

## **Canopy Growth Reports First Quarter Fiscal 2017 Financial Results**

*Registered patients increase 43% during quarter to over 16,500, and over 21,000 today*

August 29, 2016

Smiths Falls, ON – Canopy Growth Corporation (TSX:CGC) (“Canopy Growth” or “the Corporation”) today released its financial results for the first quarter fiscal 2017 ended June 30, 2016. All financial information in this press release is reported in Canadian dollars, unless otherwise indicated.

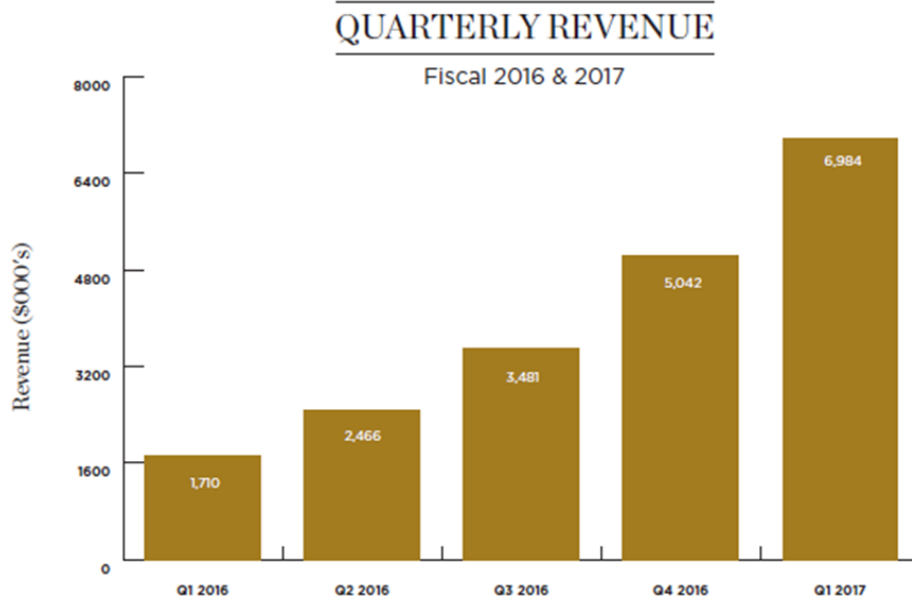
Consolidated financial results include the accounts of the Company and its wholly-owned subsidiaries Tweed Inc. (“Tweed”), Tweed Farms Inc. (“Tweed Farms”) and Bedrocan Canada Inc. (“Bedrocan Canada”).

### ***First Quarter Fiscal 2017 Highlights***

- Revenues of \$7.0 million, representing a greater than 300% increase over the three months ended June 30, 2015 and a 39% increase over fourth quarter fiscal year 2016
- Over 16,500 registered patients at June 30, 2016 compared to over 3,600 at June 30, 2015
- Bedrocan began licensed sales of *bedro-oils* cannabis oil in June 2016
- Announced partnership with AusCann Group Holdings Ltd. of Australia to work together in the Australian and International markets
- Announced creation of joint venture, Bedrocan Brazil, with São Paulo, Brazil-based Entourage Phytolab S.A. and local Brazilian partners

### ***Subsequent to First Quarter Fiscal 2017***

- Announced business partnership and receipt of necessary regulatory approvals to export medical cannabis to Germany for sale to patients
- Listed common shares on the Toronto Stock Exchange
- Closed the previously announced bought deal, including the over-allotment option by the underwriters, on August 24, 2016 for gross proceeds of \$34.5 million.



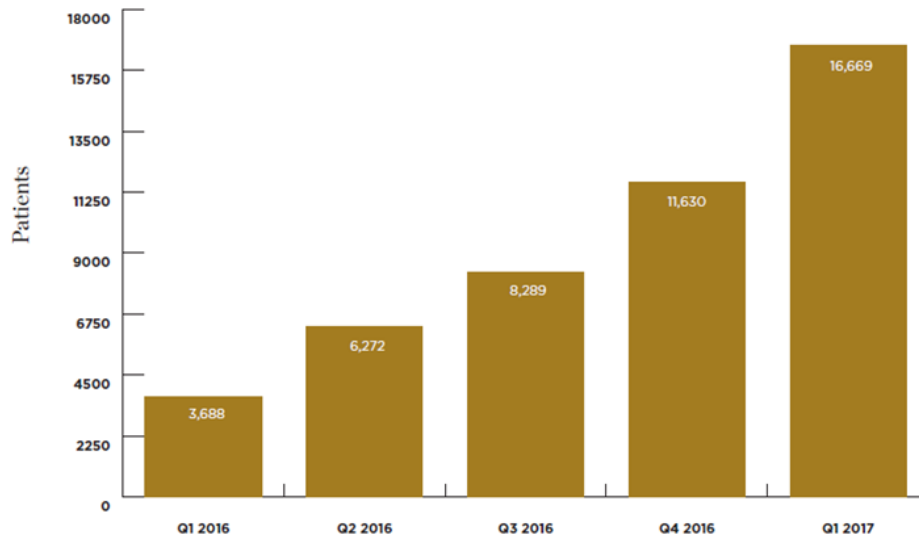
“Our business took many important steps forward, in both Canada and abroad, during the first quarter,” said Bruce Linton, Chairman & CEO, Canopy Growth. “Continued investment helped our business deliver its eighth consecutive quarter of double digit percentage growth in revenue, product sold and registered patients. During the quarter we brought the full Tweed Farms greenhouse, all 350,000 square feet, into production. With close to 600,000 sq. ft. in production across the corporation, in both low cost greenhouse and indoor growing facilities, the capability and flexibility that we have to produce large quantities of high quality dried cannabis and extracts, to meet potential future market demand, is unmatched in the sector.”

Added Linton “Investment in international development drove agreements with partners in Australia, Brazil, and Germany. With other opportunities presenting themselves, the global expansion of our business has just begun.”

***First Quarter Fiscal 2017 Revenue Review***

Revenue for the fourth quarter was \$7.0 million compared to revenue of \$1.7 million in the three months ended June 30, 2015 and \$5.0 million for the fourth quarter of fiscal year 2016.

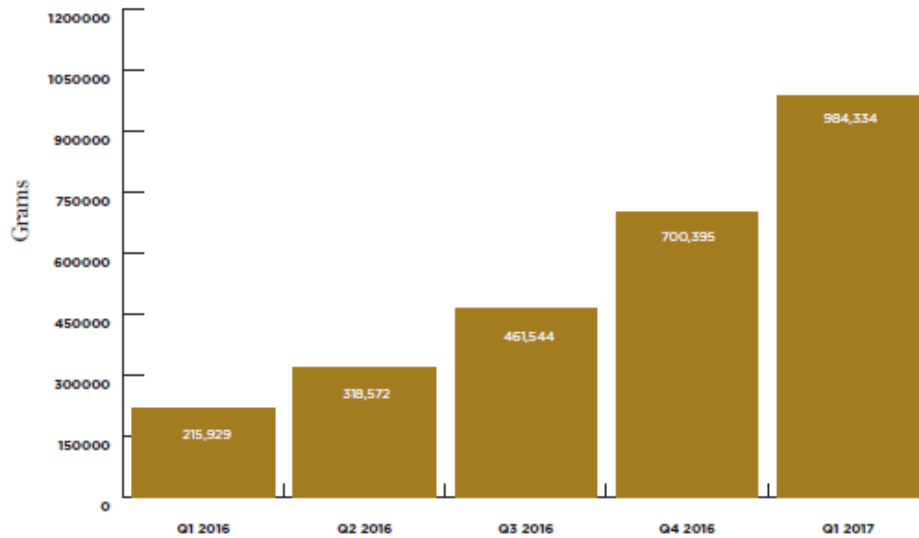
## PATIENTS AT QUARTER'S END



### *First Quarter Fiscal 2017 Product Sales Review*

In the first quarter of fiscal 2017 ended June 30, 2016, the Company sold approximately 984 kilograms and kilogram equivalents at an average price of \$7.09 per gram. In the three-month period ended June 30, 2015, approximately 215 kilograms were sold at an average price of \$7.74 per gram. The impact of Bedrocan's True Compassionate Pricing program, introduced in the fourth quarter of fiscal 2016, reduced the average selling price per gram.

## GRAMS AND GRAM EQUIVALENTS SOLD



### ***First Quarter Fiscal 2017 Gross Margin Review***

The gross margin was \$3.4 million, or 49% of revenue, for the three month period ended June 30, 2016. In the comparative period last year, the gross margin on the same basis was \$4.1 million or 239% of revenue.

### ***First Quarter Fiscal 2017 Adjusted Product Contribution Review***

The Company's "Adjusted Product Contribution"<sup>1</sup> 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 Adjusted Product Contribution in the first quarter of fiscal 2017 was \$4.4 million, or 63% of revenue. In the comparative period last year, the Adjusted Product Contribution was \$1.0 million, or 60% of revenue.

### ***First Quarter Fiscal 2017 Operating Expense Review***

For the three months ended June 30, 2016, sales and marketing expenses were \$2.3 million, or 32% of revenue (three months ended June 30, 2015 - \$1.0 million, or 59% of revenue).

The increase in sales and marketing expenses in the three months ended June 30, 2016 over the comparison period was due to expansion of the customer care center, launching Tweed's customer engagement locations, an expanded medical outreach program and continuing to position the Tweed brand in preparation for a non-medical market.

General and Administrative ("G&A") expenses were \$2.9 million, or 41% of revenue, in the three-month period ended June 30, 2016 compared to \$1.4 million, or 83% of revenue, in the same period last year.

The increase in G&A expenses over the comparison period last year reflects the Company's growth over last year, building commercial capacity and capability as a public company and meeting compliance requirements with Health Canada.

### ***First Quarter Fiscal 2017 Earnings Review***

The Company reported a net loss of \$3.9 million or \$0.04 per basic and diluted share for the first quarter ended June 30, 2016, compared to net income of \$1.0 million or \$0.02 per basic and diluted share in the comparison period last year. The net loss was inclusive of the non-cash unrealized gain on changes in fair value of biological assets described above. The non-cash gain on biological assets more than offset other cost of sales and operating expenses in the first quarter of last year to produce positive net income.

### ***First Quarter Fiscal 2017 Balance Sheet and Cash Flow Review***

At June 30, 2016, the Corporation's cash, comprised of cash and cash equivalents totalled \$19.5 million, representing an increase of \$4.1 million from March 31, 2016. The increase is attributable to net proceeds from the April 2016 "bought deal" common share offering in the first quarter of the fiscal year 2017 and the exercise of options and warrants together totalling \$11.5 million partially offset by cash used to fund operations, investments in facility enhancements and international development together totalling \$7.4 million. Investments in facility enhancements were primarily improvements at our Smiths Falls facility including the conversion of growing rooms, in the expansion of cannabis oil extract production capacity and in information technology.

The Audited Consolidated Financial Statements and Management's Discussion and Analysis documents have been filed with SEDAR and are available on [www.sedar.com](http://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***

#### **Tweed Receives Approval to Begin Export of Medical Cannabis to Germany**

On July 25, 2016, the Corporation announced that wholly-owned subsidiary Tweed had received the necessary approvals in Canada and Germany to begin exporting medical cannabis for sale to German patients. Working with MedCann GmbH Pharma and Nutraceuticals (“MedCann”), a privately held pharmaceutical importer and manufacturer, the transfer marks an important milestone for the Company and the first known incidence of dried cannabis being exported from a Canadian licensed producer to a major G7 country.

#### **Canopy Growth Corporation Announces Graduation to TSX**

On July 25, 2016, the Company announced that it has received final approval for the listing of the Corporation’s common shares (the “Common Shares”) on the Toronto Stock Exchange (“TSX”). The Common Shares commenced trading on the TSX effective as of the open of the market on July 26, 2016 under the symbol “CGC”. The Corporation’s shares were delisted from the TSX Venture Exchange prior to the commencement of trading on July 26, 2016.

#### **Bought Deal Financing**

On August 24, 2016, the Company announced that it had closed its previously announced short form prospectus offering, on a bought deal basis, including the exercise in full of the underwriters’ over-allotment option. A total of 9,453,000 common shares in the capital of the Company were sold at a price of \$3.65 per Share, for aggregate gross proceeds of \$34,503,450 (“the Offering”). The Offering was underwritten by a syndicate of underwriters co-led by Dundee Securities Ltd. and GMP Securities L.P and including INFOR Financial Inc. and PI Financial Corp.

## Regulatory Change

On August 11, 2016, Health Canada announced the new Access to Cannabis for Medical Purposes Regulations (the "ACMPR") which will come into force on August 24, 2016, replacing the MMPR as the regulations governing Canada's medical cannabis program. While the general policy of the ACMPR was disclosed by Health Canada on August 11, 2016, exact regulations will not be available until on or about August 24, 2016. The ACMPR is being implemented as a result of the Federal Court ruling in the case of *Allard v. Canada* (the "Allard Decision"). In the Allard Decision the Federal Court found the MMPR to be unconstitutional and of no force and effect, but suspended its declaration of invalidity for six months in order to give the government time to respond. As per Health Canada's statement and corresponding fact sheet released on August 11, 2016, the ACMPR will allow Canadians who have been authorized by their health care practitioner, and who are registered with Health Canada, to produce a limited amount of medical marijuana for their own medical purposes, or to designate someone who is registered with Health Canada to produce it for them. Starting materials such as plants or seeds are to be obtained from Licensed Producers only. On August 24, 2016, the government released legislation to enact the policy announcement made on August 11, 2016.

*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](http://www.sedar.com).*

## **Webcast and Conference Call Information**

Canopy Growth will host a conference call and audio webcast with Bruce Linton, CEO and Tim Saunders, CFO at 8:30 AM Eastern Time today.

### Webcast Information

A live audio webcast will be available at:

<http://event.on24.com/r.htm?e=1228175&s=1&k=C0DAE17790A73E74952EDF46ABFED8A0>

### Calling Information

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

International Dial-In Number (647) 427-7450

Conference ID: 52385525

## Replay Information

A replay of the call will be accessible by telephone until 11:59 PM ET on September 19, 2016.

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

Replay Password: 52385525

## About Canopy Growth Corporation

Canopy Growth is a world-leading diversified cannabis company, offering diverse brands and curated cannabis strain varieties in dried and oil extract forms. Through its wholly-owned subsidiaries, Tweed, Tweed Farms, and Bedrocan Canada, Canopy Growth operates three state-of-the-art production facilities with over half a million square feet of indoor and greenhouse production capacity. Canopy Growth has established partnerships with leading sector names in Canada and abroad. For more information, [www.canopygrowth.com](http://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 the TSX Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Exchange) accepts responsibility for the adequacy or accuracy of this release.

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# Canopy Growth Corporation

## Condensed interim consolidated statements of net (loss) income and comprehensive (loss) income for the three-months ended June 30, 2016 and 2015

(Expressed in CDN \$000's except per share amounts)  
(Unaudited)

	June 30, 2016	June 30, 2015
Revenue	\$ 6,984	\$ 1,710
Unrealized gain on changes in fair value of biological assets	(6,684)	(5,275)
Inventory expensed to cost of sales	6,654	1,492
Production costs	3,569	1,398
Cost of sales (recovery), net of the unrealized gain on changes in fair value of biological assets	3,539	(2,385)
Gross margin	3,445	4,095
Sales and marketing	2,260	1,009
Research and development	403	38
General and administration	2,850	1,415
Share of loss in equity investments	220	-
Share-based compensation expense	888	372
Depreciation and amortization	911	268
(Loss) income from operations	(4,087)	993
Interest income (expense), net	(47)	19
(Increase) decrease in fair value of acquisition consideration related liabilities	(12)	-
	(59)	19
Net (loss) income and comprehensive (loss) income before income taxes	(4,146)	1,012
Income tax recovery	197	-
Net (loss) income and comprehensive (loss) income after income taxes	\$ (3,949)	\$ 1,012
Net (loss) income per share, basic:	\$ (0.04)	\$ 0.02
Weighted average number of outstanding common shares, basic:	103,663,724	50,875,433
Net (loss) income per share, diluted:	\$ (0.04)	\$ 0.02
Weighted average number of outstanding common shares, diluted:	103,663,724	56,260,530

# Canopy Growth Corporation

## Condensed interim consolidated statements of financial position

(Expressed in CDN \$000's)

(Unaudited)

	June 30, 2016	March 31, 2016
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 19,527	\$ 15,397
Restricted short-term investment	250	-
Accounts receivable	1,410	1,110
HST recoverable	272	376
Biological assets	4,049	5,321
Inventory	24,237	22,153
Prepaid expenses and other assets	630	489
	<b>50,375</b>	<b>44,846</b>
Property, plant and equipment	46,119	44,581
Leasehold construction in process	2,576	403
Restricted investment	-	246
Goodwill	20,867	20,867
Intangible assets	31,787	31,861
Other assets	509	557
	<b>\$ 152,233</b>	<b>\$ 143,361</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 6,785	\$ 6,107
Deferred revenue	216	533
Current portion of long-term debt	639	553
	<b>7,640</b>	<b>7,193</b>
Long-term debt	3,489	3,469
Acquisition consideration related liabilities	1,270	1,258
Deferred tax liability	7,216	7,413
Other long-term liabilities	237	243
	<b>19,852</b>	<b>19,576</b>
<b>Shareholders' equity</b>		
Share capital	143,184	131,080
Share-based reserve	6,921	5,804
Warrants	-	676
Deficit	(17,724)	(13,775)
	<b>132,381</b>	<b>123,785</b>
	<b>\$ 152,233</b>	<b>\$ 143,361</b>

# Canopy Growth Corporation

## Condensed interim consolidated statements of cash flows for the three-months ended June 30, 2016 and 2015

(Expressed in CDN \$000's)

(Unaudited)

	June 30, 2016	June 30, 2015
<b>Operating</b>		
Net income (loss)	\$ (3,949)	1,012
Items not affecting cash:		
Depreciation of property, plant and equipment	837	265
Amortization of intangible assets	74	3
Share of loss in equity investments	220	-
Unrealized gain on change in fair value of biological assets	(6,684)	(5,275)
Share-based compensation	975	372
Income tax recovery	(197)	-
Decrease in fair value of acquisition consideration related liabilities	12	-
Changes in non-cash operating working capital items	4,405	326
<b>Net cash used in operating activities</b>	<b>(3,766)</b>	<b>(3,297)</b>
<b>Financing</b>		
Proceeds from issuance of common shares	11,506	-
Proceeds from exercise of stock options	659	-
Proceeds from exercise of warrants	126	126
Payment of share issue costs	(790)	(189)
Issuance (repayment) of long-term debt	260	-
Increase in other long-term liabilities	(6)	27
<b>Net cash provided by (used in) financing activities</b>	<b>11,602</b>	<b>(98)</b>
<b>Investing</b>		
Purchases of property, plant and equipment	(2,531)	(1,410)
Purchases of leasehold construction in process	(1,175)	(1,186)
Purchases of restricted investments	-	(286)
<b>Net cash used in investing activities</b>	<b>(3,706)</b>	<b>(2,882)</b>
Net cash inflow (outflow)	4,130	(6,277)
Cash and cash equivalents, beginning of period	15,397	21,446
<b>Cash and cash equivalents, end of period</b>	<b>\$ 19,527</b>	<b>\$ 15,169</b>

<b>Unaudited Non-GAAP Measure (In CDN\$000's, except gram amounts)</b>	<b>Three Months Ended</b>	<b>Three Months Ended</b>
<b>Adjusted Product Contribution<sup>1</sup></b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
<b>Weighed average cost per gram</b>	\$ 2.66	\$ 3.16
<b>Grams sold in the period</b>	<b>984,334</b>	<b>215,929</b>
<b>Revenue</b>	\$ 6,984	\$ 1,710
Adjusted cost of sales <sup>2</sup>	(2,618)	(682)
<b>Adjusted Product Contribution</b>	\$ 4,366	\$ 1,028
<b>Adjusted Product Contribution percentage of sales</b>	<b>62.5%</b>	<b>60.1%</b>
<b>As compared to the Gross Margin per IFRS:</b>		
<b>Gross margin</b>	\$ 3,445	\$ 4,095
<b>Gross margin percentage of sales</b>	<b>49.3%</b>	<b>239.5%</b>

**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 period.

2 Based on the weighted average of cost per gram from seed to sale of \$2.66 per gram in the first quarter.