

Canopy Growth Corporation Reports Third Quarter Fiscal Year 2016 Financial Results

Quarterly Revenues increased 41% over Q2 FY 2016; increased 5-fold year over year

February 25, 2016

Smiths Falls, ON – Canopy Growth Corporation (“Canopy Growth” or “the Company”) (TSX.V: CGC) today released its financial results for the third quarter of fiscal year 2016 ended December 31, 2015. All financial information in this press release is reported in Canadian dollars, unless otherwise indicated.

Third Quarter Fiscal 2016 Highlights

- Revenues of \$3.5 million, representing a 41% increase over Q2 2016 and a greater than 400% increase over the three-month period ended December 31, 2014
- 462,000 grams sold, representing an increase of 45% over Q2 2016 and a greater than 430% increase over the three-month period ended December 31, 2014
- Adjusted Product Contribution¹ of \$2.4 million or 70% of sales
- Over 8,200 registered patients at December 31, 2015 compared to 6200 at the end of Q2 2016 and 1,800 at the end of December 31, 2014
- Cash position of \$19.7 million
- Completed acquisition of MedCannAccess, providing the Company three physical community engagement centres in the highly populous Southern Ontario region

Subsequent to Third Quarter Fiscal 2016

- Tweed Inc. (“Tweed”) granted license by Health Canada to produce and sell Cannabis Oil Extracts
- Tweed launched sale of 10:1 Cannabis Oils™

"Our diversified client acquisition and best-in-class customer service helped drive significant growth in active registered customers and revenue," said Bruce Linton, Chairman & CEO, Canopy Growth. "Our revenues reached an important milestone, exceeded one million dollars per month in the third quarter."

Added Linton, "The intent from day one has been to build a scale of production and brands that would be of value in medical and possibly non-medical markets, for when the time came. We are increasing our focus on brand clarity and market segmentation for Bedrocan and Tweed."

Revenue Review

Revenue for the third quarter ended December 31, 2015 was \$3.5 million, representing a sequential increase of 41% over the second quarter ended September 30, 2015. Third quarter 2016 revenues were over 400% higher than the revenues reported in the three months ended December 31, 2014.

Revenues for the nine months ended December 31, 2015 were \$7.7 million.

Product Sales Review

Total product sold in third quarter Fiscal 2016 was approximately 462,000 grams at an average price of \$7.34 per gram. In comparison, approximately 319,000 grams at an average price of \$7.54 per gram were sold in the second quarter Fiscal 2016 and approximately 216,000 grams at an average price of \$7.74 per gram were sold in the first quarter of 2016. In the three months ended December 31, 2014, the Company sold approximately 87,000 grams at an average price of \$7.04 per gram.

Over the nine months of fiscal 2016 ended December 31, 2015, Canopy Growth has sold almost 1 million grams of Cannabis product.

Gross Margin Review

The gross margin, including the unrealized gain on changes in fair value of biological assets, in accordance with IFRS, was \$2.8 million, or 79% of sales, for the three-month period ended December 31, 2015. In the three months ended December 31, 2014, the reported gross margin on the same basis was 36% of sales. Year to date, the gross margin, inclusive of the unrealized gain on changes in fair value of biological assets was \$16.3 million or 213% of sales, as compared to \$1.1 million, or 45% of sales, last year for the same period.

Adjusted Product Contribution Review

The Company's "Adjusted Product Contribution"¹ is a Non-GAAP metric used by management which adjusts the reported gross margin by excluding the fair value measurements as required by IFRS and measures the cost of sales for the grams actually sold in the period. Management believes this measure provides useful information as it reflects the gross margin based on the Company's weighted average cost per gram from seed to sale against the grams sold. The resulting Adjusted Product Contribution is \$2.4 million, or 70% of sales, in the third quarter ended December 31, 2015 and \$5.0 million, or 65% of sales, on a year to date basis to December 31, 2015.

Third Quarter Fiscal 2016 Operating Expense Review

For the three-month period ended December 31, 2015, Sales, branding and medical outreach and education costs were \$1.4 million (three months ended December 31, 2014 - \$729,000).

General and Administrative ("G&A") expenses were \$2.0 million in the three-month period ended December 31, 2015 compared to \$1.0 million in the comparison period ended December 31, 2014. The increase in G&A reflects the Company's growth from the early start-up of last year, building commercial capacity and capability as a public company and meeting all compliance requirements with Health Canada.

Third Quarter Fiscal 2016 Earnings Review

The Company reported a net loss of \$3.3 million or \$0.04 per basic share for the three months ended December 31, 2015, compared to a net loss of \$2.6 million or \$0.07 per basic share in the comparison quarter last year.

For the nine months ended December 31, 2015, net income was \$1.6 million or \$0.02 per basic share, compared to a net loss of \$6.2 million or \$0.15 per basic share in the nine months ended December 31, 2014. The net income or loss was inclusive of the non-cash unrealized gain on changes in fair value of biological assets described above.

Third Quarter Fiscal 2016 Balance Sheet and Cash Flow Review

At December 31, 2015, the Company's cash, comprised of cash and cash equivalents totaled \$19.7 million, representing a decrease of \$1.7 million from March 31, 2015. The decrease is attributable to net proceeds from financings, including the "bought deal" common share offering in Q3 and the exercise of warrants and options, together totaling \$20.6 million, primarily offset by \$2.1 million used to repay a loan, \$11.1 million used to fund operations, and investments in facility enhancements totaling \$10 million. Investments in facility enhancements include the build out of our Tweed Farms facility and the installation of equipment in our Tweed facility, in part required for the production of cannabis oil extracts.

The Unaudited Condensed Interim Consolidated Financial Statements and Management's Discussion and Analysis documents have been filed with SEDAR and are available on www.sedar.com. The basis of financial reporting in the Unaudited Condensed Interim Consolidated Financial Statements and Management's Discussion and Analysis documents has been revised to thousands of Canadian dollars, unless otherwise indicated.

Subsequent Events

Bedrocan True Compassionate Pricing

Bedrocan Canada ("Bedrocan") took an important step to making medical cannabis more affordable for all Canadian patients with a new price structure called *True Compassionate Pricing*. Under *True Compassionate Pricing*, all six cannabis varieties produced by Bedrocan Canada are priced at \$5 per gram, making it the most affordable product line in Canada. Many Canadians who medicate with cannabis are doing so because traditional pharmaceutical drugs have not been as effective at treating their symptoms or have undesirable side effects. The decision to consume medical cannabis is made more complex due to the cost of the medicine.

Bedrocan's production methods have been refined over two decades to maximize yield and eliminate genetic variance from harvest to harvest. As a result, Bedrocan is able to produce standardized varieties efficiently. With Bedrocan's facility operating at full capacity, Bedrocan is in a position to offer standardized varieties at a much lower price.

Tweed Cannabis Oil Extracts Supplemental License

On February 23, 2016, Tweed was granted a supplemental license by Health Canada to sell up to 350 kilograms of Cannabis Oil Extracts during the license period, which ends January 19, 2017.

Sales of 10:1 Cannabis Oils™ launched

On February 24, 2016, Tweed announced that the company had launched the sale of high-quality *10:1 Cannabis Oils* made with GMO-free, organic sunflower oil. Starting with oils made from single strains and slowly introducing high-quality oil products, Tweed's product line will meet the needs of Canadians managing a variety of symptoms.

Starting with popular offerings of Argyle, Princeton and Birds Eye, Tweed will introduce new strain-specific *10:1 Cannabis Oils* on an ongoing basis. The new product line, *10:1 Cannabis Oils*, will be sold in 100ml bottles equivalent to 10 dried grams of the same dried flower. Each 10 ml will contain the equivalent of 1 gram of the corresponding Tweed dried-flower variety. Creating a universal equivalency factor

between flower and oil is a logical and simple way to ensure that Tweed customers can manage their dosing confidently. Tweed chose to balance *10:1 Cannabis Oils* with organic, non-genetically modified sunflower oil because it is versatile enough to cook or bake with, hypoallergenic, and even good to ingest on its own.

Federal Court Ruling

On February 24, 2016, the Federal Court released its decision in the case of Allard et al v. Canada. This case began as a result of the government's decision to repeal the Marihuana Medical Access Regulations ("MMAR") and enact the Marihuana for Medical Purposes Regulations ("MMPR"). This change overhauled the way that the government provides access to medical cannabis for patients across the country. The plaintiffs in the Allard case argued that the MMPR violates their Charter rights and the court, in a lengthy and detailed judgment, agreed with the plaintiffs and gave the government six months to amend the MMPR. Canopy Growth's preliminary interpretation of the decision is as follows: i) the decision reaffirms the right of Canadians to access marijuana for medical purposes; ii) the decision stipulates that the MMPR, under which Canopy Growth subsidiaries Tweed, Tweed Farms and Bedrocan Canada are licensed producers, does not provide sufficient access to cannabis; iii) the decision gives the Canadian Federal Government a period of six months to determine how existing regulations should be amended to ensure that patients have the access to medical marijuana that they need; and iv) the current MMPR regulations remain in force. Based on this preliminary interpretation, management does not believe the Allard decision will materially impact Canopy Growth.

Note 1: The Adjusted Product Contribution is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The Adjusted Product Contribution is reconciled and explained in Management's Discussion & Analysis under "Adjusted Product Contribution (Non-GAAP Measure)", a copy of which has been filed today on www.sedar.com.

Conference Call Details

Canopy Growth will host a conference call with Bruce Linton, CEO and Tim Saunders, CFO at 8:30 AM Eastern Time on February 25, 2016.

Calling Information

Toll Free Dial-In Number: 1-888-231-8191

International Dial-In Number (647) 427-7450

Conference ID: 55227314

Replay Information

A replay of the call will be accessible by telephone until 11:59 PM ET on March 24, 2016.

Toll Free Dial-in Number: 1-855-859-2056

Replay Password: 55227314

About Canopy Growth Corporation

Canopy Growth is Canada's first publicly traded medical marijuana company and the first geographically diversified producer with dual licenses under the Marihuana for Medical Purposes Regulations. Through its wholly owned subsidiaries, Tweed, Tweed Farms, and Bedrocan, the Company operates three state-of-the-art production facilities in Ontario and distributes marijuana across the country to Canadian patients managing a host of medical conditions. The Company is dedicated to educating healthcare practitioners, providing consistent access to high quality medication, conducting robust clinical research, and furthering the public's understanding of how marijuana is used for medical purposes. www.canopygrowth.com

Notice Regarding Forward Looking Statements

This news release contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Canopy Growth Corporation, Tweed Inc., Tweed Farms Inc. or Bedrocan Canada Inc. to be materially different from any future results, performance or achievements expressed or

implied by the forward-looking statements. Examples of such statements include future operational and production capacity, the impact of enhanced infrastructure and production capabilities, and forecasted available product selection. The forward-looking statements included in this news release are made as of the date of this news release and Canopy Growth Corp. does not undertake an obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable securities legislation. Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

##

For media inquiries:

Jordan Sinclair

Communications Manager,

Canopy Growth Corporation

jordan.sinclair@canopygrowth.com

613-706-2185 ex 309

For investor inquiries:

Tyler Burns

Investor Relations

Canopy Growth Corporation

tyler.burns@canopygrowth.com

613-706-2185 ex 122

Canopy Growth Corporation

Condensed consolidated statements of comprehensive (loss) income
for the three and nine-month periods ended December 31, 2015 and 2014
(Expressed in CDN \$000's except per share amounts)
(Unaudited)

	Three months ended		Nine months ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	\$	\$	\$	\$
Revenue	3,481	641	7,657	1,146
Unrealized gain on changes in fair value of biological assets	(9,013)	(939)	(26,768)	(3,196)
Inventory expensed to cost of sales	3,784	239	7,954	629
Production costs	5,954	1,111	10,173	3,197
Cost of sales, net of the unrealized gain on changes in fair value of biological assets	725	411	(8,641)	630
Gross margin, including the unrealized gain on changes in fair value of biological assets	2,756	230	16,298	516
Sales and marketing	1,372	729	3,253	1,880
Research and development	192	41	441	160
General and administration	1,962	1,035	5,619	2,286
Acquisition costs	16	-	1,155	-
Share-based compensation expense	1,162	908	2,107	2,080
Amortization	755	173	1,475	356
	5,459	2,886	14,050	6,762
(Loss) income from operations	(2,703)	(2,656)	2,248	(6,246)
Interest income/(expense)	(102)	18	(111)	71
Change in fair value of acquisition consideration related liabilities	(741)	-	(741)	-
	(843)	18	(852)	71
(Loss) income and comprehensive (loss) income before taxes	(3,546)	(2,638)	1,396	(6,175)
Income tax recovery	230	-	230	-
Net (loss) income and comprehensive (loss) income after taxes	(3,316)	(2,638)	1,626	(6,175)
Net (loss) income per share, basic:	\$(0.04)	\$(0.07)	\$0.02	\$(0.15)
Weighted average number of outstanding common shares: Basic	93,355,021	40,320,097	69,356,439	39,859,805
Net (loss) income per share, diluted:	\$(0.04)	\$(0.07)	\$0.02	\$(0.15)
Weighted average number of outstanding common shares: Diluted	93,355,021	40,320,097	76,688,213	39,859,805

Canopy Growth Corporation

Condensed consolidated statements of financial position

as at December 31, 2015 and March 31, 2015

(Expressed in CDN \$000's)

(Unaudited)

	December 31, 2015	March 31, 2015
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	19,719	21,446
Restricted short-term investment	296	10
Accounts receivable	833	342
HST recoverable	618	431
Biological assets	2,887	2,028
Inventory	22,808	4,355
Prepaid expenses	995	764
	48,156	29,376
Property, plant and equipment	39,614	17,745
Leasehold construction in process	3,725	615
Intangible assets	58,051	38
	149,546	47,774
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	4,487	4,278
Current portion of long-term debt	364	247
	4,851	4,525
Long-term debt	3,610	1,669
Deferred tax liability	7,204	-
Acquisition consideration related liabilities	1,636	-
Other long-term liabilities	198	171
	17,499	6,365
Shareholders' equity		
Share capital	137,301	49,826
Share-based reserve	3,331	1,724
Warrants	69	138
Deficit	(8,654)	(10,279)
	132,047	41,409
	149,546	47,774

Canopy Growth Corporation

Condensed consolidated statements of cash flows

for the three and nine-month periods ended December 31, 2015 and 2014

(Expressed in CDN \$000's)

(Unaudited)

	Three months ended		Nine months ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	\$	\$	\$	\$
Net inflow (outflow) of cash related to the following activities:				
Operating				
Net income (loss)	(3,316)	(2,638)	1,626	(6,175)
Items not affecting cash:				
Amortization of property, plant and equipment	619	171	1,334	348
Amortization of intangible assets	136	2	141	8
Unrealized gain on change in fair value of biological assets	(9,013)	(939)	(26,768)	(3,196)
Share-based compensation	1,162	908	2,107	2,080
Income tax recovery	(230)	-	(230)	-
Change in fair value of acquisition consideration related liabilities	741	-	741	-
Listing expense	-	-	-	30
Changes in non-cash operating working capital items	5,728	436	9,907	728
	(4,173)	(2,060)	(11,142)	(6,177)
Financing				
Increase in other long-term liabilities	-	-	27	-
Issuance of common shares from financing round	14,376	-	14,376	15,000
Exercise of stock options	235	215	242	325
Exercise of warrants	6,858	-	7,418	-
Share issue costs	(1,267)	7	(1,457)	(1,518)
(Repayment)/issuance of long-term debt	(1,925)	1,875	(1,985)	1,835
	18,277	2,097	18,621	15,642
Investing				
Increase in restricted short-term investment	-	-	(286)	-
Purchase of leasehold construction in process	(964)	(2,311)	(5,525)	(6,200)
Purchase of intangible assets	-	(7)	-	(21)
Tweed Farms purchase liability	-	-	-	(1,500)
Purchase of property, plant and equipment	(1,301)	(302)	(4,449)	(3,670)
Acquisition of subsidiaries	154	-	1,054	-
	(2,111)	(2,620)	(9,206)	(11,391)
Net cash inflow, (outflow)	11,993	(2,583)	(1,727)	(1,926)
Cash and cash equivalents, beginning of period	7,726	8,357	21,446	7,700
Cash and cash equivalents, end of period	19,719	5,774	19,719	5,774

Canopy Growth Corporation

Non-GAAP Measure (In CDN\$000's, except gram amounts)	Three Months Ended June 30, 2015	Three Months Ended September 30, 2015	Three Months Ended December 31, 2015	Nine Months Ended December 31, 2015
Adjusted Product Contribution ¹				
Weighted average cost per gram	\$ 3.16	\$ 2.92	\$ 2.29	\$ 2.68
Grams sold in the period	215,929	318,572	461,544	996,045
Revenue	\$ 1,710	\$ 2,466	\$ 3,481	\$ 7,657
Adjusted cost of sales ²	(682)	(931)	(1,059)	(2,672)
Adjusted Product Contribution	\$ 1,028	\$ 1,535	\$ 2,422	\$ 4,985
Adjusted Product Contribution percentage of sales	60.1%	62.2%	69.6%	65.1%
As compared to the Gross Margin per IFRS:				
Gross margin, including the unrealized gain on changes in fair value of biological assets as reported on the Statements of Comprehensive Loss	\$ 4,095	\$ 9,447	\$ 2,756	\$ 16,298
Gross margin percentage of sales, including the unrealized gain on changes in fair value of biological assets as reported on the Statement of Comprehensive Loss	239.5%	383.1%	79.2%	212.9%

Notes:

¹ The Adjusted Product Contribution removes the fair value measurements required under IFRS and recognizes the cost of sales based on the weighted average cost per gram to produce and sell product in the

² Based on the weighted average of cost per gram from seed to sale of \$2.29 per gram in the third quarter and \$2.68 per gram for the year to date and applied to the number of grams sold in the period.