) year following the date of such Change of Control,

then, you shall be entitled to receive the payments and benefits set out in Section 6(b)(i) as though your employment had been terminated by the Company without cause in accordance with such section and any RSUs, and unvested Options held by you as of the date of termination shall by deemed to be fully vested as of the date of termination and shall be exercisable thereafter in accordance with the terms of the Incentive Plan. The execution of a release and other documents required by Section 6(b)(i) shall be a pre-condition to such payments.

The terms of this section 6(b)(ii) shall apply to each and every event that occurs during the term of this Agreement that meets the definition of "Change of Control".

(c) Termination by the Company For Cause

The Company may terminate your employment for Cause, as hereinafter defined, and provide you with no more than the minimum statutory requirements required in consideration of the termination of one's employment. For the purposes of this Agreement, Cause for termination of employment means:

- a material breach of this Agreement or our employment policies;
- unacceptable performance standards;
- theft, dishonesty or falsifying records, including providing false information as part of your application for employment;

- intentional destruction, improper use or abuse of company property;
- violence in the workplace;
- obscene conduct at our premises, on our property, or during Company-related functions at other locations;
- harassment of your co-workers, supervisors, managers, customers, suppliers or other individuals associated with the Company;
- insubordination or willful refusal to take directions;
- repeated, unwarranted lateness, absenteeism or failure to report for work; or
- personal conduct that prejudices the Company's reputation, services or morale.

(d) Termination by the Company for Wilful Misconduct

If you are found to be guilty of wilful misconduct, disobedience or wilful neglect of duty that is not trivial and has not been condoned by the employer, then the Company may terminate your employment without notice, pay in lieu of notice, severance pay, or other liability.

(e) Termination of Employment by Operation of Law

This Agreement and your employment hereunder may also be terminated by operation of law, in which case you shall be entitled to the receipt of any statutorily prescribed termination entitlements.

7. Protection of Business Interests

Like most organizations, the Company must protect itself from unfair competition. You are therefore required to execute, as a part of this Agreement, a detailed Intellectual Property and Confidentiality Agreement, attached as **Schedule "A"**.

(a) Non-Solicitation

In recognition of the access you will have to our processes, employees and clients, you agree that during your employment and for a period of eighteen (18) months after such employment ends, you will not, either directly or indirectly, communicate with the Company's employees, clients, or customers for the purpose of inducing them to end their relationship with the Company.

(b) Non-Competition

In light of the nature of your position and the close relationship you will have with our clients, it is important for us to limit interference with our business. Therefore, during your employment and for eighteen (18) months thereafter, you will not, whether on your own behalf or on behalf of any other person, corporation, or organization, whether or not such organization is operated for profit, work at, work for, be employed by, provide services to, engage with, or assist in any way, whether or not for remuneration, recognition, or reward any person, corporation, or organization, whether or not such organization is operated for profit, that sells or intends to sell cannabis, including hemp, and/or provides cannabis-related

services or products, in any jurisdiction in which the Company or its subsidiaries has operations.

It is not our intention to unduly restrict your employment prospects. Accordingly, the Company may agree to waive this provision if we are able to establish appropriate safeguards to minimize the impact any proposed employment with a competitor will have on the Company's business interests. Any such waiver must be in writing and signed by an authorized representative of the Company.

(c) Conflict of Interest

To enable you to meet the demands of your position, we require your full attention. Accordingly, while you are employed with us, you must devote yourself exclusively to the business of the Company.

You agree that you will not engage in any other business activity or employment, including sitting on any board of directors, governors, or trustees (whether the organization is operated for profit or not) during your employment, without the Company's prior written approval. The Company agrees not to withhold such approval unreasonably.

You confirm that your employment with us does not violate any agreement or understanding to which you are currently bound including any existing non-competition, non-solicitation or confidentiality agreements. You further agree to indemnify and save harmless the Company against all losses, costs, damages, expenses, penalties, fines and other amounts for which it may be found liable at law with respect to your breach of any such agreement.

8. General

This Agreement, and any attachments hereto, constitutes our entire employment agreement and supersedes any previous written or verbal agreements between us. If any term of this Agreement is found to be invalid or unenforceable, in whole or in part, the validity or enforceability of any other provision will not be affected.

This Agreement will continue to govern our employment relationship regardless of any changes to your employment including, but not limited to, changes to your position, location of employment, hours of work, compensation or benefits.

Any modifications to this Agreement must be in writing and signed by both of us. No waiver of a breach of any term of this agreement is binding unless it is in writing and signed by the party waiving it. Unless otherwise specified, the waiver will be limited to the specific breach waived.

In the event that any provision or part of this Agreement is deemed void or invalid by a court of competent jurisdiction, the remaining provisions or parts shall be and remain in full force and effect.

This agreement is governed by the laws of the province of Ontario. References in this agreement to the *Employment Standards Act, 2000*, SO 2000, c 41 include any amendments or successor legislation.

The parties agree that, except as may be guaranteed by the provisions of the *Employment Standards Act, 2000*, the **Ontario Superior Court of Justice**, sitting at **Ottawa**, shall have exclusive jurisdiction to adjudicate any dispute arising between the parties.

9. Execution

So agreed:

/s/David Klein August 7, 2020

Canopy Growth Corp. Dated

I have had sufficient time to review this Agreement and have been advised to review it with a lawyer. If I did not do so, it is because I understood the terms of the Company's offer and did not feel that I needed legal advice. I understand and accept the terms of this agreement and am signing it voluntarily.

Accepted this 7th day of August, 2020

/s/ Phil Shaer

PHIL SHAER

SCHEDULE "A"

INTELLECTUAL PROPERTY AND

CONFIDENTIAL INFORMATION AGREEMENT

This Intellectual Property and Confidential Information Agreement (the "**Agreement**") is entered into between Canopy Growth Corp. (the "**Company**") and PHIL SHAER (the "**Employee**").

WHEREAS the Company is offering the Employee continued employment and has an interest in protecting its confidential information and other proprietary information and related rights;

AND WHEREAS the Employee recognizes the importance of protecting the Company's confidential information and other proprietary information and related rights is a fundamental term of the Employee's employment;

NOW THEREFORE, in consideration of the Company hiring, promoting or continuing to employ the Employee and/or for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by the parties), the Employee and the Company hereby agree as follows:

1. Definitions

"**Confidential Information**" means all of the materials and information (whether or not reduced to writing and whether or not patentable or protected by copyright) provided by the Company to the Employee, or which is available to the Employee during the course of the Employee's employment, including, without limitation the following:

- information regarding the Company's business operations, Developments (as defined below), methods and practices, recruiting and training policies, including marketing strategies, product plans (including unannounced products), product pricing, margins, hourly rates, per diems and information regarding the financial affairs of the Company;
- customer lists, quotations or proposals given to customers, requirements of specific customers, and the names of the suppliers to the Company and the nature of the Company's relationships with these clients and suppliers;
- information regarding the business operations, methods and practices, including marketing strategies, product plans (including unannounced products), product pricing, margins, hourly rates and financial affairs of the Company's stakeholders;

- technical and business information of or regarding the clients, customers or stakeholders of the Company, obtained in order to enable or assist the Company in providing such clients, customers or stakeholders with products and services, including information regarding the business operations, methods and practices and product plans of such clients, customers or stakeholders;
- any other trade secret or confidential or proprietary information received by the Company from third parties and in the possession or control of the Company; and
- any other materials or information related to the Company's business which are not generally known to others, regardless of whether such information is in paper or electronic format or any other format;

provided that, Confidential Information shall not include information which:

a) is generally known or in the public domain at the time of disclosure;
b) though originally Confidential Information becomes generally available to the public through no fault of the Employee, as of the date of its becoming part of the public knowledge; or
c) is required to be disclosed by any law, regulation, governmental body, or authority or by court Order provided that before disclosure is made, notice of the requirement is provided to the Company, and to the extent possible in the circumstances, the Company is afforded an opportunity to dispute the requirement.

The absence of any notice indicating confidentiality on any material will not imply that same is not Confidential Information.

"**Developments**" include, without limitation any methods, processes, procedures, systems, inventions (whether patentable or not), devices, discoveries, concepts, know-how, data, databases, technology, products, software (in executable and source code formats), templates, documentation, specifications, compilations, designs, reports, trade-marks, and any enhancements, modifications, or additions to the foregoing or to any products owned, marketed or used by the Company which relate, directly or indirectly, to the Company's present or reasonably foreseeable business and which are developed, created, generated or reduced to practice by the Employee, alone or jointly with others, during the Employee's employment, whether during or after working hours and whether or not resulting from the use of the premises or property of the Company.

2. <u>Non-Disclosure of Confidential Information</u>

At all times during and subsequent to the termination of the Employee's employment, the Employee shall keep in strictest confidence and trust the Confidential Information, the Employee shall take all necessary precautions against unauthorized disclosure of the Confidential Information, and the Employee shall not directly or indirectly disclose, allow access to, transmit or transfer the Confidential Information to a third party, nor shall the Employee copy or reproduce the Confidential Information except as may be reasonably required for the Employee to perform the Employee's duties for the Company.

3. Restricted Use of Confidential Information

At all times during and subsequent to the termination or cessation of the Employee's employment, the Employee shall not use the Confidential Information in any manner except as reasonably required for the Employee to perform the Employee's duties for the Company.

Upon the request of the Company and in any event upon the termination or cessation of the Employee's employment, the Employee shall immediately return to the Company all materials, including all copies in whatever form, containing the Confidential Information which are in the Employee's possession or under the Employee's control.

4. Ownership of Confidential Information and Developments

The Employee acknowledges and agrees that the Employee shall not acquire any right, title or interest in or to the Confidential Information.

The Employee agrees to make full disclosure to the Company of each Development promptly after its creation.

With the sole exception of any intellectual property owned by (and not merely licensed to) the Employee prior to the making of this Agreement, which is also enumerated by the Employee in the attached **Appendix "A"** prior to the execution of this Agreement, the Employee hereby assigns and transfers to the Company, and agrees that the Company shall be the exclusive owner of, all of the Employee's right, title and interest to each Development and any enhancement, modification, or addition to any of the intellectual property enumerated in **Appendix "A"** or any of the intellectual property that is marketed or used by the Company which relate, directly or indirectly, to the Company's present or reasonably foreseeable business and which are developed, created, generated or reduced to practice by the Employee, alone or jointly with others, during the Employee's employment, whether during or after working hours and whether or not resulting from the use of the premises or property of the Company, throughout the world, including all trade secrets, patent rights, copyrights and all other intellectual property rights therein.

The Employee further agrees to cooperate fully at all times during and subsequent to the Employee's employment with respect to signing further documents and doing such acts and other things reasonably requested by the Company to confirm such transfer of ownership of rights, including intellectual property rights, effective at or after the time the Development is created and to obtain patents or copyrights or the like covering the Developments. The Employee agrees that the Company, its assignees and their licensees are not required to designate the Employee as the author of any Developments. The Employee agrees that the obligations in this subparagraph shall continue beyond the termination of the Employee's employment with respect to Developments created during the Employee's employment.

The Employee acknowledges that the Company shall alone have the right to apply for, prosecute, defend and obtain Letters Patent of invention, copyright registration, industrial design registration in any and all counties of the world with respect to any such invention, discovery, development or improvement, copyright material or industrial design created.

The expense of applying for and obtaining the Letters Patent, copyright registration and industrial design registration referred to in this Agreement shall be borne entirely by the Company.

It is agreed that the Company shall not be entitled to those inventions, discoveries, developments and improvements made by the Employee prior to the time the Employee was engaged in employment by the Company; it being understood and agreed that the inventions, discoveries, developments and improvements enumerated in **Appendix "A"** constitute the inventions, discoveries, developments and improvements made by the Employee, and the Employee hereby acknowledges that there are no inventions, discoveries, developments and improvements made prior to the employment of the Employee by the Company and which are the property of the Employee other than those that are enumerated in **Appendix "A"**.

The Employee hereby grants a power of attorney to the Company to have the Company execute on the Employee's behalf all applications, specifications, oaths, assignments and all other instruments which the Company shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to the Company and its successors, assigns and nominees sole and exclusive rights, title and interest in and to such Developments, and any copyrights, patents, trade-marks, industrial designs (design patents), topographies (mask work rights) or other intellectual property rights relating thereto.

The Employee hereby waives in whole all moral rights which the Employee may have in the Developments, including the right to the integrity of the Developments, the right to be associated with the Developments, the right to restrain or claim damages for any distortion, mutilation or other modification of the Developments, and the right to restrain use or reproduction of the Developments in any context and in connection with any product, service, cause or institution. The Employee will confirm any such waiver from time to time as requested by the Company.

5. No Conflicting Obligations

The Employee acknowledges and represents to the Company that the Employee's performance during the period of the Employee's employment shall not breach any agreement or other obligation to keep confidential the proprietary information of any prior employer or client of the Employee or any other third party. The Employee further acknowledges and represents that the Employee is not bound by any agreement or obligation with any third party that conflicts with any of the Employee's obligations under this Agreement.

The Employee represents and agrees that the Employee will not bring to the Company and shall not use in the performance of the Employee's work with the Company, any trade secrets, confidential information and other proprietary information of any prior employer or client of the Employee or any other third party. The Employee represents and agrees that in the Employee's work creating Developments the Employee will not knowingly infringe the intellectual property rights, including copyright, of any third party.

6. Enforcement

The Employee acknowledges and agrees that damages may not be an adequate remedy to compensate the Company for any breach of the Employee's obligations contained in this Agreement, and accordingly the Employee agrees that in addition to any and all other remedies available to it, the Company shall be entitled to seek relief by way of a temporary or permanent injunction to enforce the obligations contained in this Agreement. Such relief shall be in addition to and not in lieu of any other remedies available the Company at law or in equity.

7. Returning the Company Documents

The Employee agrees that upon the termination of the Employee's employment the Employee will deliver to the Company (and will not keep in the Employee's possession or deliver to anyone else) any and all Confidential Information and proprietary information including, without limitation, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any aforementioned items belonging to the Company, together with any third party information received by the Employee. In the event of the termination of the Employee's employment, the Employee agrees to sign and deliver to the Company the "**Termination Certificate**" attached hereto as **Appendix "B"**. Notwithstanding the foregoing, the Employee shall be entitled to keep personal copies of (i) the Employee's compensation records, (ii) this Agreement, and (iii) the Employee's letter of offer.

8. General

This Agreement shall be governed by and construed in accordance with the laws in force in the Province of Ontario and any laws of Canada applicable thereto.

If any provision of this Agreement is wholly or partially unenforceable for any reason, such unenforceable provision or part thereof shall be deemed to be omitted from this Agreement without in any way invalidating or impairing the other provisions of this Agreement.

The obligations herein may not be changed or modified, released or terminated, in whole or in part, except in writing signed by the Chair of the Board of Directors of the Company and the Employee.

This Agreement supersedes all previous agreements, if any, between the Company and the Employee with respect to the subject matter of this Agreement. The Employee agrees, however, that this Agreement does not purport to set forth all of the terms and conditions of the Employee's employment and the Employee has other obligations to the Company that are not set forth in this Agreement.

The rights and obligations under this Agreement shall survive the termination of the Employee's employment and shall enure to the benefit of and shall be binding upon (i) the

Employee's heirs and personal representatives; (ii) the successors and assigns of the Employee; and (iii) the successors and assigns of the Company.

THE EMPLOYEE HAS READ THIS AGREEMENT, UNDERSTANDS IT, HAS HAD THE OPPORTUNITY TO OBTAIN INDEPENDENT LEGAL ADVICE IN RESPECT OF IT, AND AGREES TO ITS TERMS.

The Employee acknowledges having received a fully executed copy of this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto as of the _____th day of _____ , 20_____ .

SIGNED, SEALED AND DELIVERED in))))
the presence of:

_____ /s/ Phil Shaer
Witness)) Phil Shaer

Canopy Growth Corp.

By: /s/ David Klein

Name:David Klein

Title:CEO

APPENDIX "A"

ENUMERATION OF INTELLECTUAL PROPERTY OWNED BY THE EMPLOYEE

PRIOR TO THE MAKING OF THIS AGREEMENT

Patents

Please list all those patents both received and applied for using the table below.

Description	Jurisdiction	Patent No.	Date Received or Applied For

If additional space is required, please tick this box ☐ and attach additional pages as required using the format of the table shown above.

Licenses

Please describe all intellectual property, were patented, trademarked, or otherwise protected or not, licensed to third parties by you using the table below.

Description of License	Licensed To:

If additional space is required, please tick this box ☐ and attach additional pages as required using the format of the table shown above.

Copyrights, trademarks, registered trademarks, and other forms of intellectual property.

Please use the table below to list all other registered intellectual property owned by you prior to the making of this Agreement.

Description	Jurisdiction	Registration Number	Date Received

If additional space is required, please tick this box ☐ and attach additional pages as required using the format of the table shown above.

Acknowledgement

You hereby acknowledge that, the items listed in the tables above (and any attached sheets, if necessary) constitute the full and complete list of intellectual property owned by you prior to making this Agreement with Canopy Growth Corp.

Date: August 7, 2020

Signed: /s/ Phil Shaer

Phil Shaer

APPENDIX "B"

Termination Certificate

To: Canopy Growth Corp. (the "Company")

Re: Intellectual Property and Confidential Information Agreement (the "Agreement") between the Company and the undersigned employee.

This is to certify that I do not have in my possession, nor have I failed to return, nor have a transferred to any third party, any confidential or proprietary information belonging to the Company, its subsidiaries, affiliates, successors, assigns, clients, customers or stakeholders, including without limitation, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any aforementioned items. I further certify that I have complied with all the terms of the Agreement signed by me, including the reporting of any Developments, inventions and original works of authorship (as defined therein), conceived or made by me (solely or jointly with others) covered by that Agreement.

I further agree that, in compliance with the Agreement, I will preserve as confidential all trade secrets, confidential knowledge, data or other proprietary information relating to products, processes, know-how, designs, formulas, developmental or experimental work, other original works of authorship, customer lists, business plans, financial information or other subject matter pertaining to any business of the Company or any of its clients, customers or stakeholders.

Date: _____

Signed: **EXAMPLE ONLY. DO NOT SIGN.**
Phil Shaer

Exhibit 10.18

SERVICE DELIVERY AGREEMENT

THIS SERVICES AGREEMENT is made as of the 5th day of October, 2020B E T W E E N:

Canopy Growth USA, LLC
35715 US-40 STE D102
Evergreen, CO 80439

(hereinafter referred to as the "**Company**")

and -

Brand House Group, N.A. Corporation151 N.
Nob Hill Road Ste 392 Plantation, FL. 33324

(hereinafter referred to as the "**Contractor**")

and -

Julious Grant

(hereinafter referred to as the "**Principal**")

RECITALS:

WHEREAS Company is a wholly owned subsidiary of Canopy Growth Corporation ("**Growth**"), a corporation, incorporated pursuant to the laws of Canada;

AND WHEREAS Contractor and Growth are parties to a Service Delivery Agreement made as of the 14th day of June, 2020 (the "**First Service DeliveryAgreement**");

AND WHEREAS Company, Contractor, and the Principal (together the "**Parties**") wish to enter into an agreement pursuant to which Contractor will provide servicesto Company as hereinafter set forth;

AND WHEREAS the Contractor is in the business of providing commercial leadership and other consulting services to third parties;

NOW THEREFORE in consideration of the premises and the mutual covenants andagreements hereinafter contained, the parties hereto hereby mutually covenant andagree as follows:

1. **SCOPE OF SERVICES**

a. In consideration of Contractor's agreement hereto and the Contractor's performance in accordance herewith, the Company retains the Contractor to provide "**Services**" as its Chief Commercial Officer, generally consisting of assisting the Company in commercializing strategic opportunities and such other tasks as reasonably assigned by the CEO.

b. Contractor agrees to perform and carry out faithfully the Services and to comply with all lawful and reasonable instructions as may from time to time be given by theCompany with respect to the same.

c. Contractor shall provide the services contemplated herein in a professional manner in accordance with the highest industry standards and in accordance and compliance with all applicable laws.

d. Contractor covenants that the only personnel of the Contractor who shall provide Contractor's Services to Company on behalf of the Contractor will be the Principal, or such other personnel of Contractor as may be agreed to by Company, in its sole discretion.

e. Company agrees that Contractor may provide services to companies other than Company or Growth. Company consents to such fact, provided that Contractor adheres to the provisions of this Agreement concerning CONFIDENTIALITY, NON- DISCLOSURE, NON-COMPETITION, and INTELLECTUAL PROPERTY, and so long as such activity does not conflict or interfere either directly or indirectly with the performance of Principal's delivery of the Services.

For the avoidance of doubt, Contractor's first obligation, including the supply of Principal, is to Company. While Contractor may render services to others, especially including but not limited to Constellation Brands, Inc., Company has the unreservedpower to limit the amount of time Contractor allocates to such competing interests.

2. **TERM OF AGREEMENT**

By accepting the terms of this Agreement, Contractor and Principal warrant and attest that the First Service Delivery Agreement is terminated by mutual agreement.

While this Agreement replaces the First Service Delivery Agreement in its entirety,the Company confirms that any Directors and Officers Indemnification Agreement, signed by you and Growth, continues in full force and effect.

The term of this Agreement shall commence on **September 26, 2020**, and shall continue thereafter for an indefinite duration until terminated in accordance with the terms of this Agreement or by operation of law.

3. **COMPENSATION**

a. Company shall pay Contractor a fixed fee (the "**Monthly Fee**") of **$41,666.67**, exclusive of all applicable taxation, for every whole month in which Contractor provides Services, or is otherwise permitted to abstain from providing Services, to Company. The Monthly Fee shall be prorated for partial months. Company shall pay Contractor each Monthly Fee within ten (10) days of receiving Contractor's invoice.

b. Contractor shall be permitted to abstain from providing Services to Company, without reduction to the Monthly Fee, for a period of no more than five weeks per year. The periods of time during which Contractor shall be permitted to abstain from providing Services shall be pre-approved by Company.

c. Contractor shall be eligible to receive an annual short-term incentive ("STI") performance bonus of 75% of the total Monthly Fees received in the previous eligibility period (the "**Target Award**"), with a payout range of 0-2x the Target Award based on the achievement of certain mutually developed financial/operational/strategic and individual performance objectives which have been: (a) developed jointly with the Chief Executive Officer and Chief Financial Officer, and (b) approved by the Board.

d. Principal shall be eligible to participate in Growth's Amended and Restated Omnibus Incentive Plan, as approved by the Board and as amended from time to time (the "**Incentive Plan**").

Principal shall be eligible to receive a long-term incentive ("**LTI**") award equal to 36x the Monthly Fee, which utilizes the Fair Market Value share price (as defined in the Incentive Plan) ("**FMV price**") on the grant date, 50% of which shall be in the form of stock options ("**Options**") and 50% of which shall be performance share units ("**PSUs**"). Any PSUs granted shall be granted as "Performance Awards", as such term is defined in the Incentive Plan. LTI shall vest based on the achievementof certain mutually developed financial/operational/strategic and individual performance objectives which have been approved by the Board.

e. Principal shall be entitled to receive a grant of Options equal to **$750,000 USD** using the FMV price on the Date of Grant (which shall be set based on the closing price of the Company stock on the effective date of grant), which shall, subject to meeting the conditions set out in i, ii and iii, vest in three equal portions on the 2nd, 3rd and 4th anniversaries of the Date of Grant and have a six-year term (the "**Term**"). The number of stock options to be granted will be determined by dividing the grant value by the FMV and multiplied by 2 (i.e. each option is worth 50% of the FMV

price). In addition to the aforementioned time-based vesting, the Options shall also require the following performance objectives to be met in order to vest:

i. US $250,000 of the Options shall only vest if during any 90-day period during the Term, the Company's average closing stock price on the TSX is equal to or greater than $37.08.

ii. US $250,000 of the Options shall only vest if as at the end of any fiscal year of the Company during the Term, Audited Annual Revenue of $2.50 billion is achieved by the Company for such fiscal year ended, as confirmed by the auditors of the Company ; and

iii. US $250,000 of the Options shall only vest if as at the end of any fiscal year of the Company during the Term, a CAD$100M CAET, as defined below is achieved for such fiscal year ended, as confirmed by the auditors of the Company.

Comparable Adjusted EBITDA (CAET) means, for any fiscal year of the Company, Adjusted EBITDA for such fiscal year further adjusted to remove any individual non-core market with negative Adjusted EBITDA outside of the Company's core markets, which for greater certainty are Canada, UK, Germany, Spain, Denmark, Chile and Brazil, as long as the negative Adjusted EBITDA is in-line with the Board approved plan such removed market.

For greater certainty, when used herein Adjusted EBITDA means, for any fiscal year of the Company, earnings before interest, tax, depreciation and amortization of the Company as set forth in the financial statements for the Company for such fiscal year then ended, adjusted to exclude share-based compensation expense, acquisition related costs including SBC, and other non-cash items pursuant to past practices and approved by the Audit Committee of the Board.

4. **EXPENSES**

a. The Contractor shall be responsible for all expenses incurred in the provision of the services contemplated herein with the exception of those pre-approved, as prescribed in the paragraph immediately following.

b. No expenses will be reimbursed by the Company unless approved in writing by the Supervising Employee in advance (e-mailed acceptable). If approved in advance by the Supervising Employee, any and all requests for reimbursement must be accompanied by receipts. All expenses must be accrued in accordance with the Company's policies in order to qualify for reimbursement. Travel expenses that have been incurred by the Contractor in performance of the Services, which have been approved by the Company and incurred in accordance with Company policy, shall be reimbursed by the Company.

5. **TERMINATION**

Notwithstanding anything herein contained to the contrary, this agreement may be terminated in the following manner:

a. Termination by the Contractor for Convenience

Contractor may terminate this Agreement for convenience by providing Company not less four (4) weeks' written notice.

At Company's sole option, Company may waive the obligation for Contractor to actively provide Services to Company during the period following the tendering of such notice. If Company elects to exercise its option to waive the obligation to provide Services during the notice period, then Contractor shall only be entitled to the prorated Monthly Fees earned by it through to the date on which Company elects to terminate this Agreement and no more.

b. Termination by the Company for Convenience

Company shall be permitted to terminate this Agreement for convenience, at will, by providing Contractor with all of, but no more than, the following:

(a) 18x the Monthly Fee;

(b) 1.5x the average actual amounts paid as STI during the prior two years; and

(c) in addition to (b), pro-rated STI for the year worked to the date on which notice of termination is provided, as calculated in accordance with section 5 of this Agreement.

Contractor and Principal warrant that as a condition of receiving any payments pursuant to the above paragraph 5(b) both shall be required to (a) execute a release in favour of Company, (b) immediately execute written resignations from any position as officer or director of Company, Growth or any of its subsidiaries and affiliates, as well as (c) immediately comply with section 7 of the Intellectual Property and Confidential Information Agreement.

Incentive compensation owing will be calculated and paid out in the usual manner and at the usual time in accordance with the terms of the applicable plan/program then in effect, but subject to the terms and conditions of the applicable plan on termination of this Agreement.

c. Termination by the Company for Cause

Company may immediately terminate this Agreement for Cause, as hereinafter defined, and provide Contractor with no more than the prorated Monthly Fee accrued through the date of termination. For the purposes of this Agreement, Cause for termination means:

- failure to devote sufficient time or resources to the delivery of the Services, after being given written notice and thirty (30) days to cure same;
- a material breach of this Agreement or Company policies;

- unacceptable performance standards;
- theft, dishonesty or falsifying record;
- intentional destruction, improper use or abuse of Growth property;
- violence in the workplace;
- obscene conduct at any Growth premises, on any Growth property, or duringCompany-related functions at other locations;
- harassment of co-workers, supervisors, managers, customers, suppliers orother individuals associated with Growth;
- insubordination or willful refusal to take directions;
- repeated, unwarranted lateness, absenteeism or failure to report for work; or
- personal conduct that prejudices Growth's reputation, services or morale.

d. Termination by Operation of Law

This Agreement may also be terminated by operation of law, in which case Contractor shall be entitled to the receipt of any accrued Monthly Fees through to the date of termination.

e. Termination by Mutual Agreement

This agreement may be terminated by mutual agreement of the Parties hereto in writing, in which event the Contractor shall continue to accrue and receive compensation through to the date of termination reached pursuant to such mutualagreement and no more.

f. Duty to Mitigate

None of the provisions of this agreement shall relieve either party from any duty to mitigate any and all damages resulting from the termination of this agreement.

6. CONFIDENTIALITY, NON-DISCLOSURE AND NON-COMPETITION

a. Contractor and Principal each agrees to hold in strict confidence the business and affairs of the Company and each of its customers/clients and all information relating thereto. Contractor and Principal each agrees that during the term of this Agreement or any renewal thereof or at any time thereafter, neither Contractor nor Principal will directly or indirectly disclose to any third party or use for any other purpose than that of the Company, the following:

i. information disclosed to Contractor by or on behalf of Growth;

ii. information respecting the identity of any customer/client of Growth;

iii. information otherwise disclosed to Growth on a confidential basis by thirdparties;

iv. information disclosed to Contractor with respect to technical requirements,pricing or timing of any contracts;

v. information disclosed to Contractor with respect to Growth's techniques, programs, present or contemplated developments, trade secrets or marketing strategies;

vi. information otherwise identified to Contractor as confidential information of Growth;

vii. information which in the reasonable judgment of a person working in the industry would be considered to be confidential; and

viii. information on the business operations of Growth.

b. The obligations of confidence described above include, without limiting thegenerality of the foregoing:

i. taking every reasonable step to prevent third parties from obtaining, examining and/or making copies of any information, documents or papers (whether in electronic or hard copy form) relating to Growth or its business, prepared by Contractor or that come into Contractor's possession or under Contractor's control by reason of the contract herein;

ii. using Contractor's best efforts to follow all confidentiality, security and information technology policies of Company; and

iii. upon termination of this agreement, turning over to the Company all documents or papers (whether in electronic or hard copy form) and any other property or materials in Contractor's possession or under Contractor'scontrol that relate to the business of Growth or its customers/clients.

c. The obligations of confidence described above do not apply to information whichis:

i. widely and generally available to the public other than by breach of obligations of confidence owned by Contractor;

ii. rightfully received by Contractor, outside of the course of this agreement, from a third party without confidentiality limitations (as can be demonstrated by Contractor by reference to Company's records);

iii. independently developed by Contractor without recourse to any confidential information of Company or its customers/clients; (as can be demonstrated by the Contractor by reference to Company's records);

iv. known to Contractor prior to first receipt of the same in the course of this Agreement (as can be demonstrated by Contractor by reference toCompany's records);

v. required to be disclosed by law or court order (provided that Contractor used Contractor's best efforts to immediately advise the Company of the demand to disclose such information so that Company can seek appropriateprotective orders).

The mingling of confidential information with information that falls within one or more of the exceptions above shall not impair the status of, or obligations of confidence and non-use respecting, the confidential parts.

d. In light of the nature of Contractor's position and the close relationship that Contractor and Principal will have with Growth's clients, it is important for Company to limit interference with Company's business. Therefore, by their execution of this agreement, Contractor and Principal each agrees that, during the Term and for a period of **eighteen (18) months** after the engagement of the Contractor ends, however it ends, neither Contractor nor Principal will not work at,work for, be employed by, provide services to, engage with, or assist in any way, whether or not for remuneration, recognition, or reward any person, corporation, or organization, whether or not such organization is operated for profit, that sells or intends to sell cannabis, hemp or CBD or provides cannabis-related, hemp- related, or CBD-related services or products to the Canadian or American public pursuant to a license granted by any government of Canada, United States of America or any province, state, or territory thereof.

It is not Growth's intention to unduly restrict Contractor's employment prospects. Accordingly, Company may agree to waive this provision if Company is able to establish appropriate safeguards to minimize the impact any proposed employment with a competitor will have on the Company and its affiliates' business interests. Any such waiver must be in writing and signed by an authorized representative of the Company.

e. In recognition of the access Contractor and Principal will have to Growth's processes, employees and clients, Contractor and Principal each agree that during the Term and for a period of **eighteen (18) months** after the engagement of the Contractor ends, however it ends, they will not, either directly or indirectly, communicate with Growth's employees, clients, or customers for the purpose of inducing them to end their relationship with Growth.

7. **INTELLECTUAL PROPERTY**

Company maintains exclusive ownership rights, including copyrights, patents, trademarks, trade names, services, marks, industrial designs, trade secrets and other intellectual property rights, in all software, hardware, technology, business plans, documentation, inventions, copyrightable materials, designs, processes, techniques, works of authorship, and related know-how and any other material or developments that Contractor may conceive of, invent, design, create, author, write, make or reduce to practice while under contract with Company, that relate to or are

connected with areas of existing or reasonably foreseeable business interests of Company. Contractor acknowledges that all original works of authorship which are made by Contractor (solely or jointly with others) within the scope of the consulting services and which are protectable by copyright are "works made for hire," pursuant to United States Copyright Act (17 U.S.C., Section 101).

Contractor agrees to promptly disclose to Company in writing, all patent applications, inventions or improvements that relate to or are connected with areas of existing or reasonably foreseeable business interests of Company that Contractor makes during the Term of this Agreement and within one year after it ends. Any patent applications Contractor files or inventions or improvements Contractor makes within a year after the termination of this Agreement are presumed to relate to existing or reasonably foreseeable business interests of Company, unless Contractor can provide sufficient evidence to the contrary. All such inventions or improvements are the exclusive property of Company and Contractor agrees to assign all rights to them.

Contractor agrees to waive any moral rights it may have in relation to any copyrightable material it creates during the Term of this Agreement and within one year after it ends.

Upon request by Company, either during or after the Term of this Agreement, Contractor agrees to execute any applications, assignments, waivers and other instruments that Company deems necessary to obtain all applicable proprietary rights, without additional compensation.

Contractor's obligations with respect to inventions and improvements are binding on all of its employees, agents, heirs, executors, successors and assigns.

8. **ACKNOWLEDGEMENT AND SURVIVAL**

a. Contractor and Principal acknowledge that a breach of any of the provisions of paragraphs 6 and 7 by Contractor will give rise to irreparable harm and injury non- compensable in damages. Accordingly, Company or such other party may seek and obtain injunctive relief against the breach or threatened breach of the foregoing provision, in addition to any other legal remedies which may be available.

b. The provisions of this Agreement shall survive the termination of the contractual relationship herein and shall be enforceable notwithstanding the existence of any claim or cause of action of Contractor against Company whether predicated upon this Agreement or otherwise.

c. If a court of competent jurisdiction would otherwise declare any portions of this paragraph void or unenforceable in the circumstances, such portions of this paragraph shall be reduced in scope, territory and/or duration of time to such an extent that such court would hold the same to be enforceable in the circumstances.

The portions of this paragraph with respect to scope, territory and duration shall be separate and distinct and fully severable without affecting the enforceability of the entire paragraph.

9. **INDEMNITIES**

Contractor will act solely as an independent contractor in the performance of Services hereunder and shall not be deemed by performing the Services to be a partner or employee of, or joint venture participant or in any other relationship with (other than as independent contractor to), Company or any of its affiliates. Neither Company nor any of its affiliates shall control the day-to-day activities of Contractor. Contractor acknowledges that Contractor and Contractor's agents are independent contractors and not employees of Company or any of its affiliates for all purposes, including taxes and labor laws, and that Contractor and Contractor's agents shall not be entitled to any rights or benefits to which employees of Company or its affiliates may be entitled. Except as herein expressly provided, Contractor willbe responsible for the payment of all taxes, fees, expenses and other charges arising out of Contractor's activities in connection with this Agreement and the delivery of the Services including, without limitation, federal, state and local income taxes, workers' compensation coverage, unemployment insurance and similar obligationsand shall indemnify and hold Company and its affiliates harmless from and against all losses, claims, damages and expenses (including legal fees and expenses) arisingout of or relating to any claim or action asserting that Contractor is not an independent contractor or that arises out of or relates to Contractor's breach of anyprovision of this section.

10. **REPRESENTATIONS AND WARRANTIES**

Contractor represents and warrants to Company that:

(a) all work performed by Contractor for Company shall be original and Contractor is the sole and exclusive owner of deliverables provided by the Contractor in providing the Contractor's Services, subject only to the rights herein assigned;

(b) Contractor has not previously granted and will not grant any rights or encumbrances to the deliverables provided by the Contractor in providing theContractor's Services to any third party which are inconsistent with the rights assigned to Company herein;

(c) each of the Contractor's employees, representatives, partners or agents (if any)who have been or will be involved in the delivery of Contractor's Services, or who will have access to any Confidential Information of Company, including for greater certainty the Principal, will have signed, before beginning such involvement, an agreement with Contractor with respect to proprietary rights, moral rights and confidentiality in a the form of the **Confidentiality and Assignment of Property Rights Agreement** attached as **Schedule "A"** hereto,or such other form that is acceptable to Company;

(d) entering into and performance of this Agreement does not and will not violate, conflict with or result in a material default under any contract, agreement or encumbrance to which Contractor or any of the Contractor's employees is a party or may become subject or bound, and there are no demands, claims, suits, actions, arbitrations or other proceedings pending or threatened which challenge the ability or right of Contractor or the Principal to perform any of Contractor's obligations hereunder;

(e) the performance of Contractor's Services and any work product to be furnished hereunder do not misappropriate or violate the intellectual property or contractual rights of any third party, and the use by the Company of the work product to be furnished hereunder for any purpose will not infringe, misappropriate or violate the intellectual property or contractual rights of any third party;

(f) Contractor has full power to enter into this Agreement and to carry out Contractor's obligations hereunder and to grant the rights herein granted to Company;

(g) Contractor and Principal are each competent to perform the Contractor's Services contemplated herein and has the necessary qualifications including the knowledge, skill and ability to render such services;

(h) neither this Agreement nor Contractor's Services are subject to any union or collective bargaining agreement, and will not become so subject;

(i) Contractor is solely responsible for and shall pay all sums due any and all parties engaged by Contractor (including, for greater certainty, the Principal) in connection with the Contractor's Services to be provided under this Agreement.; and

(j) Neither the Contractor nor any of its directors, officers or employees or agents, consultants or representatives, including the Principal:

i. has violated, and the Contractor's execution and delivery of and performance of its obligations under this Agreement will not violate, any laws related to money laundering or government guidance regarding anti-money laundering and international anti-money laundering principles or procedures of an intergovernmental group or organization and any executive order, directive or regulation under the authority of any of the foregoing, or any orders or licences issued thereunder in each case to which either Company or the Contractor is subject;

ii. has, in the course of its actions for, or on behalf of, Company (A) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity, (B) paid or received any bribe or otherwise unlawfully offered or provided, directly or indirectly, anything of value to (or received anything of value from) any foreign or domestic government employee or official or any other Person, (C) violated or taken any act that would violate any provision of the Corruption of Foreign Public

Officials Act (Canada) ("**CFPOA**"), the Foreign Corrupt Practices Act of 1977 (United States) ("**FCPA**") or other similar laws of other jurisdictions, (D) violated or taken any act that would violate any provision of the Bribery Act (U.K.) or other similar laws of other jurisdictions, (E) violated or taken any act that would violate the Special Economic Measures Act (Canada) ("**SEMA**") or other similar laws of other jurisdictions, or (F) violated or taken any act that would violate the Freezing Assets of Corrupt Foreign Public Officials Act (Canada) ("**FACFOA**") or other similar laws of other jurisdictions, in each case to which the Contractor is subject;

iii. has, directly or indirectly, taken any action in violation of any export restrictions, anti-boycott regulations, embargo regulations or other similar applicable Canadian, United States or other foreign laws;

iv. is a "specially designated national" or "blocked person" under United States sanctions administered by the Office of Foreign Assets Control of the United States Department of the Treasury ("**OFAC**"), a person identified under SEMA, FACFOA or any United Nations resolution or regulation or otherwise a target of economic sanctions under other similar applicable Canadian, United States or foreign laws; or

v. has engaged in any business with any person with whom, or in any country in which it is prohibited for a Person to engage under SEMA, FACFOA, any United Nations resolution or regulation or any other Law or it is prohibited for a United States Person to engage under Law or under applicable United States sanctions administered by OFAC.

11. **RESPONSIBILITY FOR TAXES, FILINGS AND PAYMENTS**

Contractor shall be responsible to pay all taxes whatsoever, (other than those payable by Company in respect of fees for services provided), related to premiums, levies, customs, duties, excise, value added assessments and all other taxes which may become payable to any taxing authority in respect of the payments made under this Agreement. Without limiting the generality of the foregoing, Contractor will be wholly responsible for complying with, and submitting the requisite filings and payments under applicable federal, state, municipal or local law, including but not limited to income tax, workers compensation, and health insurance legislation, and local taxing legislation; and including but not limited to equivalent or similar applicable legislation of any government entity, agency, ministry or collecting body having jurisdiction in relation to Contractor.

12. **NOTICES**

Any consent, approval, notice, request, or demand required or permitted to be given by one party to the other shall be in writing (including, without limitation, facsimile communications) to be effective and shall be deemed to have been given upon receipt (in the case of personal delivery) or upon delivery when emailed as follows:

a) If to the Company, to it at:

Kelly D. Fair, Esq US
General Counsel
35715 US-40 STE D102
Evergreen, CO 80439
contracts@canopygrowth.com

b) If to the Contractor, at:
151 N. Nob Hill Road Ste 392 Plantation, FL.
33324 jgrant@thebrandhousegroup.com

or such other address or email address as may have been designated by written notice.

Any consent, approval, notice, request or demand aforesaid if delivered or emailed shall be deemed to have been given on the date of such delivery or email transmission. Any such delivery shall be sufficient, *inter alia*, if left with an adult person at the above address of the Contractor in the case of the Contractor, and if left with the receptionist at the above address of the Company in the case of the Company. The Company or the Contractor may change its or the Contractor's address for service, from time to time, by notice given in accordance with the foregoing.

13. **ASSIGNMENT/SUBCONTRACTING**

Neither the rights nor obligations under this agreement shall be assigned or otherwise disposed of without the prior written consent of the non-assigning party. Notwithstanding same, Company may assign this Agreement to Growth, and Growth may assign this Agreement to any subsidiary thereof.

14. **GENERAL CONTRACT TERMS**

The Parties shall sign such further and other documents, cause such meetings to be held, resolutions passed and by-laws enacted, exercise their vote and influence, do and perform and cause to be done and performed such further and other actions and things as may be necessary or desirable in order to give full effect to this Agreement and every part thereof.

This Agreement may be executed in several counterparts, each of which so executed shall be deemed to be an original and such counterparts together shall be but one and the same instrument.

This Agreement shall enure to the benefit of and be binding upon the parties and their respective legal personal representatives, heirs, executors, administrators or successors.

Unless otherwise provided for herein, all monetary amounts referred to herein shall refer to the lawful money of the United States.

The division of this Agreement into articles and sections is for convenience of reference only and shall not affect the interpretation or construction of this Agreement.

This Agreement shall be governed by and construed in accordance with the laws of the **State of Texas**.

In this Agreement, words importing the singular number shall include the plural and vice versa, and words importing the use of any gender shall include the masculine, feminine and neuter genders and the word "person" shall include an individual, a trust, a partnership, a body corporate, an association or other incorporated or unincorporated organization or entity.

When calculating the period of time which or following which any act is to be done or step taken pursuant to this Agreement, the date which is the reference date in calculating such period shall be excluded. If the last day of such period is not a Business Day, then the time period in question shall end on the first business day following such non-business day.

Any references in this Agreement to any law, by-law, rule, regulation, order or act of any government, governmental body or other regulatory body shall be construed as a reference thereto as amended or re-enacted from time to time or as a reference to any successor thereto.

15. **ENTIRE AGREEMENT**

This agreement and the schedules attached hereto contain the entire understanding and agreement between the parties hereto with respect to the services of the Contractor and the subject matter hereof and any and all previous agreements and representations, written or oral, expressed or implied, between the parties hereto or on their behalf, relating to the services of the Contractor and the subject matter hereof, are hereby terminated and cancelled and each of the parties hereto hereby releases and forever discharges the other of and from all manner of actions, causes of action, claims and demands whatsoever under or in respect of any such prior agreements and representations. Except as provided herein, no amendment or variation of any of the provisions of this agreement shall be valid unless made in writing and signed by each of the parties hereto.

16. **SEVERABILITY**

In the event that any provision herein or part thereof shall be deemed void, invalid, illegal or unenforceable by a court or other lawful authority of competent jurisdiction, the agreement shall continue in force with respect to the enforceable provisions and all rights accrued under the enforceable provisions shall survive any such declaration, and any non-enforceable provision, shall, to the extent permitted

by law, be replaced by a provision which, being valid, comes closest to the intention underlying the invalid, illegal or unenforceable provision.

17. **INDEPENDENT LEGAL ADVICE**

Contractor acknowledges that Contractor is aware that Contractor has the right to obtain independent legal advice before signing this agreement. Contractor hereby acknowledges and agrees that either such advice has been obtained or that Contractor does not wish to seek or obtain such independent legal advice. Contractor further acknowledges and agrees that Contractor has read this agreement and fully understands the terms of this Agreement and further agrees that all such terms are reasonable and that Contractor signs this agreement strictlyvoluntarily and without duress.

IN WITNESS WHEREOF the parties hereto have duly executed this agreement as of the date firstabove written.

) **CANOPY GROWTH USA, LLC**
)
)
) /s/ Phil Shaer
)
Per:
c/s
) Phil
Shaer

) **Brand House Group, N.A. Corporation**
)
)
)
)
) /s/ Julious Grant
Witness) c/sJulious Grant - President

SIGNED, SEALED &
DELIVERED)
in the presence of:)
)
)
)
)

/s/ Julious Grant

Witness)

s/s
Julious Grant

Schedule "A"

Confidentiality and Assignment of Property Rights Agreement

I am the Principal of **BRAND HOUSE GROUP, N.A. CORPORATION** (the "**Contractor**"), which provides contract services to Canopy Growth USA, LLC and its affiliates (collectively, the "**Company**") pursuant to a Services Agreement dated **September 24, 2020**, (the "**Contract Services Agreement**"). Pursuant to the terms of the Contract Services Agreement, Contractor has agreed to obtain, for the benefit of Company, a written agreement from each employee of Contractor who provides services to Company under the Contract Services Agreement. I will be providing services to Company on behalf of Contractor pursuant to the terms of the Contract Services Agreement (the "**Relationship**").

Therefore, in consideration of my Relationship, and in consideration of my employment with Contractor, including my receipt of the compensation now and hereafter paid to me by the Contractor in relation to the services I perform during the Relationship, and in consideration of the mutual covenants contained herein, I agree to the following:

1. **Confidential Information**

"**Confidential Information**" covered by this Agreement means (a) trade secrets; (b) proprietaryinformation that does not rise to the level of a statutorily protectable trade secret that is made theproperty of the Company through positive operation of law in the form of this mutual agreementof the parties; or (c) information that is otherwise legally protectable.

Confidential Information includes but is not limited to: Assigned Inventions (as defined in Section 6 below), knowledge, data, information, know-how, non-public intellectual property rights including unpublished or pending patent applications and all related patent rights, techniques, formulae, processes, discoveries, improvements, ideas, conceptions, compilations of data, and inventions, whether or not patentable and whether or not copyrightable.

By way of example, Confidential Information includes, but is not limited to the following, to the extent such information is not publicly known or disclosed: information relating to the Company'sproducts, services, and methods of operation; the identities and job-specific responsibilities and competencies of the Company's employees; the names and contact information for the decisionmakers at actual and potential customers and suppliers and their budgets, buying needs,history of sales, buying and selling habits, special needs, specific criteria for bids and purchase orders; chemical formulae; financial information, operating and cost data; research databases; selling and pricing information; budgeting, business, and marketing plans; and information concerning potential acquisitions, dispositions, or joint ventures; and privileged information, including communications with or advice received from professional advisors, such as legal counsel and financial advisors. The foregoing are only examples of Confidential Information.

As used herein, the term "**Affiliate**" includes any person or entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with,the Company.

2. **Exceptions to Confidential Information**

Notwithstanding the definition set forth in Section 2, Confidential Information does not include information that Principal can show by competent proof was:

(a) generally known to the relevant public at the time of disclosure, or became generally known after disclosure to Employee without breach by Employee of any obligation of confidentiality or non-use;

(b) lawfully received by Principal from a third party without breach of any confidentiality obligation;

(c) known to Principal prior to receipt from the Company; or

(d) independently developed by Principal or independent third parties without breach by Principal or any third party of any obligation of confidentiality or non-use.

Confidential Information also does not include information which, pursuant to applicable law, Principal has a specific right to disclose, but only to the extent of disclosure permitted by such applicable law.

3. **Record Keeping; Disclosure of Inventions**

During the Relationship, Principal will keep complete and accurate accounts, notes, data, and records regarding all inventions, discoveries, ideas, designs, works of authorship, formulas, processes, compositions of matter, software (including source and object code), databases, know-how and trade secrets, inventions, techniques, and improvements that Principal develops, invents, makes, creates, conceives, or reduces to practice, either alone or jointly with others, during the Relationship, whether or not in the course of Principal's employment, and whether or not patentable, copyrightable, or protectable as trade secrets (collectively, "**Inventions**"). During theperiod of the Relationship and for a period of six (6) months after termination, without additionalcompensation, Principal will promptly disclose to the Company fully and in writing all such Inventions and all such accounts, notes, data, and records. Any such accounts, notes, data, and records that relate to Assigned Inventions (as defined below) shall be the property of the Company, and upon request, Principal will promptly surrender the same to the Company.

4. **Works Made for Hire**

Principal acknowledges and agrees that all original works of authorship which are made by Principal (solely or jointly with others) within the scope of Principal's employment with the Contractor under the Relationship and which are protectable by copyright are "works made for hire," pursuant to United States Copyright Act (17 U.S.C., Section 101), provided that the foregoingprovision shall not apply to the extent it may deem Principal to be an employee of the Company for purposes of workers compensation, unemployment insurance, or withholding or reporting ofincome. In addition, if any original works of authorship which is made by Principal within the

scope of Principal's service and which is protectable by copyright is not considered "work made for hire", then Principal hereby assigns all my right, title, and interest in and to such work of authorship to the Company.

5. **Assignment of Inventions**

Principal hereby acknowledges and agrees that Inventions conceived, made, invented, created, developed, or reduced to practice by Principal, either alone or jointly with others, during the Relationship, whether or not in the course of employment which (i) relate at the time of conception or reduction to practice of the Invention to the Company's business, actual, demonstrably anticipated research, or invention of the Company; (ii) result from any work performed by Principal for the Company; (iii) were otherwise the company's property; or (iv) developed using the Company's property (collectively, the "**Assigned Inventions**"), are and will continue to be the sole and exclusive property of the Company pursuant to this Agreement and without further action required by either party. Principal hereby irrevocably assigns all AssignedInventions to the Company. Principal recognizes and understands that this Agreement does not require assignment of any Inventions that Principal develops entirely on Principal's own time without using any of the Company's equipment, supplies, facilities, or Confidential information.

6. **Prior Inventions**

Attached hereto as Appendix B is a list describing all original works of authorship, Inventions, and trade secrets which were made by Principal or acquired by Principal prior to the date of this Agreement, which belong to Principal, and which are not assigned to the Company ("**Prior Inventions**"). If disclosure of any such Prior Invention would cause Principal to violate any priorconfidentiality agreement, Principal understands that he or she is not to list such Prior Inventions in **Appendix B**, but only to disclose a cursory name for each such invention, a listing of the party(ies) to whom it belongs, and the fact that full disclosure as to such inventions has not been made for that reason. If no such list is attached, Principal represents that no such Prior Inventionsexist. Principal acknowledges and agrees that if Principal uses any of Principal's Prior Inventionsin the scope of the Relationship, or includes or incorporates any Prior Invention in any Assigned Invention, product, process, machine, or service of the Company, Principal hereby grants to the Company a perpetual, irrevocable, nonexclusive, worldwide, fully-paid, and royalty-free license (with the right to sublicense through multiple tiers of sublicensees), without any further action required by either party, to use, disclose, make, have made, sell, copy, distribute, modify, and create works based on, perform, or display such Prior Inventions. Principal agrees that he or shewill not use any of his or her Prior Inventions in the scope of the Relationship, or include or incorporate any Prior Invention in any Assigned Invention, product, process, machine, or service of the Company, or permit them to be used or included in any Assigned Invention, product, process, machine, or service of the Company, without the Company's prior written consent. If, at any time, a court or other tribunal rules that Principal's assignment under this paragraph is ineffective or unenforceable for any reason, Principal agrees to perform all actions necessary to assign the Assigned Inventions.

7. **Labor Code Section 2870 Notice**

Principal recognizes and understands that this Agreement does not apply to any Invention which qualifies fully as a nonassignable invention under Section 2870 of the California Labor Code or equivalent laws of other states, if applicable. If Principal is or becomes a resident of California, Principal has reviewed the notification on Appendix A ("**Limited Exclusion Notification**") and agrees that the Principal's signature acknowledges receipt of the notification. The Principal acknowledges and agrees that Principal shall not acquire any right, title, or interest in or to the Confidential Information or Assigned Inventions.

8. **Assignment of Other Rights**

In addition to the foregoing assignment of Assigned Inventions to the Company, Principal hereby irrevocably transfers and assigns to the Company: (a) all past, present, and future patent rights, copyrights, trade secret rights, and other intellectual property rights, including but not limited torights in databases, in any jurisdiction throughout the world, in and to all Assigned Inventions, along with any patents and any other registrations of, and any patent applications and other applications to register, any of the foregoing (collectively, "**Intellectual Property Rights**"); and

(b) any and all Moral Rights (as defined below) that Principal may have in or with respect to any Assigned Inventions and any Intellectual Property Rights therein or thereto. If any Assigned Inventions or Intellectual Property Rights therein or thereto, or any Moral Rights, cannot (as a matter of law) be assigned to the Company, then (i) Principal unconditionally and irrevocably waives the enforcement of such rights and all claims and causes of action of any kind against the Company with respect to such rights, and (ii) to the extent Principal cannot (as a matter of law) make such waiver, Principal unconditionally grants to the Company an exclusive, perpetual, irrevocable, worldwide, fully-paid, and royalty-free license, with the right to sublicense through multiple levels of sublicensees, under any and all such rights to (x) reproduce, create derivative works of, distribute, publicly perform, publicly display, and otherwise use the Assigned Inventions in any medium or format, whether now known or hereafter discovered; (y) use, make, have made, sell, offer to sell, import, and otherwise exploit any product or service based on, embodying, incorporating, or derived from the Assigned Inventions; and (z) exercise any and all other present or future rights in the Assigned Inventions without any restriction. As used herein, "**Moral Rights**" means any rights to claim authorship of or credit on Assigned Inventions, to object to or prevent the modification or destruction of any Assigned Inventions or Prior Inventions licensed to the Company under Sections 6 or 7, or to withdraw from circulation or control the publicationor distribution of any Assigned Inventions or Prior Inventions licensed to the Company under Sections 6 or 7, and any similar right, existing under judicial or statutory law of any country or subdivision thereof in the world, or under any treaty, regardless of whether or not such right is denominated or generally referred to as a "moral right".

9. **Assistance/Power to Act**

Principal agrees to assist the Company in every proper way, to obtain for the Company and enforce the Company's rights, title, and interest in and the Assigned Inventions and the Intellectual Property Rights therein and thereto, and other legal protections for the Company's Assigned Inventions, in any and all countries. To that end, Principal will execute any documents that the Company may reasonably request for use in obtaining or enforcing such Intellectual Property

Rights and other legal protections. Principal hereby assigns all of his or her right, title, and interest in and to any particular Assigned Invention to a third party, including, without limitation, the United States of America, as directed by the Company. Principal's obligations under this paragraph will continue beyond the termination of the Relationship, provided that the Company will compensate Principal at a reasonable rate after such termination for time or expenses actually spent by Principal at the Company's request on such assistance. Principal appoints the Secretary of the Company as Principal's attorney-in-fact to execute documents on Principal's behalf for this purpose. Principal will assist the Company in defending against any claim, action, or dispute alleging that any Assigned Invention infringes upon any third party's Intellectual Property Rights.

10. **Non-Disclosure and Non-Use of Confidential Information**

At all times during and subsequent to the termination of the Relationship, Principal shall keep andhold Confidential Information in strict confidence and trust. Principal shall not use, disclose, copy, reverse-engineer, distribute, lecture upon, publish, gain unauthorized access to, or misappropriate any Confidential Information without the prior written consent of the Company, except as may be necessary to perform Principal's duties as an employee of the Company for the benefit of the Company.

Notwithstanding Principal's confidentiality obligations, Principal is permitted to disclose Confidential Information that is required to be disclosed pursuant to judicial order or other legal mandate, provided that Principal has given the Company prompt notice of the disclosure requirement, and that Principal fully cooperates with any efforts by the Company to obtain and comply with any protective order imposed on such disclosure. Nothing in this Agreement prohibits or restricts Company employees from at any time: (a) providing information related to alleged misconduct to the U.S. Securities and Exchange Commission or any other federal, state, or local regulatory or law enforcement body, or from participating in any government investigation; or (b) engaging in protected concerted activity under the National Labor Relations Act.

11. **Company Property**

Principal agrees that all materials, documents, and data pertaining to the business of the Company that come into Principal's possession by virtue of the Relationship are the property of the Company. Upon the termination of the Relationship for any reason, Principal will deliver to the Company (and will not keep in Principal's possession or deliver to anyone else) the originals and all copies of such documents and materials and any other property of any nature belonging to the Company or relating to the Company's business in Principal's possession, custody, or control, including all forms of Confidential Information. If, at the time of termination, Principal has Confidential Information stored in his or her personal computer or any mobile, cloud, or other storage medium, he or she shall so advise the Company. Principal will not delete this information, and will work with the Company to ensure that the location of all such information is fully disclosed to the Company, retrieved by the Company in a forensically sound manner, and is permanently deleted by the Company or its designee. In the event of the termination of the Relationship, Principal agrees to complete, sign and deliver to the Company the "Termination Certificate" attached hereto as **Appendix C**, confirming Principal's agreement to honor Principal's

responsibilities contained in this Agreement after departure. Notwithstanding the foregoing, Principal shall be entitled to keep personal copies of (i) Principal's compensation records and (ii)this Agreement.

12. **Third-Party Information**

Principal understands, in addition, that the Company has received and, in the future, will receive from third parties confidential or proprietary information ("**Third-Party Information**") subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. During the term of the Relationship and thereafter, Principal will hold Third-Party Information in the strictest confidence and will not disclose to anyone (other than Company personnel who need to know such information in connection with Principal's workfor the Company) or use, except in connection with Principal's work for the Company, Third-Party Information unless expressly authorized by an officer of the Company in writing.

13. **DTSA Notification**

Notwithstanding the foregoing, or any contrary provision of this Agreement, under the Defend Trade Secrets Act of 2016, Principal shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (A) is made (i) in confidence to afederal, state, or a local government official, either directly or indirectly, or to an attorney; and (ii)solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made ina complaint or other document filed in a lawsuit or other proceeding, if such filing is made underseal and Principal does not disclose the trade secret except pursuant to a court order. Principal understands that in the event that disclosure of Company trade secrets was not done in good faithpursuant to the above, Principal will be subject to substantial damages, including punitive damages and attorneys' fees.

14. **Non-Disparagement**

Principal agrees that from and after the date Principal executes this Agreement (including following the date on which the Relationship ends for any reason), Principal will not make any negative, disparaging, or untrue statement concerning the Company and/or its parents, subsidiaries, or Affiliates or any of their respective officers, owners, directors, partners, members, shareholders, clients, investors, or employees to others or communicate with any representative of the media concerning the foregoing persons. Nothing in this provision prevents Principal from **disclosing information about unlawful acts in the workplace; testifying in an administrative, legislative, or judicial proceeding concerning alleged criminal conduct or alleged sexual harassment on the part of the Company or its agents in response to a court order, subpoena, or written request;** testifying truthfully under oath pursuant to any lawful court order or subpoena; or otherwise responding to or providing disclosures required by law, orin connection with a government investigation.

15. **No Breach of Prior Agreement**

Principal represents that Principal's performance of all the terms of this Agreement and Principal's duties as an employee of the Company will not breach any invention assignment,

proprietary information, confidentiality, or similar agreement with any former employer or otherparty. Principal represents that he or she will not bring to the Company or use in the performance of Principal's duties for the Company any documents or materials or intangibles of a former employer or third party that are not generally available to the public or have not been legally transferred to the Company.

16. **Injunctive Relief**

Principal understands that in the event of a breach or threatened breach of this Agreement by Principal, the Company will suffer irreparable harm and will therefore be entitled to temporaryand permanent injunctive relief, without posting of bond, to enforce this Agreement. Principal also understands that in the event of breach of this Agreement, the Company may pursue any and all available legal remedies, including monetary damages.

17. **Governing Law; Severability**

This Agreement shall be governed by and construed in accordance with the laws of the State in which the Principal is domiciled at the time the Relationship terminates, without reference to anychoice of law rules that may cause the application of the law of any other jurisdiction.

If any provision of this Agreement is determined by any court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect, such provision will be enforced to the maximum extent possible given the intent of the parties hereto. If such clause or provision cannot be so enforced, such unenforceable provision or part thereof shall be deemed to be omitted from this Agreement without in any way invalidating or impairing the other provisions of this Agreement.

18. **Entire Agreement**

This Agreement, its Appendices, and the documents referred to herein, constitute the entire agreement and understanding of the parties with respect to the subject matter of this Agreement, and supersede all prior understandings and agreements, whether oral or written, between or among the parties hereto with respect to the specific subject matter hereof.

19. **Assignment of Agreement**

Except as otherwise provided in this Agreement, this Agreement, and the rights and obligations ofthe parties hereunder, will be binding upon and inure to the benefit of their respective successors, assigns, heirs, executors, administrators, and legal representatives. The Company may assign any of its rights and obligations under this Agreement. No other party to this Agreement may assign, whether voluntarily or by operation of law, any of its rights and obligations under this Agreement, except with the prior written consent of the Company. The provisions of this Agreement shall survive the termination of The Relationship and the assignment of this Agreement by the Company.

20. **Amendment and Waivers**

This Agreement may be amended only by a written agreement executed by each of the parties hereto. No amendment, waiver, or modification of any obligation under this Agreement will be enforceable unless set forth in a writing signed by the party against whom enforcement is sought. Where such an amendment, waiver, or modification is sought from the Company, it must be signed by the General Counsel. Any amendment, waiver, or modification effected in accordance with this section will be binding upon all parties hereto and each of their respective successors and assigns. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance. No waiver granted under this Agreement as to any one provision herein shall constitute a subsequent waiver of such provision or of any other provision herein, nor shall it constitute the waiver of any performance other than the actual performance specifically waived.

Execution

PRINCIPAL HAS READ THIS AGREEMENT, UNDERSTANDS IT, HAS HAD THE OPPORTUNITY TO OBTAIN INDEPENDENT LEGAL ADVICE IN RESPECT OF IT, AND AGREES TO ITS TERMS.

October 16

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto as of the th day of , 2020.

SIGNED, SEALED AND DELIVERED in the presence of:)

/s/ Julious Grant

Witness)

Julious Grant

Canopy Growth USA, LLC.

/s/ Phil Shaer

APPENDIX "A" TO
PROTECTION OF BUSINESS INTERESTS AGREEMENT

LIMITED EXCLUSION NOTIFICATION APPLICABLE FOR CALIFORNIA THE EMPLOYEES ONLY

THIS IS TO NOTIFY you in accordance with Section 2872 of the California Labor Code that the foregoing Agreement between you and the Company does not require you to assign or offer to assign to the Company any invention that you developed entirely on your own time without using the Company's equipment, supplies, facilities or trade secret information except for those inventions that either:

1. Relate at the time of conception or reduction to practice of the invention to the Company's business, or actual or demonstrably anticipated research or development of the Company; or

2. Result from any work performed by you for the Company.

To the extent a provision in the foregoing Agreement purports to require you to assign an invention otherwise excluded from the preceding paragraph, the provision is against the public policy of this state and is unenforceable.

This limited exclusion does not apply to any patent or invention covered by a contract between the Company and the United States or any of its agencies requiring full title to such patent or invention to be in the United States.

I ACKNOWLEDGE RECEIPT of a copy of this notification.

Dated:

Signature:
Name:

APPENDIX "B" TO
PROTECTION OF BUSINESS INTERESTS AGREEMENT

PREVIOUS DEVELOPMENTS

The following is complete list of all Developments that I have conceived, developed, or reduced to practice prior to the commencement of my engagement by or with the Company that I consider tobe my property or the property of third parties and that I wish to have excluded from the scope ofthis Agreement.

☐ No inventions

Had previously developed a sports CBD topical idea/concept where we would partner with former and current professional athletes to manage pain and discomfort

See below:

10-16-2020

Dated:

Signature:

Julious Grant

/s/ Julious Grant

Name:

APPENDIX "C"

TO INTELLECTUAL PROPERTY AND CONFIDENTIAL INFORMATION AGREEMENT

Termination Certificate

To: Canopy Growth Corp. (the "Company")

Re: Intellectual Property and Confidential Information Agreement (the "Agreement") between the Company and the undersigned employee.

This is to certify that I do not have in my possession, nor have I failed to return, nor have a transferred to any third party, any confidential or proprietary information belonging to the Company, its subsidiaries, affiliates, successors, assigns, clients, customers or stakeholders, including without limitation, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment, other documents or property, or reproductions of any aforementioned items. I further certify that I have complied with all the terms of the Agreement signed by me, including the reporting of any Developments, inventions and original works of authorship (as defined therein), conceived or made by me (solely or jointly with others) covered by that Agreement.

I further agree that, in compliance with the Agreement, I will preserve as confidential all trade secrets, confidential knowledge, data or other proprietary information relating to products, processes, know-how, designs, formulas, developmental or experimental work, other original works of authorship, customer lists, business plans, financial information or other subject matter pertaining to any business of the Company or any of its clients, customers or stakeholders, subject to the limited exceptions provided pursuant to the Defend Trade Secrets Act of 2016 specified in the Agreement.

Date: Signed:

10-16-2020
/s/ Julious Grant

CODE OF BUSINESS CONDUCT AND ETHICS

Effective May 27, 2021 Version 4.0

Canopy Growth Corporation (the “Company” or “Canopy”) conducts its business in strict compliance with both the letter and spirit of all applicable laws and in full adherence with the highest standards of business integrity and ethics. Ethical business conduct as described in this Code of Business Conduct and Ethics (the “Code”) is part of all our dealings with ourcolleagues, customers, suppliers, licensors, licensees, investors and the general public. This Code is intended to promote that conduct in conjunction with the Company’s Disclosure Policy (the “Policy”).

1. General

The Code applies to the directors, officers (which term shall include executive officers) and employees (which term shallinclude consultants and contractors working for the Company under services agreements) of the Company and its subsidiaries. Directors, officers and employees are responsible for reading, understanding and complying with the Code.

The Code is not meant to be a complete listing of ethics and business conduct covering every eventuality. Consequently,if a director, officer or employee is confronted with a situation where further guidance is required, the matter should bediscussed with your supervisor or a member of the Canopy management team. If the matter cannot be resolved, it mustbe referred to the Chief Executive Officer or the Company’s outside legal counsel and Corporate Secretary, who have overall responsibility to provide guidance and ensure all enquiries and issues are addressed in a timely manner.

Nothing in this Code alters the terms and conditions of an employee’s employment or service provider arrangement.

This Code is meant to supplement and not replace any operating procedures or policies adopted by the Company or its subsidiaries in connection with their respective obligations under the Cannabis Act as well as any other laws applicable to the Company’s operations with respect to the growth, cultivation, production, manufacture and sale of cannabis.

Canopy is committed to conducting its business affairs in compliance with all applicable laws, statutes, rules, regulations and stock exchange policies and expects directors, officers and employees acting on its behalf to do likewise. In addition, business dealings among directors, officers and employees, and by directors, officers and employees, with shareholders, customers, suppliers, licensors, licensees, community organizations and governmental and regulatory authorities must bebased on principles of honesty, integrity and the ethical standards outlined in the Code.

2. Reporting Violations

Directors, officers and employees are expected not only to comply with various laws, statutes, rules, regulations, stock exchange policies and the Code’s ethical standards but are expected to report situations of non-compliance with respectto this Code of which they become aware. Beyond instances of non-compliance, directors, officers and employees may also report concerns relating to ethics and business conduct.

If any director, officer or employee chooses to remain anonymous, every effort will be made to respect this request. Noone will be punished for asking about possible breaches of law, regulation or company policy.
It is corporate policy not to take any action against a director, officer or employee who reports in good faith regardless of whether or not the report proves to be accurate. Any allegation of a reprisal will be investigated. Canopy has adopted a Whistleblower Protection Policy, a copy of which may be obtained via LumApps.

Any report can be made to Canopy’s Chairman of the Board, Chief Executive Officer or Corporate Secretary. In addition, violations can be reported pursuant Whistleblower Protection Policy.

3. Disciplinary Matters

A failure to comply with the Code may result in disciplinary actions up to and including termination of employment. Canopy's Board of Directors (the "Board") shall determine or designate appropriate persons to determine, appropriate actions to be taken in the event of violations of the Code. Such actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to the Code. In determining what action is appropriate in a particular case, the Board or such designee shall take into account all relevant information, including the nature and severity of the violation, whether the violation was intentional or inadvertent, the extent of the likely damage to the Company and its shareholders resulting from the violation and whether the individual has committed previous violations of the Code or another policy, if any, of Canopy concerning ethical behavior.

The Board will provide written notice to an individual involved in the violation stating that the Board or such designee has determined that there has been a violation and indicate the action to be taken by the Board against the individual.

4. Integrity of Records and Compliance with Sound Accounting

Accuracy and reliability in the preparation of all business records is of critical importance to the decision-making process and to the proper discharge of financial, legal and other reporting obligations. All business records, expense accounts, invoices, bills, payroll and employee records and other reports are to be prepared with care and honesty. False or misleading entries are not permitted in Canopy's books and records. All of Canopy's assets and liabilities are to be recorded in compliance with the Company's accounting and internal control procedures.

5. Protection and Proper Use of Assets

All directors, officers and employees have a responsibility to protect Canopy's assets against loss, theft, abuseand unauthorized use or disposal. Canopy's assets should only be used for legitimate business purposes.
The term "Canopy's assets" refers to all property whether tangible, intangible or electronic in form, which includesCanopy's products, inventory, equipment, office supplies, facilities, vehicles, computers and software, intellectual property, including but not limited to proprietary information, trade secrets and confidential information.

6. Confidentiality

During the normal course of business, directors, officers and employees will have access to business and information records of a confidential nature. In some cases, the information may affect the value of Canopy's shares or those of another company. Such confidential business information is not to be disclosed externally or used as a basis for trading inshares.

The confidential nature of any such information could include information developed by other employees or information acquired from outside sources, sometimes under obligations of secrecy. Directors, officers and employees are expected toutilize such information exclusively for business purposes and this information must not be disclosed externally without a confidentiality agreement and/or the prior approval of the Chief Executive Officer, Chairman or Lead Director (if one is elected).

In cases where information or records are obtained under an agreement with a third party, such as license agreements or technology purchases, employees must ensure that the provisions of such agreements are strictly adhered to so that Canopy will not be deemed to be in default. Unauthorized disclosure or use of information or records associated with these agreements could expose the employee involved and/or Canopy to serious consequences.

Nothing contained in Section 6 of this Code limits Canopy's directors, officers, employees and consultants' ability to file a charge or complaint with a governmental regulatory agency and nothing herein limits their ability to communicate with any such agencies or otherwise participate in any investigation or proceeding that may be conducted by any such agency, including providing documents or other information, without notice to Canopy.

7. Conflict of Interest

Directors, officers and employees should not engage in conduct, which is harmful to the Company or its reputation.

All directors, officers and employees have an obligation to be free of conflicting interests when they represent the Company in business dealings or are making recommendations which could influence the Company's subsequent actions.

In general terms, a conflict of interest would exist when an obligation or situation arising from the personal activities or financial affairs of a director, officer or employee, may adversely influence their judgment in the performance of their duties to Canopy. It should be understood that the conflicting interest referred to throughout this section may be direct orindirect. For example, the interest may be that of the director, officer, employee, a family member, a relative, or a business enterprise in which any of these individuals has an interest, financial or otherwise. Conflicts of interest may include:

A. Financial Interests: a conflict of interest will likely exist when a director, officer or employee who is able to influence business with Canopy, owns, directly or indirectly, a beneficial interest in an organization which is a competitor of Canopy,or which has current or prospective business as a supplier, licensors, licensees, customer, or contractor with Canopy.

A conflict is not likely to exist, however, where the financial interest in question consists of shares, bonds or other securities of a company listed on a securities exchange and where the amount of this interest is less than one percent of the value of the class of security involved.

B. Outside Work: a conflict of interest will likely exist when a director, officer or employee, directly or indirectly, acts as a director, officer, employee, consultant, or agent of an organization that is a competitor of Canopy, or which has current orprospective business as a supplier, licensors, licensees, customer or contractor with Canopy. Similarly, a conflict of interest may exist when an employee undertakes to engage in an independent business venture or to perform work or services foranother business, civic or charitable institution to the extent that the activity involved prevents such employee from devoting the time and effort to the conduct of Canopy's business, which the employee's position requires.

If a director, officer or employee has an agreement with Canopy with respect to non-competition and/or non-solicitation, such agreement shall govern only to the extent of any conflict between this Code and such agreement.

C. Gifts or Favours: a conflict of interest will arise when a director, officer or employee, either directly or indirectly, solicits and/or accepts any gift or favour from an organization which is a competitor of Canopy,
or which has current or prospective business with Canopy as a customer, supplier, licensors, licensees or contractor.
In such cases, the acceptance or prospect of gifts or favors may tend to limit or give the appearance of limitingthe director-, officer- or employee-recipient from acting solely in the best interests of Canopy in dealings with these organizations.

For this purpose, a "gift" or "favour" includes any gratuitous service, loan, discount, money or article of value.
It does not include loans from financial institutions on customary terms; articles of nominal value normally used for sales promotion purposes; or ordinary business meals or reasonable entertainment consistent with local socialor business customs.

D. Trading with Canopy: a conflict of interest may exist when a director, officer or employee is directly or indirectly a partyto any business transaction with Canopy.

E. Misappropriation of Business Opportunities: a conflict of interest will exist when a director, officer or employee, without the knowledge and consent of Canopy, appropriates for their own use, or that of another person or organization, the benefit of any business venture, opportunity or potential about which the director, officer or employee may have

learned or may have developed during the course of his/her association with Canopy. Employees, officers and directors of Canopy are prohibited from: (i) taking for themselves personal opportunities that are discovered through the use of corporate property, information or position; (ii) using corporate property, information, or position for personal gain; and (iii) competing with Canopy.

In accordance with all applicable privacy legislation, Canopy respects the right of employees to privacy in their personal activities and financial affairs. The prime purpose of this section of the Code is to provide guidance to directors, officers and employees so that they can avoid situations in their personal activities and financial affairs, which are, or may appearto be, in conflict with their responsibility to act in the best interests of Canopy.

Employees are requested to inform management and bring any potential or actual conflict of interest situation to the attention of the Chief Executive Officer or Chairman for discussion, review and written approval, if required.

As soon as a director or officer becomes aware that he or she has a potential or actual conflict of interest situation he or she must bring such conflict to the attention of the Board either in writing or in person at the next board meeting.

In respect of a conflicted officer, the Board shall determine whether the conflict is material or of sufficient concern to necessitate termination of such officer's involvement with Canopy. If not, the Board shall determine what, if any, procedures shall be implemented to ensure that such officer's potential or actual conflict does not interfere with his or her duties to Canopy and that he or she is not part of any decision making process where his or her potential or actual conflict could reasonably impair his or her ability to act in Canopy's best interests.

In respect of directors, all directors must keep the Board informed of actual or potential conflicts so that the disinterested Board members may adopt appropriate procedures in light of such actual or potential conflict. Without limiting the foregoing, a director that has declared a potential conflict because he or she is (i) a party to a material contract or transaction or proposed material contract or transaction with Canopy; or (ii) a director or an officer of, or has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with Canopy, shall not attend any part of a meeting of the Board during which the contract or transaction is discussed and shall not vote on any resolution to approve the contract or transaction unless the contract or transaction is:

(a) one that relates primarily to his or her remuneration as a director of Canopy or an affiliate thereof;

(b) one for indemnity or directors and officers liability insurance; or

(c) one with an affiliate of Canopy.

Public disclosure shall be made with respect to the material interest of any officer or director of Canopy in any material agreement or proposed agreement between Canopy and that director or officer. The majority of disinterested directorsmust consider the proper scope and nature of the disclosure.

8. Improper Business Payments

The following are deemed improper business payments and are therefore prohibited:

A. the offering or accepting of bribes, payoffs or kickbacks made directly or indirectly to obtain an advantage in a commercial transaction or to influence any decision; and

B. the offering of gifts, gratuities, entertainment or other similar payments, except to the extent customary andreasonable in amount and not in consideration for any improper action by the recipient.

In addition, the *United States Foreign Corrupt Practices Act of 1977*, as amended (the "FCPA"), contains certain prohibitions with respect to giving anything of value, directly or indirectly, to foreign government officials or certain other

individuals in order to obtain, retain or direct business for or to any person. Accordingly, corporate funds, property or anything of value may not be, directly or indirectly, offered or given by Canopy's directors, officers and employees or an agent acting on Canopy's behalf to a government official or employee, employee or agent of a state-owned or controlled enterprise, employee or agent of a public international organization, political party or official or any candidate for politicaloffice, including any family member or household member of any of the above, for the purpose of influencing any act or decision of such party of person or inducing such party or person to use his or her influence or to otherwise secure any improper advantage, in order to assist in obtaining or retaining business for, or directing business to, any person. Please refer to Canopy's Anti-Bribery and Anti-Corruption Policy for details concerning compliance with the FCPA by Canopy's employees, agents and suppliers.

9. Laws, Statutes, Regulations and Stock Exchange Policies

Canopy is required to maintain compliance with various laws, statutes, rules, regulations and stock exchange policies governing activities in the jurisdictions in which Canopy carries on business, including but not limited to the *Cannabis Act* and the FCPA.

This Code does not seek to provide legal guidance for all laws, statutes, rules, regulations and stock exchange policies that impact on the Company's activities. There are, however, several items that warrant specific mention. These are listed below along with some general guidelines for compliance.

A. Workplace Health and Safety Laws: Canopy is committed to create and maintain healthy and safe workplaces for itspeople. Employees are expected to comply with all safety laws, regulations and Canopy policies (which may not necessarily be a law or regulation).

B. Human Rights Legislation: Canopy does not discriminate on the basis of citizenship, race, colour, religion, sex/pregnancy, age, place of origin, ethnic origin or ancestry, sexual orientation, gender identity or expression, disability,veteran status, marital or family status, political affiliation, receipt of public assistance or any other factors prohibited byfederal, state/provincial, or local law. This policy applies to all terms and conditions of employment including but not limited to hiring, placement, promotion, termination, layoff, transfers, leave of absence, compensation and training.

In addition, Canopy does not and will not condone any discriminatory conduct of its agents and non-employees who have contact with employees during working hours.

Discrimination will not be tolerated. Any discrimination should be reported to the Chief Executive Officer or any memberof the Canopy management team.

C. Competition: Canopy is committed to the ideals of free and competitive enterprise. To comply with fair competition laws, Canopy is required to make its own decisions on the basis of the best interests of Canopy and must do so independent of agreements and understandings with competitors. Certain statutes and regulations prohibit certain arrangements or agreements with others regarding product prices, terms of sale, division of markets, allocation of customers and any other practice, which restrains competition.

D. Securities Laws: All directors, officers or employees must only trade in the shares of Canopy in strict compliance withapplicable securities laws. They must make themselves aware of matters pertaining to "insider trading" and the use of non-public information. Insider trading is a violation of Canopy's rules and is against the law.

Any director, officer or employee who possesses material, non-public information may not buy or sell Canopy securitieswhile such information remains non-public. These trading prohibitions apply to directors, officers at all levels and employees. The prohibition on such trading is based on such information potentially providing an unfair advantage to such director, officer or employee. You should consider information to be material if there is a reasonable prospect that

an investor would consider the information to be important in arriving at a decision to buy, sell or hold Canopy securities. If you have any questions about whether information is material or public, contact the General Counsel & Corporate Secretary. In this regard, you must also be familiar with and act in accordance with the Policy and with the Company's *Insider Trading Policy*.

E. Stock Exchange Policies: As a corporation listed on the Toronto Stock Exchange (the "TSX") and the Nasdaq Stock Market (the "Nasdaq"), the Company is required to operate in strict compliance with the rules and policies of the TSX and the Nasdaq. All directors, officers and employees are responsible to ensure compliance with TSX and Nasdaq policies insofar as they impact upon their field of responsibility. Any officer or employee that is not aware whether or how the policies of the TSX or the Nasdaq might impact on his or her role and responsibilities should discuss with his or her supervisor and/or the Company's external legal counsel. The TSX's rules and policies are also available to the public at www.TMX.com.

F. Health Canada Considerations: The Company and its subsidiaries are dependent on licenses granted by Health Canadapursuant to the Cannabis Act. Accordingly, compliance with the Cannabis Act, the Controlled Drugs and Substances Act, requirements of Health Canada and related laws and regulations is to be considered the topoperational priority for every director, officer and employee.

10. Amendment, Modification, Waiver and Termination of the Code

Canopy reserves the right to amend, modify, waive or terminate the rules, guidelines and policies associated with this Code at any time for any reason.

Canopy will report any changes to this Code to the extent required by applicable regulatory authorities.

Any waiver of any provision of this Code made to any officer or director may only be made by the Board and any waiverof any provision of this Code made to any employee, officer or director will be disclosed in accordance with the regulations set forth by applicable regulatory authorities, including in accordance with Rule 5610 of the Listing Rules of the Nasdaq Stock Market.

11. Public Company Reporting and Other Public Communication

As a public company, it is of critical importance that Canopy's filings and submissions to securities regulatory authorities and stock exchanges are timely and accurate. Depending on his or her position with Canopy, a director, officer or employee may be called upon to provide necessary information to assure that Canopy's public reports and documents filed with the securities regulatory authorities and stock exchanges and other public communications by Canopy are full, fair, accurate, timely and understandable. Canopy expects its directors, officers and employees to provide prompt, accurate answers to inquiries related to Canopy's public disclosure requirements.

All directors, officers and employees must, and must cause Canopy to comply with the system of disclosure controls and procedures devised, implemented and maintained by Canopy to provide reasonable assurances that information required to be disclosed by Canopy in reports that it files or submits under the rules and regulations of the securities regulatory authorities or stock exchanges is properly authorized, executed, recorded, processed and reported. In this regard, you must also be familiar with and act in accordance with the Policy.

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by Canopy in the reports filed with the securities regulatory authorities or stock exchanges is accumulated and communicated to Canopy's management, as appropriate, to allow timely decisions regarding required disclosure.

12. Fair Dealing

Canopy competes for its business fairly. All directors, officers and employees must observe the highest standards of ethicalconduct in dealing with Canopy's employees as well as the outside parties with which Canopy does business, including customers, suppliers and competitors. None of the directors, officers and employees should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice.

Responsibility for the periodic review and revision of this Code lies with Canopy's board of directors.

A. Questions concerning the Code should be referred to the Chief Executive Officer, Chairman or Lead Director (if one is elected).

B. Any reports of non-compliance with the Code or concerns relating to ethics and business conduct can be made to Canopy's Chair of the Board, Chief Executive Officer, or Corporate Secretary.

Exhibit 21.1

SUBSIDIARIES OF CANOPY GROWTH CORPORATION

As of March 31, 2021

Entity Name	Jurisdiction of Incorporation or Organization
10006215 Manitoba Ltd.	Manitoba
10252832 Canada Inc.	Canada
10663824 Canada Inc.	Canada
11065220 Canada Inc.	Canada
11128752 Canada Inc.	Canada
11239490 Canada Inc.	Canada
11318152 Canada Inc.	Canada
1135024 B.C. Ltd	British Columbia
1135024 B.C. Ltd.	British Columbia
1208640 B.C. Ltd.	British Columbia
150486 Limited	Jamaica
2344823 Ontario Inc.	Ontario
9388036 Canada Inc.	Canada
Algarithm Ingredients Inc.	Canada
Apollo Applied Research Inc.	Canada
BATAVIA BIO PROCESSING LIMITED	Illinois
BC Tweed Joint Venture Inc.	British Columbia
Beckley Canopy Therapeutics Limited	United Kingdom
BioSteel Sports Nutrition Inc.	Canada
Biosteel Sports Nutrition USA LLC	Delaware
C3 Cannabinoid Compound Company GmbH	Germany
Canamo y Fibras Naturales S.L.	Spain
Canopy Growth Argentina Corporation SRL	Argentina
Canopy Growth Australia PTY Ltd.	Australia
Canopy Growth Brasil Biomedical Ltda.	Brazil

Canopy Growth Chile SpA	Chile
Canopy Growth Colombia S.A.S.	Colombia
Canopy Growth Corporation Insurance Limited	Bermuda
Canopy Growth Corporation Mexico, S.R.L. de C.V.	Mexico
Canopy Growth Czech s.r.o.	Czech
Canopy Growth Denmark ApS	Denmark
Canopy Growth Farms Australia PTY Ltd.	Australia
Canopy Growth Germany GmbH	Germany
Canopy Growth Hellas S.A.	Greece
Canopy Growth Holdings BV	Netherlands
Canopy Growth LATAM Holdings Corporation	Canada
Canopy Growth New Zealand Limited	New Zealand
Canopy Growth Peru SAC	Peru
Canopy Growth Polska Sp. Z. o. o.	Poland
Canopy Growth UK Limited	United Kingdom
Canopy Growth USA, LLC	Delaware
Coldstream Manufacturing I LLC	Delaware
Coldstream Real Estate Holdings I LLC	Delaware
Coldstream Real Estate Holdings II LLC	Delaware
Coldstream Real Estate Holdings III LLC	Delaware
East Coast Tweed Inc.	Newfoundland
EB TRANSACTION CORP.	Delaware
EB Transaction Sub I, LLC	Delaware
HIP Developments LLC	Delaware
HIP NY Developments LLC	Delaware
JuJu Joints Canada Corp.	Ontario
Lakessence International (Private) Limited	Sri Lanka
Les Serres Vert Cannabis Inc.	Quebec
POS BIO-SCIENCES USA INC.	Illinois
POS Management Corp.	Saskatchewan

POS Pilot Plant Corporation	Ontario
Spectrum Biomedical UK Limited	United Kingdom
Spectrum Labs Brasil S.A.	Brazil
Spectrum Therapeutics Austria GmbH	Austria
Spectrum Therapeutics GmbH	Germany
Storz & Bickel America, Inc.	California
Storz & Bickel GmbH	Germany
THC Pharm GmbH Health Concept	Germany
The Tweed Tree Lot Inc.	New Brunswick
This Works! Products Ltd.	United Kingdom
Tweed Franchise Inc.	Canada
Tweed Inc.	Ontario
Tweed Leasing Corp.	Canada
TWP IP Ltd.	United Kingdom
TWP UK Holdings Ltd.	United Kingdom
TWP USA Inc.	Delaware
Wachstum Produce GP Inc.	British Columbia

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors

Canopy Growth Corporation

We, KPMG LLP, consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-253399) and Form S-8 (Nos. 333-251379 and 333-229352) of Canopy Growth Corporation (the “Company”), of our reports dated June 1, 2021, with respect to the consolidated financial statements of the Company, which comprise the consolidated balance sheets as at March 31, 2021 and March 31, 2020, the related consolidated statements of operations and comprehensive loss, changes in shareholders’ equity and cash flows for each of the years in the three-year period ended March 31, 2021, and the related notes, and the effectiveness of internal control over financial reporting as of March 31, 2021, included herein.

/s/ KPMG LLP
Chartered Professional Accountants, Licensed Public Accountants

June 1, 2021
Ottawa, Canada

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David Klein, certify that:

1. I have reviewed this Annual Report on Form 10-K of Canopy Growth Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 1, 2021

By: /s/ David Klein
David Klein
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Lee, certify that:

1. I have reviewed this Annual Report on Form 10-K of Canopy Growth Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 1, 2021

By: /s/ Michael Lee
Michael Lee
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Annual Report of Canopy Growth Corporation (the "Company") on Form 10-K for the period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Klein, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

June 1, 2021

/s/ David Klein
David Klein
Chief Executive Officer
(Principal Executive Officer)

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

Exhibit 32.2

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

In connection with the Annual Report of Canopy Growth Corporation (the "Company") on Form 10-K for the period ended March 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Lee, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

June 1, 2021

/s/ Michael Lee
Michael Lee
Chief Financial Officer
(Principal Financial Officer)

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