CANOPY GROWTH CORPORATION

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

FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2026

NOVEMBER 6, 2026

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

Introduction

This Management's Discussion and Analysis ("MD&A") should be read together with other information, including our unaudited condensed interim consolidated financial statements and the related notes to those statements included in Part I, Item 1 of this Quarterly Report (the "Interim Financial Statements"), our consolidated financial statements appearing in our Annual Report on Form 10-K for the fiscal year ended March 31, 2026 (the "Annual Report"), and Part I, Item 1A, Risk Factors, of the Annual Report. This MD&A provides additional information on our business, recent developments, financial condition, cash flows and results of operations, and is organized as follows:

- *Part 1 - Business Overview.* This section provides a general description of our business, which we believe is important in understanding the results of our operations, financial condition, and potential future trends.

- *Part 2 - Results of Operations.* This section provides an analysis of our results of operations for the second quarter of fiscal 2027 in comparison to the second quarter of fiscal 2026, and for the six months ended September 30, 2026 in comparison to the six months ended September 30, 2025.

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

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

Special Note Regarding Forward-Looking Statements

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

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

- laws and regulations and any amendments thereto applicable to our business and the impact thereof, including uncertainty regarding the application of U.S. state and federal law to cannabis and hemp (including hemp-derived cannabidiol ("CBD")) products and the scope of any regulations by the U.S. Food and Drug Administration, the U.S. Drug Enforcement Administration, the U.S. Federal Trade Commission, the U.S. Patent and Trademark Office, the U.S. Department of Agriculture and any state equivalent regulatory agencies over cannabis and hemp (including CBD) products;
- expectations regarding the amount or frequency of impairment losses, including as a result of the write-down of intangible assets, including goodwill;
- our ability to refinance debt as and when required on terms favorable to us and comply with covenants contained in our debt facilities and debt instruments;
- the impacts of the Company's strategy to accelerate entry into the U.S. cannabis market through the creation of Canopy USA, LLC ("Canopy USA");
- expectations for Canopy USA to capitalize on the opportunity for growth in the United States cannabis sector and the anticipated benefits of such strategy;
- the timing and occurrence of the final tranche closing in connection with the acquisition of Lemurian, Inc. ("Jetty") by Canopy USA pursuant to the exercise of the options to acquire Jetty;
- the issuance of additional common shares of the Company (each whole share, a "Canopy Share" or a "Share") to satisfy any deferred and/or option exercise payments to the shareholders of Wana (as defined below) and Jetty and the issuance

of additional Non-Voting Shares (as defined below) issuable to Canopy Growth from Canopy USA in consideration thereof;
- the acquisition of additional Canopy USA Common Shares (as defined below) in connection with the Trust Transaction (as defined below), including any warrants of Canopy USA issued to the Trust (as defined below) in accordance with the Trust SPA (as defined below);
- expectations regarding the potential success of, and the costs and benefits associated with, our acquisitions, equity investments and dispositions, including our acquisition of MTL Cannabis Corp. ("MTL");
- the grant, renewal and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;
- our international activities, including required regulatory approvals and licensing, anticipated costs and timing, and expected impact;
- our ability to successfully create and launch brands and further create, launch and scale products in jurisdictions where such products are legal and that we currently operate in;
- the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, including CBD and other cannabinoids;
- our remediation plan and our ability to remediate the material weakness in our internal control over financial reporting;
- expectations regarding the use of proceeds of equity financings;
- the legalization of the use of cannabis for medical or adult-use in jurisdictions outside of Canada, the related timing and impact thereof and our intentions to participate in such markets, if and when such use is legalized;
- the impact of the implementation of the rescheduling of medical cannabis from Schedule I controlled substance under the Controlled Substances Act (21 U.S.C. § 811) to a Schedule III controlled substance;
- our ability to execute on our strategy and the anticipated benefits of such strategy;
- the ongoing impact of the legalization of additional cannabis product types and forms for adult-use in Canada, including federal, provincial, territorial and municipal regulations pertaining thereto, the related timing and impact thereof and our intentions to participate in such markets;
- the ongoing impact of developing provincial, state, territorial and municipal regulations pertaining to the sale and distribution of cannabis, the related timing and impact thereof, as well as the restrictions on federally regulated cannabis producers participating in certain retail markets and our intentions to participate in such markets to the extent permissible;
- the timing and nature of legislative changes in the U.S. regarding the regulation of cannabis including tetrahydrocannabinol ("THC");
- the future performance of our business and operations;
- our competitive advantages and business strategies;
- the competitive conditions of the industry;
- the expected growth in the number of customers using our products;
- expectations regarding revenues, expenses and anticipated cash needs;
- expectations regarding cash flow, liquidity and sources of funding;
- expectations regarding capital expenditures;
- the expansion of our production and manufacturing, the costs and timing associated therewith and the receipt of applicable production and sale licenses;
- expectations with respect to our growing, production and supply chain capacities;
- expectations regarding the resolution of litigation and other legal and regulatory proceedings, reviews and investigations;
- expectations with respect to future production costs;
- the effects of tariffs and related retaliatory measures, the levels of inflation, interest rates and trade policy and risks relating to the evolving regulatory landscape in the United States, on our costs and our margins;
- the effects of the conflict in the Middle East and its impact on global commerce and shipping supply chains and potential shipping delays;
- expectations with respect to future sales and distribution channels and networks;
- the expected methods to be used to distribute and sell our products;
- our future product offerings;
- the anticipated future gross margins of our operations;
- accounting standards and estimates;
- expectations regarding our distribution network;
- expectations regarding the costs and benefits associated with our contracts and agreements with third parties, including under our third-party supply and manufacturing agreements;
- our ability to comply with the listing requirements of the Nasdaq Stock Market LLC ("Nasdaq") and the Toronto Stock Exchange ("TSX"); and
- expectations on price changes for products in cannabis markets.

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

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

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

the 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 Quarterly Report and other reports we file with, or furnish to, the SEC and other regulatory agencies and made by our directors, officers, other employees, and other persons authorized to speak on our behalf are expressly qualified in their entirety by these cautionary statements.

Part 1 - Business Overview

We are here to better lives through cannabis.

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

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

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

We are building a global, consumer-centric company with a clear and uncompromising ambition: to lead the world in bettering lives through cannabis. A company with brands and category-defining products that can scale globally, grounded in superior flower cultivation, driven by innovation across formats and technologies, and consistently delighting consumers. A company driven by focused and disciplined operators, relentless in execution, strategic prioritization, and financial performance. Our foundation is built on four enduring values:

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

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

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

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

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

We aspire to demonstrate how cannabis can be used to bettering lives and communities, and we have defined a clear strategy to bring this ambition to life. Our overall strategy is anchored in our commitment to building beloved consumer brands within an asset-right operating model, which focuses on driving efficiency for the greatest return on investment while owning the core capabilities that are critical to long-term sustainable success. We believe that this will enable us to compete more effectively, and lead, in today's rapidly evolving market.

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

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

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

- ***Focused growth in international medical cannabis market*** - Our unwavering commitment to the safety and effectiveness of our products is a critical strategic imperative which also helps differentiate us in the growing cannabis market. We deliver medical cannabis to patients in Germany, Poland, Australia and the United Kingdom. To remain successful, we consistently strive to make significant investments in our operations within Canada and Europe and we are well-positioned to pursue international growth opportunities with our strong medical cannabis brands and distribution networks. We intend to fuel the continued demand for our European Union Good Manufacturing Practices ("EU-GMP") certified medical grade cannabis internationally with supply from within Europe and from our Canadian EU-GMP certified facility in Kincardine, Ontario. In addition, we will continue to maximize our existing routes to market to further our execution on our international growth plans, while leveraging our cannabis expertise and well-established medical brands.

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

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

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

Segment Reporting

We report our financial results for the following two reportable segments:

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

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

Canopy USA

On October 24, 2022, we completed a number of strategic transactions in connection with the creation of Canopy USA, a U.S.-domiciled holding company wherein, as of October 24, 2022, Canopy USA holds certain U.S. cannabis investments previously held by us.

On May 19, 2023, the Company and Canopy USA entered into the First A&R Protection Agreement (as defined below) and amended and restated Canopy USA's limited liability company agreement (the "A&R LLC Agreement"). Pursuant to the A&R LLC Agreement, the share capital of Canopy USA was amended to, among other things, (a) create a new class of Canopy USA Class B Shares (as defined below), which may not be issued prior to the conversion of the Non-Voting Shares or the Class A shares of Canopy USA (the "Canopy USA Common Shares") into Canopy USA Class B Shares; (b) amend the terms of the Non-Voting Shares such that the Non-Voting Shares will be convertible into Canopy USA Class B Shares (as opposed to Canopy USA Common Shares); and (c) amend the terms of the Canopy USA Common Shares such that upon conversion of all of the Non-Voting Shares into Canopy USA Class B Shares, the Canopy USA Common Shares will, subject to their terms, automatically convert into Canopy USA Class B Shares, provided that the number of Canopy USA Class B Shares to be issued to the former holders of the Canopy USA Common Shares will be equal to no less than 10% of the total issued and outstanding Canopy USA Class B Shares following such issuance. Accordingly, in no circumstances will the Company, at the time of such conversions, own more than 90% of the Canopy USA Class B Shares.

On May 19, 2023, Canopy USA and Huneeus 2017 Irrevocable Trust (the "Trust") entered into a share purchase agreement (the "Trust SPA"), which sets out the terms of the Trust's investment in Canopy USA in the aggregate amount of up to US$20 million (the "Trust Transaction"). Agustin Huneeus, Jr. is the trustee of the Trust and is an affiliate of a shareholder of Jetty. On April 26, 2024, Canopy USA completed the first tranche closing of the Trust Transaction and pursuant to the Trust SPA, the timeline to complete the second tranche closing has lapsed. As of September 30, 2026, the Trust holds an aggregate 28,571,429 Canopy USA Common Shares and warrants to acquire up to 85,714,284 Voting Shares (as defined in the A&R LLC Agreement) expiring on April 26, 2031. Subject to the terms of the Trust SPA, the Trust has been granted options to acquire additional Voting Shares with a value of up to an additional US$10 million and one such additional option includes the issuance of additional warrants of Canopy USA.

In addition, subject to the terms and conditions of the A&R Protection Agreement (as defined below) and the terms of the option agreements to acquire Wana and Jetty, as applicable, Canopy Growth may be required to issue additional Canopy Shares in satisfaction of certain deferred and/or option exercise payments to the shareholders of Wana and Jetty. Canopy Growth will receive additional Non-Voting Shares from Canopy USA as consideration for any Canopy Shares issued in the future to the shareholders of Wana and Jetty.

On April 30, 2024, Canopy USA and its members entered into a second amended and restated limited liability company agreement (the "Second A&R LLC Agreement"). In accordance with the terms of the Second A&R LLC Agreement, the terms of the Non-Voting Shares have been amended such that the Non-Voting Shares are only convertible into Canopy USA Class B Shares following the date that the NASDAQ Stock Market or The New York Stock Exchange permit the listing of companies that consolidate the financial statements of companies that cultivate, distribute or possess marijuana (as defined in 21 U.S.C 802) in the United States. Based on the Company's discussions with the Office of the Chief Accountant of the SEC, the Company believes that the staff of the SEC would not object to the deconsolidation of the financial results of Canopy USA from the Company's financial statements in accordance with U.S. GAAP.

Canopy USA and certain entities controlled by Canopy USA (the "Canopy USA LPs") currently hold an ownership interest in the following assets, among others:

- **Wana** – Canopy USA holds 100% of the membership interests of Mountain High Products, LLC, Wana Wellness, LLC and The Cima Group, LLC (collectively, "Wana"), a leading cannabis edibles brand in North America.

- **Jetty** – Canopy USA holds approximately 77% of the shares of Jetty, a California-based producer of high-quality cannabis extracts and pioneer of clean vape technology.
- **Acreage** – Canopy USA holds 100% of the issued and outstanding shares of Acreage, a vertically-integrated multi-state cannabis operator, with its main operations in densely populated states across the Northeast U.S., including New Jersey and New York.
- **TerrAscend** – the Canopy USA LPs hold an aggregate of 64,564,487 common shares (the "TerrAscend Common Shares") in the capital of TerrAscend Corp. ("TerrAscend") on an as-converted basis and 22,474,130 TerrAscend Common Share purchase warrants with a weighted average exercise price of $6.07 per TerrAscend Common Share and expiring on December 31, 2032 (the "TerrAscend Warrants"). Assuming full exercise of the TerrAscend Warrants, the Canopy USA LPs will hold an aggregate of 87,038,617 TerrAscend Common Shares on an as-converted basis assuming conversion of the TerrAscend exchangeable shares held by the Canopy USA LPs. TerrAscend is a leading North American cannabis operator with vertically integrated operations and a presence in Pennsylvania, New Jersey, Ohio and California as well as licensed cultivation and processing operations in Maryland.

Canopy USA was determined to be a variable interest entity pursuant to ASC 810 - *Consolidations* ("ASC 810"). In accordance with ASC 810, Canopy Growth consolidated the financial results of Canopy USA up to April 30, 2024. As of April 30, 2024, Canopy Growth has deconsolidated the financial results of Canopy USA and has a non-controlling interest in Canopy USA as of such date.

Ownership of U.S. Cannabis Investments

The shares and interests in Acreage, Wana and Jetty are held, directly or indirectly, by Canopy USA and the shares and warrants in TerrAscend are held directly by the Canopy USA LPs, and Canopy Growth no longer holds a direct interest in any shares or interests in such entities. Canopy Growth holds non-voting and non-participating shares (the "Non-Voting Shares") in the capital of Canopy USA and an interest in the Canopy USA LPs. The Non-Voting Shares do not carry voting rights, rights to receive dividends or other rights upon dissolution of Canopy USA. The Non-Voting Shares are convertible into Class B shares of Canopy USA (the "Canopy USA Class B Shares"), provided that such conversion shall only be permitted following the Stock Exchange Permissibility Date. The Company also has the right (regardless of the fact that its Non-Voting Shares are non-voting and non-participating) to appoint one member to the Canopy USA board of managers.

As of September 30, 2026, the Trust holds 28,571,429 Canopy USA Common Shares, the shareholders of Wana collectively hold 60,955,929 Canopy USA Common Shares and a wholly-owned subsidiary of the Company holds all of the issued and outstanding Non-Voting Shares in the capital of Canopy USA, representing approximately 84.4% of the issued and outstanding shares in Canopy USA on an as-converted basis.

Canopy Growth and Canopy USA are also party to a protection agreement (the "Protection Agreement") to provide for certain covenants in order to preserve the value of the Non-Voting Shares held by Canopy Growth until such time as the Non-Voting Shares are converted in accordance with their terms, provided that, such conversion shall only be permitted following the Stock Exchange Permissibility Date, but does not provide Canopy Growth with the ability to direct the business, operations or activities of Canopy USA. The Protection Agreement was amended and restated on May 19, 2023 (the "First A&R Protection Agreement") and on January 25, 2024 (the "Second A&R Protection Agreement" and together with the First A&R Protection Agreement, the "A&R Protection Agreement").

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

Acreage Agreements

On June 4, 2024, the option to acquire the issued and outstanding Class E subordinate voting shares (the "Fixed Shares") of Acreage (the "Acreage Option") was exercised in accordance with the terms of the arrangement agreement dated April 18, 2019, as amended on May 15, 2019, September 23, 2020 and November 17, 2020 (the "Existing Acreage Arrangement Agreement"). Concurrently with the closing of the acquisition of the Fixed Shares pursuant to the exercise of the Acreage Option, on December 9, 2024, the Fixed Shares were issued to Canopy USA upon closing of the Acreage Acquisition (as defined below). Accordingly, Canopy Growth does not hold any Fixed Shares or Floating Shares (as defined below). The acquisition of the Floating Shares pursuant to the court-approved plan of arrangement occurred immediately prior to the acquisition of the Fixed Shares pursuant to the Existing Acreage Arrangement Agreement such that 100% of the issued and outstanding shares of Acreage are owned by Canopy USA.

On June 3, 2024, a wholly-owned subsidiary of the Company (the "Optionor") acquired certain outstanding debt of Acreage (the "Debt Acquisition").

The Optionor entered into various agreements in connection with the Debt Acquisition in order to acquire approximately US$99.8 million of Acreage's outstanding debt (the "Acquired Debt") in exchange for approximately US$69.8 million in cash and the release of approximately US$30.1 million that was held in escrow.

The Optionor subsequently transferred approximately US$2.2 million of the Acquired Debt and entered into a series of agreements, including an amended and restated credit agreement (the "First ARCA"), which provided for, among other things, the Acquired Debt, certain interest payments to be paid-in-kind, revisions to certain financial covenants and, following certain events, an extension to the maturity date.

On September 13, 2024, the Optionor entered into a series of transactions with, among others, an arm's length third-party lender (the "ARCA Lender"). Pursuant to such transactions, the Optionor, the ARCA Lender and Acreage, among others, amended and restated the First ARCA pursuant to a second amended and restated credit agreement dated as of September 13, 2024 (the "Second ARCA"). Pursuant to the Second ARCA and an agreement among lenders entered into on September 13, 2024 between, among others, the Optionor and the ARCA Lender, all interest owing to the Optionor under the Second ARCA is, subject to the consent of the ARCA Lender, to be paid-in-kind and not in cash.

On July 29, 2025, Canopy USA secured from the ARCA Lender an additional US$22 million in financing for Acreage and its subsidiaries (the "2025 Acreage Financing"). In connection with the 2025 Acreage Financing, the Optionor, the ARCA Lender and Acreage, among others, amended and restated the Second ARCA pursuant to a third amended and restated credit agreement dated as of July 29, 2025 (the "Third ARCA"). In connection with the Third ARCA, each of Canopy Elevate I LLC, Canopy Elevate II LLC and Canopy Elevate III LLC (each a wholly-owned subsidiary of Canopy USA and collectively, "Elevate") entered into a limited recourse pledge agreement pursuant to which such entities pledged, as security for the obligations under the Third ARCA, each of their respective equity interests in each of the Wana entities. In addition, as security for the obligations under the Third ARCA, each of the Wana entities provided guarantees and security over substantially all of their respective assets.

In connection with a default by Acreage under the Third ARCA, on May 12, 2026, the Optionor, the ARCA Lender and Acreage, among others, entered into an initial forbearance agreement (the "Initial Forbearance Agreement"), which forbearance was extended from time to time by agreement of the lenders. As required under the Initial Forbearance Agreement, Acreage appointed, among others, a chief restructuring officer and financial advisor in order to assist Acreage with a strategic review of its business. On July 31, 2026, the Optionor, the ARCA Lender and Acreage, among others, entered into a second forbearance agreement (the "Second Forbearance Agreement").

On October 19, 2026, the Optionor, the ARCA Lender and Acreage, among others, amended and restated the Third ARCA by entering into the fourth amended and restated credit agreement (the "Fourth ARCA" and such amounts owing under the Fourth ARCA, the "Acreage and Wana Debt"), pursuant to which, among other things, Canopy USA secured from the ARCA Lender an additional US$13,333 in financing for Acreage and its subsidiaries. Acreage continues to be in default under the Fourth ARCA. Pursuant to the terms of the Fourth ARCA, the forbearances provided to Acreage pursuant to the Initial Forbearance Agreement and the Second Forbearance Agreement were further extended to January 31, 2027.

As of September 30, 2026, the aggregate principal amount of the Acreage and Wana Debt owing under the Third ARCA to the Optionor was approximately $193.1 million (US$136.1 million) and the aggregate principal amount of the Acreage and Wana Debt owing under the Third ARCA to the ARCA Lender was approximately $121.3 million (US$85.5 million).

The portion of the Acreage and Wana Debt owing to the ARCA Lender ranks in priority to the portion of the Acreage and Wana Debt owing to the Company and the rights and remedies related thereto may be exercised by the ARCA Lender over the assets pledged as security under the Acreage and Wana Debt. See "Risk Factors – In the event Acreage or Wana, as guarantor, cannot satisfy the debt obligations as they become due, the Acreage and Wana Debt may not be repaid and the Company may lose the entirety of its investment in the Acreage and Wana Debt, and, in the event Acreage or Wana are unable to continue as a going concern, which may occur in the event that the ARCA Lender enforces its security over the Acreage and Wana Debt, there would be a negative impact on Canopy USA's business, financial results and operations and have an adverse impact on the Company's U.S. strategy, and, potentially, negatively affect the share price of the Canopy Shares," in Item 1A of the Annual Report.

Acreage Acquisition

On December 9, 2024, Canopy USA completed the acquisition of all of the issued and outstanding Fixed Shares and Class D subordinate voting shares (the "Floating Shares") of Acreage (the "Acreage Acquisition") and now owns 100% of the issued and outstanding shares of Acreage. In connection with such acquisition, Canopy Growth issued an aggregate of 5,888,291 Canopy Shares to former shareholders of Acreage.

In addition, Canopy Growth: (i) issued 5,118,426 Canopy Shares pursuant to the tax receivable bonus plans of High Street Capital Partners, LLC, as subsidiary of Acreage; and (ii) 306,151 Canopy Shares were issuable in connection with Canopy USA's acquisition of the minority interests of certain subsidiaries of Acreage, of which 268,057 Canopy Shares were issued as of September 30, 2026.

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

In exchange for the issuances of Canopy Shares, warrants and other replacement securities in connection with the Acreage Acquisition, Canopy Growth received additional Non-Voting Shares with a value of approximately $50.8 million and Canopy USA delivered guarantees in respect of the obligations owing pursuant to the intercompany loans (collectively the "Elevate loan") that existed prior to Canopy Growth's deconsolidation of Canopy USA, between subsidiaries. Refer to Note 10 for more information on Canopy USA investment balances.

Recent Developments

Canadian Federal Income Tax Proposals

Pursuant to proposed amendments to the *Income Tax Act* (Canada) and the regulations thereunder (the "Tax Act"), released by the Department of Finance (Canada) on July 23, 2026 for purposes of the definition of "taxable Canadian property" under the Tax Act (the "TCP Proposals"), Canopy Shares that are listed on a "designated stock exchange" for purpose of the Tax Act would be deemed to include an option in respect of, an interest in or for civil law a right in such shares, whether or not such shares exist, such that any options, interests or rights held by a non-resident of Canada for purposes of the Tax Act would be included in determining whether such person exceeds the relevant 25% threshold used to determine whether such Canopy Shares constitute "taxable Canadian property" for purposes of the Tax Act. The TCP Proposals are proposed to come into force on Royal Assent.

Part 2 - Results of Operations

The results of operations presented below reports the financial performance of Canopy Growth for the three and six months ended September 30, 2026.

Discussion of Results of Operations for the Three Months Ended September 30, 2026

(in thousands of Canadian dollars, except share amounts and where otherwise indicated)	Three months ended September 30, 2026	2025	$ Change	% Change
Selected consolidated financial information:				
Net revenue	$ 81,373	$ 66,683	$ 14,690	22%
Gross margin percentage	29%	33%	-	(400) bps
Net loss	$ (40,694)	$ (4,978)	$ (35,716)	(717%)
Basic and diluted loss per share[1]	$ (0.10)	$ (0.02)	$ (0.08)	(400%)

[1] For the three months ended September 30, 2026, the weighted average number of outstanding Canopy Shares, basic and diluted, totaled 423,109,807 (three months ended September 30, 2025 - 274,025,102).

Revenue

We report net revenue in two segments: (i) Cannabis; and (ii) Storz & Bickel. The following table presents segmented net revenue for the three months ended September 30, 2026 and 2025:

Net Revenue *(in thousands of Canadian dollars)*	Three months ended September 30, 2026	2025	$ Change	% Change
Cannabis				
Canadian adult-use cannabis[1]	$ 28,127	$ 23,940	$ 4,187	17%
Canadian medical cannabis[2]	25,840	21,821	4,019	18%
International markets cannabis[3]	12,268	5,091	7,177	141%
	$ 66,235	$ 50,852	$ 15,383	30%
Storz & Bickel	$ 15,138	$ 15,831	$ (693)	(4%)
Net revenue	$ 81,373	$ 66,683	$ 14,690	22%

[1] Includes excise taxes of $14,885 and other revenue adjustments, representing our determination of returns and pricing adjustments, of -$189 for the three months ended September 30, 2026 (three months ended September 30, 2025 - excise taxes of $13,802 and other revenue adjustments of -$37).
[2] Includes excise taxes of $3,249 for the three months ended September 30, 2026 (three months ended September 30, 2025 - excise taxes of $2,513).
[3] Reflects other revenue adjustments of $135 for the three months ended September 30, 2026 (three months ended September 30, 2025 - $359).

Net revenue was $81.4 million in the second quarter of fiscal 2027, an increase of $14.7 million as compared to $66.7 million in the second quarter of fiscal 2026.

Cannabis

Net revenue from our Cannabis segment was $66.2 million in the second quarter of fiscal 2027, as compared to $50.9 million in the second quarter of fiscal 2026.

Canadian adult-use cannabis net revenue was $28.1 million in the second quarter of fiscal 2027, as compared to $23.9 million in the second quarter of fiscal 2026. The year-over-year increase is primarily attributable to increased flower sales, driven by the acquisition of MTL, partially offset by declines in opportunistic bulk sales.

Canadian medical cannabis net revenue was $25.8 million in the second quarter of fiscal 2027, as compared to $21.8 million in the second quarter of fiscal 2026. The year-over-year increase is primarily attributable to continued growth in the number of insured customers and the acquisition of MTL, partially offset by the Canadian government's Veterans Affairs Canada reduction in the reimbursement rate for medical cannabis which became effective on April 1, 2026.

International markets cannabis revenue was $12.3 million in the second quarter of fiscal 2027, as compared to $5.1 million in the second quarter of fiscal 2026. The year-over-year increase is primarily attributable to strength in Europe, specifically in Germany and Poland.

Storz & Bickel

Revenue from Storz & Bickel was $15.1 million in the second quarter of fiscal 2027, as compared to $15.8 million in the second quarter of fiscal 2026. The year-over-year decrease is primarily attributable to decreased consumer spending on Storz & Bickel products in certain geographic regions.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the three months ended September 30, 2026 and 2025:

	Three months ended September 30,			
(in thousands of Canadian dollars except where indicated)	2026	2025	$ Change	% Change
Net revenue	$ 81,373	$ 66,683	$ 14,690	22%
Cost of goods sold	$ 58,018	$ 44,778	$ 13,240	30%
Gross margin	23,355	21,905	1,450	7%
Gross margin percentage	29%	33%	-	(400) bps

Cost of goods sold was $58.0 million in the second quarter of fiscal 2027, as compared to $44.8 million in the second quarter of fiscal 2026. Our gross margin was $23.4 million in the second quarter of fiscal 2027, or 29% of net revenue, as compared to a gross margin of $21.9 million and gross margin percentage of 33% of net revenue in the second quarter of fiscal 2026.

We report gross margin and gross margin percentage in two segments: (i) Cannabis; and (ii) Storz & Bickel. The following table presents segmented gross margin and gross margin percentage for the three months ended September 30, 2026 and 2025:

	Three months ended September 30,			
(in thousands of Canadian dollars except where indicated)	2026	2025	$ Change	% Change
Cannabis segment				
Net revenue	$ 66,235	$ 50,852	$ 15,383	30%
Cost of goods sold	48,847	34,979	13,868	40%
Gross margin	17,388	15,873	1,515	10%
Gross margin percentage	26%	31%		(500) bps
Storz & Bickel segment				
Revenue	$ 15,138	$ 15,831	$ (693)	(4%)
Cost of goods sold	9,171	9,799	(628)	(6%)
Gross margin	5,967	6,032	(65)	(1%)
Gross margin percentage	39%	38%		100 bps

Cannabis

Gross margin for our Cannabis segment was $17.4 million in the second quarter of fiscal 2027, or 26% of net revenue, as compared to $15.9 million in the second quarter of fiscal 2026, or 31% of net revenue. The year-over-year decrease in the gross margin percentage was primarily attributable to the Canadian government's Veterans Affairs Canada reduction in the reimbursement rate for medical cannabis which became effective on April 1, 2026.

Further impacting our Cannabis gross margin in the second quarter of fiscal 2027 is $2.1 million in flow-through of inventory step-up relating to inventory acquired as part of the acquisition of MTL.

Storz & Bickel

Gross margin for our Storz & Bickel segment was $6.0 million in the second quarter of fiscal 2027, or 39% of net revenue, as compared to $6.0 million in the second quarter of fiscal 2026, or 38% of net revenue. The year-over-year consistency in gross margin percentage despite a 4% decline in revenues is driven by our continued focus on cost efficiencies and product mix.

Operating Expenses

The following table presents operating expenses for the three months ended September 30, 2026 and 2025:

	Three months ended September 30,			
(in thousands of Canadian dollars)	2026	2025	$ Change	% Change
Operating expenses				
General and administrative	$ 16,199	$ 14,412	$ 1,787	12%
Sales and marketing	15,929	15,120	809	5%
Acquisition, divestiture, and other costs	1,375	1,730	(355)	(21%)
Depreciation and amortization	6,190	5,034	1,156	23%
Selling, general and administrative expenses	39,693	36,296	3,397	9%
Share-based compensation	4,032	2,009	2,023	101%
Loss on asset impairment and restructuring	2,593	494	2,099	425%
Total operating expenses	$ 46,318	$ 38,799	$ 7,519	19%

Selling, general and administrative expenses

Selling, general and administrative expenses were $39.7 million in the second quarter of fiscal 2027, as compared to $36.3 million in the second quarter of fiscal 2026.

General and administrative expense was $16.2 million in the second quarter of fiscal 2027, as compared to $14.4 million in the second quarter of fiscal 2026. The year-over-year increase is primarily attributable to the acquisition of MTL, offset by lower costs resulting from continued reductions in headcount.

Sales and marketing expense was $15.9 million in the second quarter of fiscal 2027, as compared to $15.1 million in the second quarter of fiscal 2026. The year-over-year increase is driven by increased marketing costs to help drive revenues and the acquisition of MTL but offset by continued cost reduction initiatives.

Acquisition, divestiture, and other costs were $1.4 million in the second quarter of fiscal 2027, as compared to $1.7 million in the second quarter of fiscal 2026. In the second quarter of fiscal 2027, costs were incurred primarily in relation to:

- approximately $0.5 million of costs relating to the MTL acquisition and the integration of MTL's business;
- approximately $0.2 million of continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the following previously filed periods: (i) audited consolidated financial statements for the fiscal year ended March 31, 2022, and (ii) unaudited consolidated financial statements for the quarterly periods ended June 30, 2022, September 30, 2022 and December 31, 2022 (collectively, the "Prior Periods");
- approximately $0.1 million of litigation costs; and
- other acquisition and divestiture costs.

Comparatively, in the second quarter of fiscal 2026, costs were incurred primarily in relation to:

- approximately $0.8 million of litigation costs;
- approximately $0.3 million of continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the Prior Periods; and
- other acquisition and divestiture costs.

Depreciation and amortization expense was $6.2 million in the second quarter of fiscal 2027, as compared to $5.0 million in the second quarter of fiscal 2026. The year-over-year increase is primarily attributable to the acquisition of MTL resulting in higher depreciation and amortization costs.

Share-based compensation

Share-based compensation was $4.0 million in the second quarter of fiscal 2027, as compared to $2.0 million in the second quarter of fiscal 2026. The year-over-year increase is due to the Company's common share purchase options ("Options") and restricted share units ("RSUs") that were granted at the end of the first quarter of fiscal 2027.

Loss on asset impairment and restructuring

Loss on asset impairment and restructuring recorded in operating expenses was $2.6 million in the second quarter of fiscal 2027, as compared to $0.5 million in the second quarter of fiscal 2026.

Loss on asset impairment and restructuring recorded in the second quarter of fiscal 2027 related primarily to employee restructuring costs.

Comparatively, in the second quarter of fiscal 2026, the loss on asset impairment and restructuring related primarily to employee restructuring costs.

Other

The following table presents other income (expense), net, and income tax expense for the three months ended September 30, 2026 and 2025:

	Three months ended September 30,			
(in thousands of Canadian dollars)	2026	2025	$ Change	% Change
Other income (expense), net				
Fair value changes on Canopy USA related assets	$ (11,934)	$ 23,887	$ (35,821)	(150%)
Fair value changes on derivative liability	4,108	(3,339)	7,447	223%
Loss related to settlement of debt	-	(1,267)	1,267	100%
Interest income	3,110	1,976	1,134	57%
Interest expense	(13,017)	(8,802)	(4,215)	(48%)
Foreign currency loss	(569)	(817)	248	30%
Other income (expense), net	(229)	492	(721)	(147%)
	(18,531)	12,130	(30,661)	(253%)
Income tax recovery (expense)	800	(214)	1,014	474%

Other income (expense), net

Other income (expense), net was an expense amount of $18.5 million in the second quarter of fiscal 2027, as compared to an income amount of $12.1 million in the second quarter of fiscal 2026. The year-over-year change of $30.7 million is primarily attributable to:

- Change of $35.8 million related to non-cash fair value changes on our Canopy USA related assets, from an income amount of $23.9 million in the second quarter of fiscal 2026 to an expense amount of $11.9 million in the second quarter of fiscal 2027. The expense amount recognized in the second quarter of fiscal 2027 is primarily attributable to a fair value decrease relating to our investment in:
    - the Canopy USA LPs equity method investment in the amount of $12.9 million, driven primarily by a decrease in the price of the TerrAscend Common Shares.

  The fair value decrease was partially offset by a fair value increase related to our investment in:
    - the Elevate loan receivable and the Acreage and Wana Debt, in the amount of $0.9 million relating to fair value movements in consideration of the debtor's net assets.

  Comparatively, the income amount in the second quarter of fiscal 2026 was primarily attributable to a fair value increase relating to our investments in:
    - the Canopy USA LPs equity method investment in the amount of $42.0 million, driven primarily by an increase in the price of the TerrAscend Common Shares.

  This fair value increase was partially offset by a fair value decrease related to our investment in:
    - the Elevate loan receivable in the amount of $18.1 million relating to fair value movements in consideration of the debtor's net assets.
- Increase in interest income of $1.1 million, from $2.0 million in the second quarter of fiscal 2026 to $3.1 million in the second quarter of fiscal 2027. The year-over-year increase is attributable to higher cash, cash equivalents and short-term investment balances.
- Increase in interest expense of $4.2 million, from $8.8 million in the second quarter of fiscal 2026 to $13.0 million in the second quarter of fiscal 2027. The year-over-year increase is primarily attributable to the refinanced debt balances at the end of fiscal 2026.
- Change of $7.4 million related to fair value changes on warrant derivative liability, from a fair value loss of $3.3 million in the second quarter of fiscal 2026 to a fair value gain of $4.1 million in the second quarter of fiscal 2027. The fair value change in the second quarter of fiscal 2027 was driven by the passage of time and a decrease in our share price during the period.

Comparatively, the fair value change in the second quarter of fiscal 2026 was driven by an increase in our share price during the period.

Income tax recovery (expense)

Income tax recovery in the second quarter of fiscal 2027 was $0.8 million, compared to income tax expense of $0.2 million in the second quarter of fiscal 2026. In the second quarter of fiscal 2027, income tax recovery consisted of deferred income tax recovery of $1.3 million (compared to a recovery of $0.1 million in the second quarter of fiscal 2026) and current income tax expense of $0.5 million (compared to an expense of $0.3 million in the second quarter of fiscal 2026).

The increase of $1.2 million in deferred income tax recovery is primarily due to the acquired MTL entities, where the recognition of tax losses and fair value adjustments reduced the overall net deferred tax liability.

The increase of $0.2 million in the current income tax expense arose primarily in connection with the current income tax expense in Canada House Clinics and Abba Medix Corp., both of which generated taxable income during the year. In addition, Apollo Applied Research Inc. was in a loss position for the quarter and the loss was carried back, resulting in a current tax recovery of $0.1 million during the period. Otherwise, the current tax expense remained consistent period over period and arose primarily in connection with tax on income for tax purposes that could not be reduced by the group's tax attributes in the current taxation year.

Net Loss

The net loss in the second quarter of fiscal 2027 was $40.7 million, as compared to a net loss of $5.0 million in the second quarter of fiscal 2026. The year-over-year increase in the net loss is primarily attributable to the year-over-year change in other income (expense), net, of $30.7 million and an increase in operating expenses. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

Our "Adjusted EBITDA" is a non-GAAP measure used by management that is not defined by U.S. GAAP and may not be comparable to similar measures presented by other companies. Management calculates Adjusted EBITDA as the reported net income (loss), adjusted to exclude income tax recovery (expense); other (income) expense, net; loss on equity method investments; share-based compensation expense; acquisition, divestiture, and other costs; depreciation and amortization expense; loss on asset impairment and restructuring; acquisition and divestiture related inventory write-downs; and charges related to the flow-through of inventory step-up on business combinations.

The rationale for excluding costs for the significant components of other (income) expense, net, from Adjusted EBITDA include:

- Fair value changes on various financial assets and liabilities, which are non-cash mark-to-market adjustments. The fluctuations in fair values are not related to our revenue-generating activities and movements in fair values do not relate to our core operations. Our revenue generating activities and core operations relate to the sale of cannabis and cannabis-related products principally for adult-use and medical purposes.
- Gains or losses on settlement of debts, which relate to discrete debt transactions for which the financial impacts of settling debt are not representative of our normal operations and do not occur on a regular or consistent basis.
- Interest income and expenses, which are excluded to demonstrate the performance of the underlying business before the effects of financing and capital structure decisions.

Asset impairments related to periodic changes to our supply chain processes are not excluded from Adjusted EBITDA given their occurrence through the normal course of core operational activities.

We believe that Adjusted EBITDA provides useful information to investors because it facilitates comparison of our operating performance on a consistent basis between periods and, when viewed in combination with our results prepared in accordance with U.S. GAAP, helps provide a broader picture of factors and trends affecting our results of operations. Management uses Adjusted EBITDA on an internal basis, period-over-period, to evaluate its operating performance, to analyze trends within its business, to assess its performance relative to its competitors, and to establish operational goals and forecasts that are used in allocating resources.

The following table presents Adjusted EBITDA for the three months ended September 30, 2026 and 2025:

	Three months ended September 30,			
(in thousands of Canadian dollars)	2026	2025	$ Change	% Change
Net loss	$ (40,694)	$ (4,978)	$ (35,716)	(717%)
Income tax (recovery) expense	(800)	214	(1,014)	(474%)
Other (income) expense, net[1]	18,531	(12,130)	30,661	253%
Share-based compensation	4,032	2,009	2,023	101%
Acquisition, divestiture, and other costs[2]	1,060	2,097	(1,037)	(49%)
Depreciation and amortization	10,356	9,245	1,111	12%
Loss on asset impairment and restructuring	2,593	494	2,099	425%
Acquisition and divestiture related inventory write-downs	(39)	-	(39)	(100%)
Charges related to the flow-through of inventory step-up on business combinations	2,083	-	2,083	100%
Adjusted EBITDA	$ (2,878)	$ (3,049)	$ 171	6%

[1] For a breakdown of other (income) expense, net and discussion of changes, see above under the heading "Discussion of Results of Operations for the Three Months Ended September 30, 2026 - Other" in this Item 2.

[2] Acquisition, divestiture, and other costs for the three months ended September 30, 2026 include costs relating to the MTL acquisition and the integration of MTL's business of $0.5 million, continued costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the Prior Periods of $0.2 million, litigation costs of $0.1 million, and other acquisition and divestiture costs of $0.3 million. Acquisition, divestiture, and other costs for the three months ended September 30, 2025 include litigation costs of $0.8 million, continued costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the Prior Periods of $0.3 million, and other acquisition and divestiture costs of $1.0 million.

The Adjusted EBITDA loss in the second quarter of fiscal 2027 was $2.9 million, as compared to an Adjusted EBITDA loss of $3.0 million in the second quarter of fiscal 2026. The year-over-year decrease in Adjusted EBITDA loss is primarily attributable to revenue growth across the Cannabis segment and continued cost savings, partially offset by the impact of the Canadian government's Veterans Affairs Canada reduction in the reimbursement rate for medical cannabis which became effective on April 1, 2026.

Discussion of Results of Operations for the Six Months Ended September 30, 2026

	Six months ended September 30,			
(in thousands of Canadian dollars, except share amounts and where otherwise indicated)	2026	2025	$ Change	% Change
Selected consolidated financial information:				
Net revenue	$ 162,538	$ 138,817	$ 23,721	17%
Gross margin percentage	28%	29%	-	(100) bps
Net loss from continuing operations	$ (55,273)	$ (49,839)	$ (5,434)	(11%)
Basic and diluted loss per share from continuing operations[1]	$ (0.13)	$ (0.22)	$ 0.09	41%

[1] For the six months ended September 30, 2026, the weighted average number of outstanding Canopy Shares, basic and diluted, totaled 422,689,227 (six months ended September 30, 2025 - 231,407,491).

Revenue

We report net revenue in two segments: (i) Cannabis; and (ii) Storz & Bickel. The following table presents segmented net revenue for the six months ended September 30, 2026 and 2025:

Net Revenue	Six months ended September 30,			
(in thousands of Canadian dollars)	2026	2025	$ Change	% Change
Cannabis				
Canadian adult-use cannabis[1]	$ 57,829	$ 50,961	$ 6,868	13%
Canadian medical cannabis[2]	51,626	43,027	8,599	20%
International markets cannabis[3]	21,865	13,846	8,019	58%
	$ 131,320	$ 107,834	$ 23,486	22%
Storz & Bickel	$ 31,218	$ 30,983	$ 235	1%
Net revenue	$ 162,538	$ 138,817	$ 23,721	17%

[1] Includes excise taxes of $31,088 and other revenue adjustments, representing our determination of returns and pricing adjustments, of $811 for the six months ended September 30, 2026 (six months ended September 30, 2025 - excise taxes of $28,001 and other revenue adjustments of $886).
[2] Includes excise taxes of $6,245 for the six months ended September 30, 2026 (six months ended September 30, 2025 - excise taxes of $4,928).
[3] Reflects other revenue adjustments of $183 for the six months ended September 30, 2026 (six months ended September 30, 2025 - $359).

Net revenue was $162.5 million in the six months ended September 30, 2026, an increase of $23.7 million as compared to $138.8 million in the six months ended September 30, 2025.

Cannabis

Net revenue from our Cannabis segment was $131.3 million in the six months ended September 30, 2026, as compared to $107.8 million in the six months ended September 30, 2025.

Canadian adult-use cannabis net revenue was $57.8 million in the six months ended September 30, 2026, as compared to $51.0 million in the six months ended September 30, 2025. The year-over-year increase is primarily attributable to increased flower sales, driven by the acquisition of MTL, partially offset by declines in opportunistic bulk sales.

Canadian medical cannabis net revenue was $51.6 million in the six months ended September 30, 2026, as compared to $43.0 million in the six months ended September 30, 2025. The year-over-year increase is primarily attributable to growth in the number of insured customers and the acquisition of MTL, partially offset by the Canadian government's Veterans Affairs Canada reduction in the reimbursement rate for medical cannabis which became effective on April 1, 2026.

International markets cannabis revenue was $21.9 million in the six months ended September 30, 2026, as compared to $13.8 million in the six months ended September 30, 2025. The year-over-year increase is primarily attributable to strength in Europe, specifically in Germany and Poland.

Storz & Bickel

Revenue from Storz & Bickel was $31.2 million in the six months ended September 30, 2026, as compared to $31.0 million in the six months ended September 30, 2025. The year-over-year change is relatively flat, driven by decreased consumer spending and offset by growth in non-core markets.

Cost of Goods Sold and Gross Margin

The following table presents cost of goods sold, gross margin and gross margin percentage on a consolidated basis for the six months ended September 30, 2026 and 2025:

	Six months ended September 30,			
(in thousands of Canadian dollars except where indicated)	2026	2025	$ Change	% Change
Net revenue	$ 162,538	$ 138,817	$ 23,721	17%
Cost of goods sold	$ 116,945	$ 98,874	$ 18,071	18%
Gross margin	45,593	39,943	5,650	14%
Gross margin percentage	28%	29%	-	(100) bps

Cost of goods sold was $116.9 million in the six months ended September 30, 2026, as compared to $98.9 million in the six months ended September 30, 2025. Our gross margin was $45.6 million in the six months ended September 30, 2026, or 28% of net revenue, as compared to a gross margin of $39.9 million and gross margin percentage of 29% of net revenue in the six months ended September 30, 2025.

We report gross margin and gross margin percentage in two segments: (i) Cannabis; and (ii) Storz & Bickel. The following table presents segmented gross margin and gross margin percentage for the six months ended September 30, 2026 and 2025:

(in thousands of Canadian dollars except where indicated)	Six months ended September 30, 2026	2025	$ Change	% Change
Cannabis segment				
Net revenue	$ 131,320	$ 107,834	$ 23,486	22%
Cost of goods sold	99,475	78,370	21,105	27%
Gross margin	31,845	29,464	2,381	8%
Gross margin percentage	24%	27%		(300) bps
Storz & Bickel segment				
Revenue	$ 31,218	$ 30,983	$ 235	1%
Cost of goods sold	17,470	20,504	(3,034)	(15%)
Gross margin	13,748	10,479	3,269	31%
Gross margin percentage	44%	34%		1,000 bps

Cannabis

Gross margin for our Cannabis segment was $31.8 million in the six months ended September 30, 2026, or 24% of net revenue, as compared to $29.5 million in the six months ended September 30, 2025, or 27% of net revenue. The year-over-year decrease in the gross margin percentage was primarily attributable to the Canadian government's Veterans Affairs Canada reduction in the reimbursement rate for medical cannabis which became effective on April 1, 2026.

Further impacting our Cannabis gross margin in the six months ended September 30, 2026 is $4.7 million in flow-through of inventory step-up relating to inventory acquired as part of the acquisition of MTL.

Storz & Bickel

Gross margin for our Storz & Bickel segment was $13.7 million in the six months ended September 30, 2026, or 44% of net revenue, as compared to $10.5 million in the six months ended September 30, 2025, or 34% of net revenue. The year-over-year increase in gross margin was driven by our cost rationalization exercise at the end of fiscal 2026, as well as a refund of the U.S. tariffs imposed under the International Emergency Economic Powers Act in the period.

Operating Expenses

The following table presents operating expenses for the six months ended September 30, 2026 and 2025:

(in thousands of Canadian dollars)	Six months ended September 30, 2026	2025	$ Change	% Change
Operating expenses				
General and administrative	$ 32,963	$ 29,110	$ 3,853	13%
Sales and marketing	31,801	30,953	848	3%
Acquisition, divestiture, and other costs	3,142	3,841	(699)	(18%)
Depreciation and amortization	12,010	10,500	1,510	14%
Selling, general and administrative expenses	79,916	74,404	5,512	7%
Share-based compensation	5,391	1,910	3,481	182%
Loss on asset impairment and restructuring	5,359	3,147	2,212	70%
Total operating expenses	$ 90,666	$ 79,461	$ 11,205	14%

Selling, general and administrative expenses

Selling, general and administrative expenses were $79.9 million in the six months ended September 30, 2026, as compared to $74.4 million in the six months ended September 30, 2025.

General and administrative expense was $33.0 million in the six months ended September 30, 2026, as compared to $29.1 million in the six months ended September 30, 2025. The year-over-year increase is primarily attributable to the acquisition of MTL, offset by lower costs resulting from continued reductions in headcount.

Sales and marketing expense was $31.8 million in the six months ended September 30, 2026, as compared to $31.0 million in the six months ended September 30, 2025. The year-over-year increase is driven by increased marketing costs to help drive revenues and the acquisition of MTL but offset by continued cost reduction initiatives.

Acquisition, divestiture, and other costs were $3.1 million in the six months ended September 30, 2026, as compared to $3.8 million in the six months ended September 30, 2025. In the six months ended September 30, 2026, costs were incurred primarily in relation to:

- approximately $1.0 million of costs relating to the MTL acquisition and the integration of MTL's business;
- approximately $0.5 million of accounting and legal costs arising from the March 31, 2026 restatement of our consolidated financial statements in connection with our warrant derivative liability;
- approximately $0.4 million of continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the Prior Periods;
- approximately $0.4 million of litigation costs; and
- other acquisition and divestiture costs.

Comparatively, in the six months ended September 30, 2025, costs were incurred primarily in relation to:

- approximately $1.3 million of litigation costs;
- approximately $0.9 million of continued legal costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the Prior Periods; and
- other acquisition and divestiture costs.

Depreciation and amortization expense was $12.0 million in the six months ended September 30, 2026, as compared to $10.5 million in the six months ended September 30, 2025. The year-over-year increase is primarily attributable to the acquisition of MTL resulting in higher depreciation and amortization costs.

Share-based compensation

Share-based compensation was $5.4 million in the six months ended September 30, 2026, as compared to $1.9 million in the six months ended September 30, 2025. The year-over-year increase is due to departures of certain executives that occurred in the first quarter of fiscal 2026, resulting in a reversal of expensing in the comparative period, and the Options and RSUs that were granted at the end of the first quarter of fiscal 2027, resulting in increased expensing in the current period.

Loss on asset impairment and restructuring

Loss on asset impairment and restructuring recorded in operating expenses was $5.4 million in the six months ended September 30, 2026, as compared to $3.1 million in the six months ended September 30, 2025.

Loss on asset impairment and restructuring recorded in the six months ended September 30, 2026 related primarily to employee restructuring costs.

Comparatively, in the six months ended September 30, 2025, the loss on asset impairment and restructuring related primarily to employee restructuring costs.

Other

The following table presents other income (expense), net, and income tax expense for the six months ended September 30, 2026 and 2025:

	Six months ended September 30,			
(in thousands of Canadian dollars)	2026	2025	$ Change	% Change
Other income (expense), net				
Fair value changes on Canopy USA related assets	$ 4,274	$ 13,838	$ (9,564)	(69%)
Fair value changes on derivative liability	4,767	(6,673)	11,440	171%
Loss related to settlement of debt	-	(1,267)	1,267	100%
Interest income	6,344	3,033	3,311	109%
Interest expense	(25,694)	(18,541)	(7,153)	(39%)
Foreign currency loss	(1,051)	(664)	(387)	(58%)
Other income (expense), net	231	458	(227)	(50%)
	(11,129)	(9,816)	(1,313)	(13%)
Income tax recovery (expense)	929	(505)	1,434	284%

Other income (expense), net

Other income (expense), net was an expense amount of $11.1 million in the six months ended September 30, 2026, as compared to an expense amount of $9.8 million in the six months ended September 30, 2025. The year-over-year change of $1.3 million is primarily attributable to:

- Change of $9.6 million related to non-cash fair value changes on our Canopy USA related assets, from an income amount of $13.8 million in the six months ended September 30, 2025 to an income amount of $4.3 million in the six months ended September 30, 2026. The income amount recognized in the six months ended September 30, 2026 is primarily attributable to a fair value increase relating to our investments in:
    - the Canopy USA LPs equity method investment in the amount of $3.8 million, driven by the probability and timing of U.S. legalization and partially offset by a decrease in the price of the TerrAscend Common Shares; and
    - the Elevate loan receivable, in the amount of $0.4 million relating to fair value movements in consideration of the debtor's net assets.

  Comparatively, the income amount in the six months ended September 30, 2025 was primarily attributable to a fair value increase relating to our investments in:
    - the Canopy USA LPs equity method investment in the amount of $26.4 million, driven primarily by an increase in the price of the TerrAscend Common Shares.

  This fair value increase was partially offset by a fair value decrease related to our investment in:
    - the Elevate loan receivable, in the amount of $12.6 million relating to fair value movements in consideration of the debtor's net assets.
- Increase in interest income of $3.3 million, from $3.0 million in the six months ended September 30, 2025 to $6.3 million in the six months ended September 30, 2026. The year-over-year increase is attributable to higher cash, cash equivalents and short-term investment balances.
- Increase in interest expense of $7.2 million, from $18.5 million in the six months ended September 30, 2025 to $25.7 million in the six months ended September 30, 2026. The year-over-year increase is primarily attributable to the refinanced debt balances at the end of fiscal 2026.
- Change of $11.4 million related to fair value changes on warrant derivative liability, from a fair value loss of $6.7 million in the six months ended September 30, 2025 to a fair value gain of $4.8 million in the six months ended September 30, 2026. The fair value change in the six months ended September 30, 2026 was driven by the passage of time and a decrease in our share price during the period. Comparatively, the fair value change in the second quarter of fiscal 2026 was driven by an increase in our share price during the period.

Income tax recovery (expense)

Income tax recovery in the six months ended September 30, 2026 was $0.9 million, compared to income tax expense of $0.5 million in the six months ended September 30, 2025. In the six months ended September 30, 2026, income tax recovery consisted of deferred income tax recovery of $1.6 million (compared to a recovery of $nil in the six months ended September 30, 2025) and current income tax expense of $0.7 million (compared to an expense of $0.5 million in the six months ended September 30, 2025).

The change of $1.6 million in deferred income tax recovery is primarily due to the acquired MTL entities, where the recognition of tax losses and fair value adjustments reduced the overall net deferred tax liability.

The increase of $0.2 million in current income tax expense is primarily a result of the increase in the current income tax expense in Abba Medix Corp., IsoCanMed Inc., and Canada House Clinics.

Net Loss

The net loss in the six months ended September 30, 2026 was $55.3 million, as compared to a net loss of $49.8 million in the six months ended September 30, 2025. The year-over-year increase in the net loss is primarily attributable to the increase in operating loss and the year-over-year change in other income (expense), net, of $1.3 million. These variances are described above.

Adjusted EBITDA (Non-GAAP Measure)

For additional information regarding our use of Adjusted EBITDA, including the rationale for excluding certain significant components of "other (income) expense, net" from Adjusted EBITDA, see "Discussion of Results of Operations for the Three Months Ended September 30, 2026—Adjusted EBITDA (Non-GAAP Measure)" above in this Item 2.

The following table presents Adjusted EBITDA for the six months ended September 30, 2026 and 2025:

	Six months ended September 30,			
(in thousands of Canadian dollars)	2026	2025	$ Change	% Change
Net loss from continuing operations	$ (55,273)	$ (49,839)	$ (5,434)	(11%)
Income tax (recovery) expense	(929)	505	(1,434)	(284%)
Other (income) expense, net[1]	11,129	9,816	1,313	13%
Share-based compensation	5,391	1,910	3,481	182%
Acquisition, divestiture, and other costs[2]	3,142	4,581	(1,439)	(31%)
Depreciation and amortization	20,390	18,915	1,475	8%
Loss on asset impairment and restructuring	5,359	3,147	2,212	70%
Charges related to the flow-through of inventory step-up on business combinations	4,669	-	4,669	100%
Adjusted EBITDA	$ (6,122)	$ (10,965)	$ 4,843	44%

[1] For a breakdown of other (income) expense, net and discussion of changes, see above under the heading "Discussion of Results of Operations for the Six Months Ended September 30, 2026 - Other" in this Item 2.

[2] Acquisition, divestiture, and other costs for the six months ended September 30, 2026 include costs relating to the MTL acquisition and the integration of MTL's business of $1.0 million, accounting and legal costs arising from the March 31, 2026 restatement of our consolidated financial statements in connection with our warrant derivative liability of $0.5 million, continued costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the Prior Periods of $0.4 million, litigation costs of $0.4 million, and other acquisition and divestiture costs of $0.8 million. Acquisition, divestiture, and other costs for the six months ended September 30, 2025 include litigation costs of $1.3 million, continued costs arising from the restatement of our consolidated financial statements in connection with the review of the financial reporting matters related to the BioSteel business unit for the Prior Periods of $0.9 million, and other acquisition and divestiture costs of $2.4 million.

The Adjusted EBITDA loss in the six months ended September 30, 2026 was $6.1 million, as compared to an Adjusted EBITDA loss of $11.0 million in the six months ended September 30, 2025. The year-over-year decrease in Adjusted EBITDA loss is primarily attributable to revenue growth across the Cannabis segment and continued cost savings, partially offset by the impact of the Canadian government's Veterans Affairs Canada reduction in the reimbursement rate for medical cannabis which became effective on April 1, 2026.

Part 3 – Financial Liquidity and Capital Resources

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

As of September 30, 2026, we had cash and cash equivalents of $247.3 million and short-term investments of $72.5 million.

We have recently completed the following debt and equity financings:

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

  The August 2025 ATM Program will be effective until the earlier of (A) June 5, 2027; (B) the issuance and sale of Canopy Shares having an aggregate offering price of US$200 million on the terms and subject to the conditions set forth in the August 2025 Equity Distribution Agreement; (C) the date on which the Company's registration statement, as amended, filed with the

SEC (the "Registration Statement") has ceased to be useable for sales of Shelf Securities (as defined in the August 2025 Equity Distribution Agreement) pursuant to General Instruction I.B.1 of Form S-3; (D) the date on which the Company receives notice from the SEC that the Registration Statement has ceased to be effective; and (E) the date on which the August 2025 Equity Distribution Agreement is terminated by the parties. In accordance with the August 2025 Equity Distribution Agreement, the Canadian Offering automatically terminated on July 5, 2026. The termination of the Canadian Offering does not affect the U.S. Offering and the August 2025 Equity Distribution Agreement continues in full force and effect with respect to the U.S. Offering. The August 2025 Equity Distribution Agreement replaced the equity distribution agreement dated February 28, 2025, as amended, among us and the Agents that established our prior at-the-market equity program (the "February 2025 ATM Program").

As of November 4, 2026, we sold an aggregate of 56,206,101 Canopy Shares at an average price of $2.42 per Canopy Share, for gross proceeds of $135.8 million (US$98.0 million) and net proceeds, inclusive of commissions and fees, of $134.4 million (US$97.1 million). Since the establishment of the August 2025 ATM Program, we have paid an aggregate amount of $1.4 million (US$0.9 million) as compensation to the Agents under the August 2025 ATM Program. As of November 4, 2026, we can issue and sell up to US$102.0 million of Canopy Shares in the U.S. Offering under the August 2025 ATM Program.

- On January 7, 2026, we entered into the Exchange Agreement (as defined below) pursuant to which, among other things, on the Exchange Closing Date (as defined below), the Convertible Debenture Investor (as defined below) exchanged the May 2024 Convertible Debenture (as defined below) for (A) (i) the January 2026 Convertible Debentures (as defined below), (ii) the January 2026 Investor Warrants (as defined below), and (iii) the Exchange Shares (as defined below) and (B) a $10.5 million cash payment.
- On January 8, 2026, we entered into the Loan Agreement (as defined below) pursuant to which, among other things, the Lenders (as defined below) advanced US$150 million in cash pursuant to a senior secured term loan in the aggregate principal amount of US$162.1 million. The Loans (as defined below) were funded on January 8, 2026 with an original issue discount of US$12.1 million. The Loans mature on the earlier of (i) January 31, 2031, and (ii) the date that is 120 days prior to the maturity date of the January 2026 Convertible Debentures.

  In connection with the Loan Agreement, on the Loan Closing Date (as defined below), we issued the Loan Warrants (as defined below) to the Lenders (as defined below) in accordance with each Lender's pro rata share of the Loans. Each Loan Warrant entitles the holder to acquire one Canopy Share at an exercise price equal to US$1.30 per Canopy Share for a period of five years from the Loan Closing Date. In connection with the Loan Transaction (as defined below), a portion of the net proceeds from the Loans was used to repay all outstanding amounts owing under the Credit Facility (as defined below).

  On June 15, 2026, we entered into the Amendment (as defined below), by and among the Company, as a borrower, certain subsidiaries of the Company party thereto, as borrowers and/or guarantors, certain lenders party thereto, and JGB (as defined below). Pursuant to the Amendment, the Lenders have, among other things, imposed the Exchange Restriction (as defined below) on the Company.

We have access to further liquidity through public offerings of equity and debt securities. To facilitate such offerings, in June 2024, we filed a shelf registration statement with the SEC (as amended, the "Shelf Registration Statement"). Pursuant to the Shelf Registration Statement, we may sell securities up to an aggregate total offering price of US$500 million less any amounts previously sold under the February 2025 ATM Program and the August 2025 ATM Program. The securities covered by the Shelf Registration Statement include: (i) Canopy Shares; (ii) Exchangeable Shares; (iii) debt securities; (iv) subscription receipts; (v) warrants; and (vi) units consisting of one or more of such securities or any combination of these securities. The specifics of any future offerings, along with the use of proceeds of any securities offered, will be described in detail in a prospectus supplement, or other offering materials, at the time of any offering.

Under the Shelf Registration Statement, we may access liquidity through the August 2025 ATM Program, pursuant to which we may sell, from time to time, up to US$102.0 million of additional Canopy Shares as of November 4, 2026.

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

Cash Flows

The following table presents cash flows for the six months ended September 30, 2026 and 2025:

(in thousands of Canadian dollars)	Six months ended September 30, 2026	2025
Net cash (used in) provided by:		
Operating activities	$ (37,581)	$ (28,316)
Investing activities	(75,909)	16,024
Financing activities	(7,966)	194,457
Effect of exchange rate changes on cash and cash equivalents	4,113	2,082
Net (decrease) increase in cash and cash equivalents	(117,343)	184,247
Cash and cash equivalents, beginning of period	364,683	113,811
Cash and cash equivalents, end of period	$ 247,340	$ 298,058

Operating activities

Cash used in operating activities totaled $37.6 million in the six months ended September 30, 2026, as compared to cash used of $28.3 million in the six months ended September 30, 2025. The increase in the cash used in operating activities is primarily due to the year-over-year change in working capital movements.

Investing activities

The cash used in investing activities totaled $75.9 million in the six months ended September 30, 2026, as compared to cash provided of $16.0 million in the six months ended September 30, 2025.

In the six months ended September 30, 2026, purchases of property, plant and equipment were $3.7 million, primarily related to production equipment enhancements made at certain of our Canadian cultivation and production facilities. Comparatively, in the six months ended September 30, 2025, we invested $2.5 million in building improvements and production equipment enhancements made at certain of our Canadian cultivation and production facilities.

Net purchases of short-term investments in the six months ended September 30, 2026 were $71.7 million, as compared to net redemptions of $18.4 million in the six months ended September 30, 2025. The year-over-year change in purchases and redemption of short-term investments relates to timing of maturities and timing around investment of certain cash balances. As at September 30, 2026, we had short-term investments of $72.5 million.

Financing activities

The cash used by financing activities in the six months ended September 30, 2026 was $8.0 million, as compared to cash provided of $194.5 million in the six months ended September 30, 2025. In the six months ended September 30, 2026, no Canopy Shares were sold under the August 2025 ATM Program. Comparatively, in the six months ended September 30, 2025, $238.4 million in gross proceeds were received from the sale of Canopy Shares under the February 2025 ATM Program and $43.1 million in gross proceeds were received from the sale of Canopy Shares under the August 2025 ATM Program.

For the six months ended September 30, 2026, payment of debt issuance costs of $0.9 million related to the Loan Agreement. Other financing activities resulted in a cash outflow of $7.0 million, which related primarily to: (i) finance lease payments and (ii) share issuance costs. Comparatively, for the six months ended September 30, 2025, long-term debt repayments of $71.7 million related primarily to (i) certain prepayments in the aggregate of $50 million to reduce the principal balance of the Credit Facility pursuant to the agreement dated July 29, 2025 among the Company and certain lenders under the Credit Facility, and (ii) the settlement of the 6.0% senior unsecured convertible debentures for gross proceeds of $100,000 and the 11.06% senior unsecured non-convertible debentures issued by Supreme Cannabis Company Inc. ("Supreme Cannabis"), which, in connection with our acquisition of Supreme Cannabis, became outstanding securities of Canopy Growth. Other financing activities resulted in a cash outflow of $15.4 million, which related to: (i) finance lease payments and (ii) share issuance costs.

Free Cash Flow (Non-GAAP Measure)

Free cash flow is a non-GAAP measure used by management that is not defined by U.S. GAAP and may not be comparable to similar measures presented by other companies. Management believes that free cash flow presents meaningful information regarding the amount of cash flow required to maintain and organically expand our business, and that the free cash flow measure provides meaningful information regarding our liquidity requirements. This measure is calculated as net cash provided by (used in) operating activities less purchases of and deposits on property, plant and equipment.

The following table presents free cash flows for the three and six months ended September 30, 2026, and 2025:

	Three months ended September 30,		Six months ended September 30,	
(in thousands of Canadian dollars)	2026	2025	2026	2025
Net cash used in operating activities	$ (12,570)	$ (17,979)	$ (37,581)	$ (28,316)
Purchases of and deposits on property, plant and equipment	(2,977)	(1,226)	(3,714)	(2,532)
Free cash flow[1]	$ (15,547)	$ (19,205)	$ (41,295)	$ (30,848)

[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 the three months ended September 30, 2026 was an outflow of $15.5 million, as compared to an outflow of $19.2 million in the three months ended September 30, 2025. The year-over-year decrease in the free cash outflow primarily reflects the decrease in cash used in operating activities, primarily due to the timing of changes in working capital items, partially offset by an increase in purchases of property, plant and equipment related to production equipment enhancements made at certain of our Canadian cultivation and production facilities.

Free cash flow in the six months ended September 30, 2026 was an outflow of $41.3 million, as compared to an outflow of $30.8 million in the six months ended September 30, 2025. The year-over-year increase in the free cash outflow primarily reflects the increase in cash used in operating activities, primarily due to the timing of changes in working capital items, further impacted by an increase in purchases of property, plant and equipment related to production equipment enhancements made at certain of our Canadian cultivation and production facilities.

Debt

Since our formation, we have financed our cash requirements primarily through the issuance of Canopy Shares, including the $5.1 billion investment by Constellation Brands, Inc. in the third quarter of fiscal 2019, and debt. Total debt outstanding as of September 30, 2026 was $245.9 million, an increase from $233.4 million as of March 31, 2026. The total principal amount owing was $285.0 million at September 30, 2026, an increase from $281.0 million at March 31, 2026. The increase is due to the impact of foreign currency translations on our U.S. dollar-denominated debt.

January 2026 Convertible Debenture

On January 7, 2026, we entered into an exchange agreement (the "Exchange Agreement") with a single institutional investor (the "Convertible Debenture Investor") that previously held a senior unsecured convertible debenture of the Company with an aggregate principal amount of $96.4 million maturing May 14, 2029 (the "May 2024 Convertible Debenture") pursuant to which, among other things, on January 8, 2026 (the "Exchange Closing Date"), the Convertible Debenture Investor delivered to us the May 2024 Convertible Debenture held by the Convertible Debenture Investor in exchange for (A) the Company issuing to the Convertible Debenture Investor (i) new senior unsecured convertible debentures of the Company with an aggregate principal amount of $55.0 million maturing on July 8, 2031 (the "January 2026 Convertible Debentures"), (ii) 12,731,481 common share purchase warrants (the "January 2026 Investor Warrants") of the Company, and (iii) 9,493,670 Canopy Shares (the "Exchange Shares") and (B) a $10.5 million cash payment from the Company (collectively, the "Exchange Transaction").

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

The January 2026 Convertible Debentures are subject to a forced conversion feature upon notice from the Company in the event that the average closing trading price of the Canopy Shares on the TSX exceeds $2.75 for a period of 10 consecutive trading days.

Loan Agreement

On January 8, 2026, we entered into a loan and guaranty agreement (the "Loan Agreement"), by and among us, as a borrower, certain subsidiaries of the Company party thereto, as borrowers and/or guarantors, the parties identified therein as lenders (the "Lenders"), and JGB Collateral LLC, as administrative and collateral agent ("JGB"), pursuant to which, among other things, the Lenders advanced US$150 million in cash pursuant to a senior secured term loan in the aggregate principal amount of approximately

US$162.1 million (collectively, the "Loans" and such transaction, the "Loan Transaction"). The Loans were funded on January 8, 2026 (the "Loan Closing Date") with an original issue discount of approximately US$12.1 million. The Loans mature on the earlier of (i) January 31, 2031, and (ii) the date that is 120 days prior to the maturity date of the January 2026 Convertible Debentures.

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

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

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

A portion of the net proceeds from the Loans was used to repay all outstanding amounts owing under our prior five-year, first lien senior secured term loan facility (the "Credit Facility").

On June 15, 2026, we amended the Loan Agreement pursuant to a first amendment to loan and guaranty agreement (the "Amendment"), by and among the Company, as a borrower, certain subsidiaries of the Company party thereto, as borrowers and/or guarantors, certain lenders party thereto, and JGB. Pursuant to the Amendment, the Lenders have, among other things, restricted our and certain of our subsidiaries' ability to exchange any Non-Voting Shares into Canopy USA Class B Shares at any time prior to the Stock Exchange Permissibility Date (the "Exchange Restriction").

Contractual Obligations and Commitments

There have been no material changes to our contractual obligations and commitments from the information provided in the MD&A section in the Annual Report.

Off-Balance Sheet Arrangements

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

Critical Accounting Estimates

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

Impairment of goodwill

We do not believe that an event occurred or circumstances changed during the six months ended September 30, 2026 that would, more likely than not, reduce the fair value of the Cannabis reporting unit below its carrying value. Therefore, we concluded that the quantitative goodwill impairment assessment was not required for the Cannabis reporting unit at September 30, 2026. The carrying value of goodwill associated with the Cannabis reporting unit was $55.7 million at September 30, 2026.

We are required to perform our next annual goodwill impairment analysis on March 31, 2027, or earlier should there be an event that occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risk is the potential economic loss arising from adverse changes in market factors. As a result of our global operating, acquisition and financing activities, we are exposed to market risk associated with changes in foreign currency exchange rates, interest rates and equity prices. To manage the volatility relating to these risks, we may periodically purchase derivative instruments including foreign currency forwards. We do not enter into derivative instruments for trading or speculative purposes.

Foreign currency risk

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

A hypothetical 10% change in the U.S. dollar against the Canadian dollar compared to the exchange rate at September 30, 2026, would affect the carrying value of net assets by approximately $18.9 million, with a corresponding impact to the foreign currency translation account within accumulated other comprehensive income (loss). A hypothetical 10% change in the euro against the Canadian dollar compared to the exchange rate at September 30, 2026, would affect the carrying value of net assets by approximately $11.4 million, with a corresponding impact to the foreign currency translation account within accumulated other comprehensive income (loss).

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

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

Interest rate risk

Our cash equivalents and short-term investments are held in both fixed-rate and adjustable-rate securities. Investments in fixed-rate instruments carry a degree of interest rate risk. The fair value of fixed-rate securities may be adversely impacted due to a rise in interest rates. Additionally, a falling-rate environment creates reinvestment risk because as securities mature, the proceeds are reinvested at a lower rate, generating less interest income. As at September 30, 2026, our cash and cash equivalents, and short-term investments consisted of $237.0 million in interest rate sensitive instruments (March 31, 2026 – $238.2 million).

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	
	September 30, 2026	March 31, 2026
Fixed interest rate debt	$ 55,000	$ 55,000
Variable interest rate debt	230,009	225,972

Equity price risk

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

Information regarding the fair value of financial instrument assets and liabilities that are measured at fair value on a recurring basis, and the relationship between the unobservable inputs used in the valuation of these financial assets and their fair value is presented in Note 20 of the Interim Financial Statement.