CANOPY GROWTH CORPORATION

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

FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2016 AND 2015

NOVEMBER 13, 2016

On July 26, 2016, Canopy Growth Corporation ("the Company" or "Canopy Growth") commenced trading of the Company's common shares on the Toronto Stock Exchange ("TSX"), after receiving approval to graduate from the TSX Venture Exchange, making it the only cannabis producer in the world to trade on a major stock exchange. The common shares continued to trade on the TSX under the symbol "CGC". In conjunction with listing on the TSX, the common shares were delisted from the TSX Venture Exchange.

This Management's Discussion and Analysis of the Financial Condition and Results of Operation ("MD&A") is dated November 13, 2016. It should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements (the "Interim Financial Statements") for the three and six months ended September 30, 2016, including the accompanying notes.

Unless otherwise indicated, all financial information in this MD&A is reported in thousands of Canadian dollars, except share amounts. We prepared this MD&A with reference to National Instrument 52-109 – Continuous Disclosure Obligations of the Canadian Securities Administrators. This MD&A provides information for the three and six months ended September 30, 2016 and up to and including November 13, 2016.

By their nature, the Interim Financial Statements do not include all the information required for full annual financial statements. Accordingly, this MD&A should be read in conjunction with our audited consolidated financial statements and notes thereto for the year ended March 31, 2016 and the related MD&A for the year ended March 31, 2016 dated July 8, 2016.

The Interim Financial Statements and this MD&A have been reviewed by the Company's Audit Committee and approved by the Company's Board of Directors.

The accompanying Interim Financial Statements were prepared in compliance with International Financial Reporting Standard 34 Interim Financial Reporting ("IAS 34"), in accordance with subparagraph 3.2(1) (b) of NI 52-107 and include the accounts of the Company and its wholly-owned subsidiaries Tweed Inc. ("Tweed") located in Smiths Falls, Ontario, Tweed Farms Inc. ("Tweed Farms") located in Niagara-on-the-Lake, Ontario, Bedrocan Canada Inc. ("Bedrocan") located in Toronto, Ontario, and 9388036 Canada Inc. (a non-operating company). All intercompany balances and transactions have been eliminated on consolidation.

Additional information filed by us with the Canadian Securities Administrators, including quarterly reports, annual reports and annual information forms are available on-line at www.sedar.com and also on our website at www.canopygrowth.com, and Short Form Prospectus with respect to the bought deals dated November 11, 2015, April 8, 2016, and August 18, 2016 are available on-line at www.sedar.com.

SECOND QUARTER FISCAL 2017 HIGHLIGHTS

- Revenue of $8,498; a 22% increase over the first quarter of Fiscal 2017 and 245% over the second quarter of Fiscal 2016 when revenue totaled $2,466;
- 1,169 kilograms and kilogram equivalents[1] sold, representing an increase of 19% over the first quarter of Fiscal 2017 and an increase of 267% over the second quarter of last year;
- Net income of $5,430, or $0.05 per share on a basic and diluted basis, in the three-month period ended September 30, 2016, including a non-cash unrealized gain on the change in fair value of biological assets totalling $16,076, compared to net income of $3,930, or $0.06 per share and $0.05 per share on a basic and diluted basis, respectively, in the second quarter of Fiscal 2016, including a non-cash unrealized gain on the change in fair value of biological assets totalling $12,480;
- The second quarter Adjusted Product Contribution[2] was $5,259 or 62% of revenue as compared to an Adjusted Product Contribution of $1,535 and 62% of revenue in the same quarter of last year;
- The second quarter weighted average cost per gram to produce, harvest and sell cannabis was $2.77 per gram as compared to $2.92 in the same quarter of last year and $2.66 in the first quarter of Fiscal 2017;
- Over 24,400 registered patients at September 30, 2016 compared to over 16,600 in the first quarter of Fiscal 2017 and over 6,200 in the second quarter of last year;
- Exported Tweed-branded medical cannabis for sale to German patients for the first time;
- Starting with *Lemon Skunk,* Tweed launched the DNA-Certification program, a seal of approval from the world's most decorated cannabis breeders.
- Opened the first of its kind, world-class cannabis breeding facility in Canada, located in Smiths Falls, Ontario;
- Announced a partnership with Delivra Inc. to supply Tweed and Bedrocan Canada with cannabis-infused topical product formulations (See **"Transactions with Related Parties"**);
- Graduated from the Toronto Venture exchange and listed on the Toronto Stock Exchange on July 26, 2016;
- Closed a bought deal financing on August 24, 2016, including the underwriters' exercise of the over-allotment option, that raised aggregate gross proceeds of $34,503;
- Closed a $5,500 financing with a Canadian commercial lending institution, being the second financing agreement with the same financial institution. The financing was comprised of a $3,500 mortgage on Tweed Farms and a $2,000 line of credit. The three facilities, including the previously existing facility, total approximately $7,000; and
- Cash and cash equivalents were $45,379 at September 30, 2016.

[1] *Kilogram equivalents refers to cannabis oils sold in 100 ml bottles where 10 ml is the equivalent of approximately 1 gram of dried cannabis.*

[2] *A Non-GAAP measure used by management, described elsewhere in this MD&A*

RECENT DEVELOPMENTS

Recent License Amendments

Recent license amendments increased the Corporation’s licensed production capacity to over 13,500 kilograms of dried cannabis and 6,700 kilograms of cannabis oil, representing over 7 million ml of finished cannabis oil.

Canopy Growth Corporation Announces Expansion Strategy in Partnership with The Goldman Group

On November 1, 2016, the Company announced that it had entered into a Memorandum of Understanding (“MoU”) with The Goldman Group to expand Canopy Growth’s cannabis production capacity and geographic footprint. The MoU is the culmination of a shared view that high quality cannabis grown through secure production channels will continue to be the preferred model for Canadian cannabis production and distribution, and that current capacity will be insufficient to meet the growing demand for medical and future recreational cannabis. The agreed upon growth strategy will see The Goldman Group purchase or build new properties, subject to Canopy Growth’s approval and built to Canopy Growth’s proprietary specifications, leased back to the Company on a cost plus basis. Such a strategy is intended to provide the Company with a non-dilutive means to secure additional production capacity.

The Goldman Group through its affiliates owns approximately 3.8% of the outstanding shares of Canopy Growth and is already the landlord of the Company's Bedrocan Canada Inc. properties. Murray Goldman, the founder and principal shareholder of The Goldman Group sits on Canopy Growth's board of directors.

Canopy Growth acquired Quebec-based Licensed Producer Applicant Vert Médical Inc., and Licensed Hemp producer, Groupe H.E.M.P.Ca

On November 1, 2016, the Company announced that it has acquired 100% ownership of Vert Médical – Green Medical Inc. (“Vert Médical”), a Quebec-based company that began its application for federal government approval to produce medical cannabis in 2013. On November 9, 2016, Vert Médical was renamed Vert Cannabis Inc. (“Vert Cannabis”). Through the acquisition, Canopy Growth acquired a late-stage license ACMPR applicant, the lease of 90 acres of land and a 7,000 sq. foot indoor growing and office facility (collectively, “the Vert Cannabis campus”) as well as the right to acquire the Vert Cannabis campus. It is Canopy Growth’s intent to apply its documented and compliant standard operating procedures to pursue completion of the ACMPR license application. In consideration for the acquired shares in Vert Cannabis, Canopy Growth will assume and immediately pay debt of approximately $500,000. In addition, Canopy Growth will issue up to 294,900 common shares of the Company, if and when specific licensing and capacity expansion related milestones are achieved, except for 58,978 common shares which will be issued on closing.

Also, on November 1, 2016, the Company announced that it had acquired 75% of Groupe H.E.M.P.CA Inc. Through the acquisition, the Company has obtained a hemp production license and Hemp.ca brands and digital properties. The acquisition serves to diversify Canopy Growth’s business into the cultivation of Hemp, and the development, production and future sale of a diverse range of hemp-based products, from pet care to skincare. Hemp.ca has developed a suite of brands that are close to ready for market, some of which may hit store shelves by fiscal 2017-year end. Brand exposure for Vert and Tweed via hemp-based product lines allow these brands to operate in related verticals governed by liberal advertising and promotional rules.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain “forward-looking statements” and forward-looking information within the meaning of Canadian securities laws, including such statements relating to:

- assumptions and expectations described in the Company’s critical accounting policies and estimates;
- the Company’s expectations regarding the adoption and impact of certain accounting pronouncements;
- the Company’s expectations regarding legislation, regulations and licensing related to the cultivation, production and sale of cannabis products by the company’s wholly-owned subsidiaries;
- the expected number of users of medical marijuana or the size of the medical marijuana market in Canada;
- the potential time frame for the introduction of legislation to legalize recreational marijuana use in Canada and the potential form that this legislation will take;
- the potential size of the recreational marijuana market in Canada should recreational use be legalized;
- the ability to enter and participate in international market opportunities;
- the Company’s expectations with respect to the company’s future financial and operating performance;
- product sales expectations;
- production capacity expectations; and
- the Company’s ability to achieve profitability without further equity financing.

The words “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates” “forecasts”, “intends”, “anticipates”, or “believes” or variation (including negative variations) of such words and phrases, or statements that certain actions, events, or results “may”, “could”, “would”, “might”, or “will” be taken, occur or to achieve are all forward-looking statements. Forward-looking statements are based on the reasonable assumptions, estimates, internal and external analysis and opinions of management made in light of its experience and perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable at the date that such statements are made. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to, the factors discussed in the section entitled “RISKS AND UNCERTAINTIES”. Although the Company has attempted to identify important factors that could cause actions, events or results to differ materially from those described in the forward-looking statements, there may be other factors that cause actions, events, or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as at the date of the MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements. The Company does not undertake to update any forward-looking statements except as required by applicable securities laws.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer, in accordance with National Instrument 52-109 (“NI 52-109”), have both certified that they have reviewed the financial report and this MD&A (the “Filings”) and that, based on their knowledge having exercised reasonable diligence, (a) the Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the filings; and (b) the financial report together with the other financial information included in the Filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the Filings.

Canopy Growth Corporation is a publicly traded corporation, incorporated in Canada, with its head office located at 1 Hershey Drive, Smiths Falls, Ontario. The Company's common shares are listed on the TSX, under the trading symbol "CGC". Investors should be aware that inherent limitations on the ability of certifying officers of an issuer to design and implement on a cost effective basis Disclosure Controls and Procedures and Internal Controls over Financial Reporting as defined in NI 52-109 in the first financial period following the issuer becoming a non-venture issuer in the circumstances described in s. 5.5 of NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

NON-GAAP AND ADDITIONAL GAAP MEASURES

The Company uses "Income from operations" as an additional GAAP financial measure within the financial statements and MD&A and "Adjusted Product Contribution" as a Non-GAAP measure in the MD&A, but neither is a defined term under IFRS to assess performance. Management believes that these measures provide useful supplemental information to investors and is computed on a consistent basis for each reporting period.

Income from operations is calculated as total revenues less total operating expenses derived from the Consolidated Statements of Comprehensive Loss. It is used by management to analyze operating performance but it is not intended to represent an alternative to net earnings or other measures of financial performance in accordance with IFRS.

"Adjusted Product Contribution" is a metric used by management to measure performance efficiencies in growing and selling medical marijuana. The metric is calculated by removing all amounts related to fair value accounting under IFRS, and then adding back the costs related to the inventory grown, harvested, and sold in the period, to arrive at a weighted average cost per gram to grow, harvest, and sell cannabis. The calculated weighted average cost per gram is applied to the number of grams sold in the period to determine the adjusted cost of sales and resulting Adjusted Product Contribution metric.

DESCRIPTION OF THE BUSINESS

MEDICAL MARIJUANA REGULATORY FRAMEWORK IN CANADA

In 2001, Canada became the second country in the world to recognize the medicinal benefits of marijuana and to implement a government-run program for medical marijuana access. Health Canada replaced the prior regulatory framework and issued the *Marihuana for Medical Purposes Regulations* ("MMPR") in June 2013 to replace government supply and home-grown medical marijuana with highly secure and regulated commercial operations capable of producing consistent, quality medicine. The MMPR regulations issued in June 2013 covered the production and sale of dried cannabis flowers only. A court injunction in early 2013 preserved the production and access methods of the prior legislation for those granted access prior to the injunction.

On July 8, 2015 Health Canada issued certain exemptions under the Controlled Drugs and Substances Act (Canada) ("CDSA"), which includes a Section 56 Class Exemption for Licensed Producers under the MMPR to conduct activities with cannabis (the "Section 56 Exemption"), which permits Licensed Producers to apply for a supplemental license to produce and sell cannabis oil and fresh marijuana buds and leaves, in addition to dried marijuana (this does not permit Licensed Producers to sell plant material that can be used to propagate marijuana).

On August 24, 2016, the Government of Canada introduced new regulations governing the use of marijuana for medical purposes. This new regulations, known as the *Access to Cannabis for Medical Purposes Regulations* (ACMPR), were introduced in response to the February 24, 2016 decision rendered by the Federal Court of Canada in the Allard et al v the Federal Government of Canada case. 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. The court gave the Government of Canada until August 24, 2016 to determine how existing regulations should be amended to ensure that patients have the access to medical marijuana that they need.

The ACMPR, remained largely consistent with the former MMPR, but restores the ability of patients to grow their own marijuana at home, including the ability to designate a third-party grower through regulations akin to the former *Medical Marijuana Access Regulations* (MMAR). Under the ACMPR, use MMAR formula and their prescribed daily dosage to determine the maximum number of plants they are legally allowed to grow at home. Patients who choose to grow at home will be required to register their production sites and provide copies of their medical authorization to Health Canada in order to allow for monitoring and auditing of their activities.

Under the former MMPR and now ACMPR, patients are required to obtain a medical approval from their healthcare practitioner and provide a medical document to the licensed producer from which they wish to purchase marijuana. Since the requirements under the new regulations are both simpler and involve fewer obstacles to access than the previous regulatory regime, it is anticipated that the growth in the number of approved patients will accelerate. Moreover, the new system allows for competition among licensed producers on a host of factors including product quality, customer service, price, variety and brand awareness, allowing for well-positioned and capitalized producers to leverage their position in the marketplace.

Health Canada recently reported that over 75,000 patients had enrolled into the ACMPR program by June 30, 2016[3], representing a market worth in excess of $100 million. By 2024, Health Canada estimates that the number of patients using medical marijuana will grow to 450,000, creating a medical marijuana market worth an estimated $1.3 billion.

In the event recreational marijuana use is legalized (see "**Legalization of Recreational Use of Marijuana in Canada**"), it is expected that the ACMPR will be replaced by a new regulatory framework that will cover both the medical and recreational markets.

LEGALIZATION OF RECREATIONAL USE OF MARIJUANA IN CANADA

On April 20, 2016, the Canadian Federal Government announced its intention to introduce, by the spring of calendar 2017, legislation to legalize the recreational use of marijuana in Canada. At this time, the form that this legislation will take is not known.

On June 30, 2016, the Canadian Federal Government established a Task Force to seek input on the design of a new system to legalize, strictly regulate and restrict access to marijuana. Their advice will be considered by the Government of Canada as the new framework is developed. The Task Force is expected to issue its report to the Government by the end of November 2016. Members of the Task Force are: Anne McLellan (chair); Dr. Mark A Ware (vice-chair); Dr. Susan Boyd; George Chow; Marlene Jesso; Dr. Perry Kendall; Rafik Souccar; Dr. Barbara von Tigerstrom; Dr. Catherine Zahn. Biographies of the Task Force members are available at http://healthycanadians.gc.ca/task-force-marijuana-groupe-etude/task-force-bios-groupe-de-travail-eng.php.

[3] http://news.gc.ca/web/article-en.do?nid=1110409

Canopy Growth believes that the legislation will allow for controlled and highly regulated production by licensed producers along with limited grow-at-home options. Canopy Growth also believes that, in the event recreational use of marijuana is legalized, that the majority of people will choose to purchase from a regulated production source rather than growing marijuana in their homes.

CIBC World Markets reports estimates of the potential value of the recreational marijuana market in Canada range from $5 billion to $10 billion per year. The lower market value of $5 billion per year translates into yearly consumption of 770,000 kilograms of marijuana, assuming a price of approximately $6.50 per gram.[4] To put the potential size of the Canadian recreational market in context, Statistics Canada valued the beer market in Canada, in 2014, at $8.7 billion.[5]

INTERNATIONAL DEVELOPMENT

Medical marijuana opportunities are becoming increasingly available as new jurisdictions move towards establishing new or improved medical marijuana systems. As Canada has developed an enviable regulatory model, companies acting within that framework have expertise, knowledge and potentially product to share with the global community.

Canopy Growth has to date announced its entry into emerging markets in Germany, Brazil, and Australia, and is evaluating other international opportunities where the regulatory framework permits (See **Overview of Canopy Growth Corporation**).

OVERVIEW OF CANOPY GROWTH CORPORATION

Canopy Growth is a publicly-traded corporation, incorporated in Canada, with its head office located at 1 Hershey Drive, Smiths Falls, Ontario. The Company's common shares were listed on the TSXV on April 4, 2014, but subsequently graduated to the TSX on July 26, 2016 under the trading symbol "CGC". Through its wholly-owned subsidiaries, Tweed, Bedrocan Canada and Tweed Farms, Canopy Growth is currently in the business of producing and selling legal medical marijuana, primarily in the Canadian market. Canopy Growth is also positioning itself to produce and sell marijuana in the recreational market in Canada through Tweed and potentially other brands, should it be legalized in the future. Bedrocan Canada will remain solely focused on the medical market.

Management believes that a significant opportunity exists today to leverage the Company's expertise, financial strength and business model in federally legal marijuana markets around the world. In addition, management believes future opportunities are likely to exist for the Company in jurisdictions where governments are actively moving towards such a legal framework. Subject to regulatory approval, strategic international business opportunities pursued by the Company could include:

- Providing advisory services to third-parties that are interested in establishing licensed cannabis cultivation and sales operations;
- The export of medical cannabis to third-parties in countries outside of Canada; and
- Ownership of cannabis cultivation and sales operations in countries outside of Canada, where lawful to do so.

To date, the Company has announced new ventures or business partnerships in Australia, Brazil and Germany as described below:

- Tweed has entered into a partnership with AusCann Group Holdings Ltd. ("AusCann") of Australia, where Tweed will provide consultation in a number of areas including production, quality assurance

[4] http://research.cibcwm.com/economic_public/download/eijan16.pdf
[5] http://www.statcan.gc.ca/daily-quotidien/150504/dq150504a-eng.htm

and operations, and strategic advisory services. In exchange for these services, the Company owns a 15% interest in AusCann, a leader in Australia's emerging medical cannabis industry;

- The Company has entered into an agreement with São Paulo-based Entourage Phytolab S.A. ("Entourage"), Bedrocan International BV and local Brazilian partners to create a new company called Bedrocan Brazil S.A., which will facilitate the importation of Bedrocan Canada's proprietary standardized cannabis varieties and know-how into the Brazilian market. Additionally, the Company will partner with Entourage to develop cannabis-based pharmaceutical medical products for the Brazilian and international markets. The Company will hold a 41.75% interest in Bedrocan Brazil S.A. through its wholly-owned subsidiary Bedrocan Canada and a 50% direct ownership interest in Entourage; and
- Tweed has received necessary approvals in Canada and Germany to export medical cannabis for sale to German patients.

Management also believes a significant potential future opportunity exists, within an appropriate regulatory framework, to improve the Company's margins by vertically integrating up the value chain. In the medical market, this could be marijuana-based therapies for the treatment of a wide-range of medical symptoms, from sleeping disorders to neuropathic pain. In a potential future recreational market, this could mean the commercialization of edible and drinkable consumer products infused with cannabis elements, most notably THC.

The Company's primary focus is strengthening the Company's market share position in legal marijuana markets in Canada, medical today and non-medical should it be legalized in the future, and to help establish similar positions in markets abroad. To achieve this, the Company will continue making specific and deliberate investments, including in acquisitions, to:

- Increase the diversity, quality and inventory of the Company's product offerings across value and premium marijuana market segments;
- Increase the strength and differentiation of the Company's multiple brands;
- Increase the efficiency and effectiveness of the Company's customer engagement resources;
- Drive growth in international markets in which marijuana is legal; and
- Significantly increase the Company's production capacity, in both greenhouse and indoor controlled facilities, in support of the Company's diverse product offering.

To enable the Company to expedite the expansion of its production capacity, Canopy Growth announced on November 1, 2016 that it had entered into a Memorandum of Understanding ("MoU") with The Goldman Group to expand the Company's cannabis production capacity and geographic footprint. The MoU is the culmination of a shared view that high quality cannabis grown through secure production channels will continue to be the preferred model for Canadian cannabis production and distribution, and that current capacity is insufficient to meet the growing demand for medical and future recreational cannabis. The growth strategy will see The Goldman Group purchase or build new properties, subject to Canopy Growth's approval and built to Canopy Growth's proprietary specifications, and lease those properties back to the Company on a cost plus basis. The partnership with The Goldman Group gives the Company access to a very large amount of non-dilutive capital with which to accelerate the development of additional licensed production facilities. Leveraging this source of development capital is expected to reduce, but not eliminate, the Company's need to raise additional capital in the future.

This investment in brand development, global expansion, product diversification, and increased production capacity, is likely to delay when the Company's business becomes cash flow positive. Management believes the focus on growing the Company's market share will drive significantly higher cash earnings and shareholder returns over the long-term.

Across its three licensed production sites, Canopy subsidiaries are now licensed for 13,500 kg of dried cannabis production and 6,700 kg of cannabis oil production, which represents over 7 million ml of finished cannabis oil.

At September 30, 2016, there were 181 full-time employees in the Company as compared to 156 at March 31, 2016.

TWEED INC.

Tweed is a Licensed Producer of medical marijuana under the MMPR. Tweed's Commercial License for its facility in Smiths Falls, Ontario was renewed on November 20, 2015 and will be up for renewal on January 19, 2017. Tweed's license to sell cannabis extracts was granted February 23, 2016 and will also be up for renewal on January 19, 2017. Tweed's Commercial License covers 168,000 square feet of its Smiths Falls facility and includes 12 climate controlled indoor growing rooms. Prior to the end of the term of its licenses, Tweed must submit an application for renewal to Health Canada containing information prescribed by the MMPR.

Tweed has completed 12 of an eventual 39 growing rooms (of similar size), and the related vegetation, nutrient delivery and production infrastructure as is required to support the full configuration to be built. An additional 12 growing rooms are currently under construction with completion targeted in the first half of calendar year 2017. The Smiths Falls facility also includes an in-house laboratory and R&D area, cannabis oil extraction infrastructure, a high level security vault and a breeding facility that features several breeding rooms, phenotyping rooms, as well as male and female plant rooms.

The total footprint of the existing Smiths Falls facility, at over 460,000 square feet, can support a significant increase in licensed production capacity. In addition, the 40-acre site at 1 Hershey Drive has significant undeveloped land that can support the construction of additional buildings.

Tweed sells its dried cannabis at prices ranging from $6 per gram for value strains to up to $12 per gram for premium strains. Typically, growth time, strain yield and market comparatives determine a strain's price. Very particular strains may be priced higher, but this would be the exception.

In keeping with its goal of producing high quality value and premium cannabis strains for the legal marijuana market, Tweed has undertaken a number of progressive activities over the past 12 to 18 months:

- In October 2015, Tweed and DNA Genetics announced an exclusive partnership that would see Tweed leverage DNA's expertise in cannabis breeding to bring new, exclusive DNA-Certified strains to Tweed customers. Less than a year later on September 15, 2016, Tweed launched *Lemon Skunk*, the first strain certified by DNA Genetics and selected through phenotyping by DNA Genetics. Additional DNA-Certified strains are expected to be available through Tweed by Q4 2017. DNA-Certified strains are being cultivated to DNA standards in Tweed's Smiths Falls, Ontario facility. Additional strains that are expected to be DNA-Certified are currently being harvested at the Tweed Farm's greenhouse in Niagara-on-the-Lake, Ontario;
- On September 12, 2016, Tweed announced the completion of its state-of-the art cannabis breeding facility within its Smiths Falls operation. With the facility, Tweed is evolving the way cannabis is bred and selected for commercial sale. Working with the best breeders in the world such as DNA Genetics and its own Master Breeder, Tweed and its partners will begin creating new proprietary genetics by selecting male and female plants with desirable traits, and breeding new strains under strictly controlled conditions. On November 7, 2016, the Company announced that Tweed has received approval from Health Canada to begin using this breeding facility; and
- On October 6, 2016, less than 8 months after entering into a business partnership, Tweed and international cannabis icon, Snoop Dogg, announced that *Leafs By Snoop* would be available in Canada, exclusively to Tweed customers. On October 27, 2016, Tweed began selling three *Leafs By Snoop* varieties - Sunset, Ocean View and Palm Tree CBD. All three *Leafs By Snoop* varieties

are available through the Tweed Shop at prices between $9 and $12 per gram. Starting with three whole-flower dried cannabis strains and expanding over time, *Leafs By Snoop* will be a full spectrum offering of diverse strains including a high CBD option and mid to high-range THC options. *Leafs By Snoop* strains for the Canadian market are grown in Tweed's Smiths Falls, Ontario facility. Additional strains that are expected to be added to the Company's inventory of *Leafs By Snoop* strains, are currently being harvested at the Tweed Farm's greenhouse in Niagara-on-the-Lake, Ontario .

Tweed sells Cannabis Oils made with GMO-free, organic sunflower oil. Along with popular offerings of Quinn, Princeton and Zaius, Tweed will introduce new strain-specific *Cannabis Oils* on an ongoing basis. Prices for Cannabis Oils range from $95 per 100 ml bottle to $185 per 100 ml bottle depending on the strains incorporated.

Tweed does not offer volume discounts to end users, but has developed an income-tested Compassionate Pricing Promise whereby eligible low-income patients may obtain a 20% discount off regular prices.

A key focus of Tweed, since its inception, has been the development of its brand. From the name, logo and design aesthetic, to the approachable tone and light-hearted copy, Tweed is branded and positioned in a unique way. Tweed deliberately chose to incorporate a sense of texture and approachability that welcomes customers and encourages an intimate relationship with the brand. Tweed has emerged as the most dynamic brand in the industry with exceptionally strong appeal and recognition in the medical marijuana market in Canada across value and premium product segments.

In support of its brand, Tweed focuses heavily on its social media presence as an engagement strategy. Further engagement with the Tweed brand will be facilitated by the Company's expanding network of *Tweed Main Street* Community Engagement Centers. These centers in Southern Ontario (Barrie, Etobicoke, Guelph and Hamilton) provide an opportunity for interested individuals to learn about medical marijuana in a helpful, supportive and consumer-friendly environment. The Company is actively seeking partners to expand the network of *Tweed Main Street* locations, through licensing partnerships, to strategic locations across Canada.

Like the *Tweed Main Street* concept, Tweed is intent on using creative marketing strategies to further increase public awareness of the Tweed brand. The partnership with the artist and cannabis connoisseur, known as Snoop Dogg, will see Tweed and Snoop Dogg partner on curated content and brand strategy exclusively in Canada. The objective of these marketing strategies, be it *Tweed Main Street,* the business partnership with Snoop Dogg and others that the Company may pursue in the future, is to make the Tweed brand top-of-mind as medical patients and future recreational users consider making their first legal marijuana purchase.

Since the founding of Tweed, the Company has provided a variety of support to patients and doctors in order to improve knowledge with respect to marijuana for medical purposes and ultimately advance the sector. For example, the Company supports the Canadian AIDS Society ("CAS") in the form of an unrestricted grant to CAS for the development of a patient-focused series that explains the science of cannabis as a therapy, the rules and regulations surrounding access and different ways to consume cannabis for safer use and better health. In addition, the Company has research partnerships in place with researchers from the University of Ottawa and Ryerson University, and has provided funding for education to the Chronic Pain Association of Canada.

Tweed has been the sole licensed producer supporter of the Primary Care Updates across Canada reaching thousands of doctors, and supports countless efforts by local educators to improve the understanding of marijuana for medical purposes through a team of detailers visiting doctors throughout Ontario. Tweed has also partnered with Canabo Medical Corporation to conduct scientific and medical research through its network of healthcare practitioners at its medical clinics. This research data will be used to generate data to clarify the role of cannabis in various chronic conditions, including the management of chronic pain.

Tweed was also, to the Company's knowledge, the first Licensed Producer to have an accredited M1 continuing medical education program to assist doctors, and in partnership with Bedrocan, one other Licensed Producer and the Collège des médecins du Québec, proudly contributed startup funding for the creation of a registry for medical cannabis patients in the Province of Quebec. The first of its kind, the anticipated 10-year Registry will gather information on the demographic profiles of patients who use medical cannabis, the medical purpose for which they use it, and at what dosage, while tracking the effectiveness and safety of cannabis used in the management of symptoms associated with particular health conditions.

Tweed announced on May 16, 2016 its plan to fund a national campaign to raise awareness of impairment in relation to operating a motor vehicle under the influence of cannabis. The campaign will be developed and administered by two of the country's leading organizations in promoting evidence based drug policy and safe driving, the Canadian Drug Policy Coalition (CDPC) and Mothers Against Drunk Driving (MADD Canada). Funding will be provided to MADD Canada over three years by the Company, whose wholly-owned subsidiaries Tweed and Bedrocan Canada will fund the campaign using proceeds from a previously announced education fund dedicated towards responsible use of cannabis.

TWEED FARMS INC.

Tweed Farms in Niagara-on-the-Lake, Ontario is comprised of a greenhouse facility that is 375,000 square feet, of which 350,000 square feet represents the greenhouse and 25,000 square feet is used for post-harvest processing storage, shipping and offices. The current greenhouse facility occupies approximately 8 acres. The Tweed Farms site includes an additional 14 acres (approximate) to support future expansion.

On March 31, 2016, Tweed farms received its full commercial license to produce, possess, ship and sell dried marijuana. Currently, all dried cannabis produced in the Tweed Farms greenhouse is transferred to Tweed's Smiths Falls, facility for final processing and sale by Tweed pursuant to its Commercial License. As at September 30, 2016, all 350,000 square feet of the greenhouse was utilized for the production of medical cannabis.

Utilizing refined input products and growing processes, the Tweed Farms greenhouse grows a variety of high quality cannabis strains that sell, through Tweed, across multiple price points, from value strains, priced at $6 per gram, to premium strains, priced at $12 per gram. Premium strains being cultivated at the Tweed Farms greenhouse are expected to include a number of DNA-Certified and *Leafs By Snoop* strains. The DNA-Certified and *Leafs By Snoop* strains grown at Tweed Farms are expected to begin selling, in the second half of fiscal 2017, exclusively to registered patients of Tweed at prices between $9 and $12 per gram. With the ability to grow high-quality strains that support premium price points, in a low cost greenhouse environment, Canopy Growth is expected to be to generate very high margins on these premium strains cultivated at Tweed Farms.

Tweed Farms' license has a current term ending January 13, 2017. Prior to the end of the term of its licenses, Tweed Farms must submit an application for renewal to Health Canada containing information prescribed by the MMPR.

BEDROCAN CANADA INC.

On August 28, 2015, the Company acquired Bedrocan pursuant to a definitive plan of arrangement, in which the Company acquired all of the issued and outstanding securities of Bedrocan.

Bedrocan leverages over two decades of indoor standardized cannabis growing experience of Netherlands based Bedrocan International BV. With the indoor growing techniques and technologies developed and selected over two decades, Bedrocan International BV has been able to drive the cost of indoor medical marijuana growing down to levels that are comparable to the cost of cultivating marijuana in hybrid greenhouses.

Bedrocan’s 52,000 square feet production facility in Toronto, Ontario is fully-licensed, and includes 34 vegetative and growing rooms, three dispensing rooms, the building’s two-floor high security level vault, and the ability to dispose of cannabis refuse via composting.

Bedrocan’s Commercial License to sell domestic medical marijuana was renewed on February 17, 2016 and will be up for renewal on February 17, 2017. Bedrocan has been growing six proprietary genetic strains of standardized cannabis at its Toronto production facility since February 2015.

Bedrocan began selling its dry cannabis products in the Canadian market in February 2014. Bedrocan is committed to providing high-quality value strains for medical use that are priced at or below the industry averages. The philosophy of Bedrocan is that price should not be reflective of the THC content of the product. Bedrocan’s production methods have been refined over two decades to maximize yield and eliminate genetic variance from harvest to harvest. Because of that, Bedrocan is able to produce standardized varieties efficiently to permit the introduction of True Compassionate Pricing. Bedrocan does not offer volume discounts. The True Compassionate Pricing program ensures that all standardized strains are sold at the same price. In January 2016, the price for each strain was reduced from $7.50 per gram to $5.00 per gram. In September 2016, prices for all six strains were increased to $6.75 per gram for new patients, with existing patients receiving the prior pricing for the duration of their medical document while registered with Bedocan Canada.

Bedrocan received its license to sell cannabis oil extracts in the first quarter of Fiscal 2017. Bedro-oil was first sold through the Tweed store on June 9, 2016 and then through the Bedrocan store on June 20, 2016. Prices for Bedro-oil products introduced in the first quarter of Fiscal 2017 are $110 per 100 ml bottle.

Clients of Bedrocan order medical marijuana primarily through Bedrocan’s online store with telephone orders as a secondary source.

The Company intends for Bedrocan to remain solely focused on the medical market, even if a legalized recreational market is eventually legislated in Canada.

Prior to the end of the term of its licenses, Bedrocan must submit an application for renewal to Health Canada containing information prescribed by the MMPR.

BEDROCAN BRAZIL S.A.

On June 28, 2016, the Company announced an agreement with São Paulo, Brazil-based Entourage Phytolab S.A. (“Entourage”). Under the agreement, wholly-owned subsidiary Bedrocan Canada, Bedrocan International BV (formerly Bedroca Beheer BV) and local Brazilian partners created a new company called Bedrocan Brazil S.A., which will facilitate the importation of Bedrocan's proprietary standardized cannabis varieties and know-how into the Brazilian market. Additionally, Canopy Growth will partner with Entourage to develop cannabis-based pharmaceutical medical products for the Brazilian and international markets.

The transaction formally closed on September 20, 2016, whereby Canopy Growth owned a 50% interest in Entourage and Bedrocan Canada owned a 41.75% interest in Bedrocan Brazil S.A. The Company has invested a total of $625 and $897 for the three and six months ended September 30, 2016, respectively, and $1,066 to date, to incorporate Bedrocan Brazil and invest in Entourage, all of which was expensed while Entourage seeks additional capital.

AUSCANN GROUP HOLDINGS LTD.

On May 20, 2016, the Company closed a partnership with AusCann Group Holdings Ltd. (“AusCann”), whereby the Company obtained a 15% stake in AusCann, a leader in Australia's emerging medical cannabis industry, in exchange for its consultation in a number of areas including production, quality assurance and operations, and strategic advisory services.

The expertise and advisory services offered or performed by Canopy Growth subsidiaries will be exclusively carried out by Tweed Inc. and Tweed Farms Inc.

Procedures, expertise, and/or intellectual property under license from Bedrocan BV as to medicinal cannabis and so employed by Bedrocan Canada or any affiliates of Canopy Growth will not be shared or form the basis for any cooperation, consultation or other form of consulting provided under the terms of the partnership with AusCann. Canopy Growth and its affiliates are exclusively entitled to utilize any of its rights under the Bedrocan BV license for Canada and South-America only.

CANNSCIENCE INNOVATIONS

Through the acquisition of MedCann Access (“MCA”) in the third quarter of Fiscal 2016, the Company acquired a 33% stake in CannScience Innovations Inc. (“CannScience”), a drug development company based out of the MaRS Centre in Toronto working collaboratively with the University Health Network.

CannScience conducts in-depth extracts research, with the ultimate goal of delivering standardized metered dosing in a range of alternate delivery methods, a priority for the Company as the emerging cannabis extract market evolves. CannScience’s lead product in development incorporates the Generex Biotechnology Corporation proprietary RapidMist™ drug delivery technology, which is specially engineered to propel metered doses into the buccal cavity where the active pharmaceutical ingredient is absorbed, providing patients with a safe, simple, and easy way to achieve rapid on-set with no deposit in the lungs.

RESULTS OF OPERATIONS

The following table sets forth condensed interim consolidated statements of operations and balance sheet data, which is expressed in thousands of Canadian dollars, except share and per share amounts, for the indicated periods.

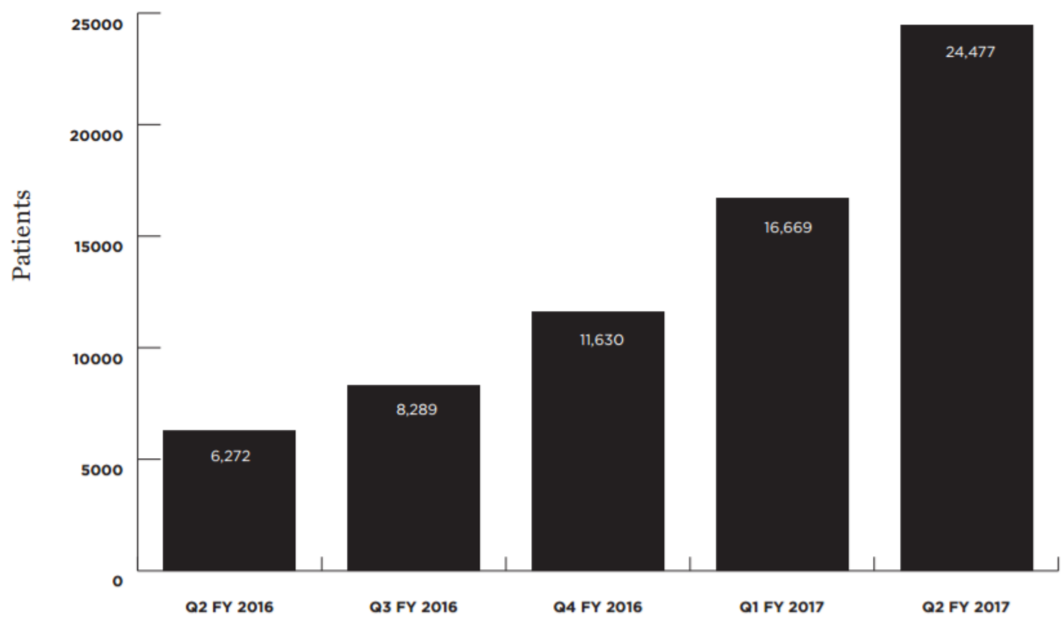
SELECTED QUARTERLY INFORMATION *(CDN $000's, except share amounts)*	**Three Months Ended**		**Six Months Ended**	
	September 30, 2016	**September 30, 2015**	**September 30, 2016**	**September 30, 2015**
Revenue	**8,498**	2,466	**15,482**	4,176
Gross margin	**15,827**	9,448	**19,272**	13,542
Gross margin %	**186%**	383%	**124%**	324%
Operating expenses	**9,710**	5,487	**17,242**	8,589
Income from operations	**6,117**	3,961	**2,030**	4,953
Net income after taxes	**5,430**	3,930	**1,481**	4,941
Net income per share - basic	**$ 0.05**	$ 0.06	**$ 0.01**	$ 0.09
Weighted average shares - basic	**108,872,770**	63,838,863	**106,248,781**	57,357,148
Net income per share - diluted	**$ 0.05**	$ 0.05	**$ 0.01**	$ 0.07
Weighted average shares - diluted	**112,254,363**	76,057,904	**108,879,226**	69,576,190

Selected statements of financial position information	**September 30, 2016**	**March 31, 2016**
Cash and cash equivalents	**45,379**	15,397
Biological assets	**13,748**	5,321
Inventory	**27,579**	22,153
Other working capital	**(5,697)**	(5,218)
Long-term debt	**6,362**	3,469
Shareholders' equity	**171,619**	123,785

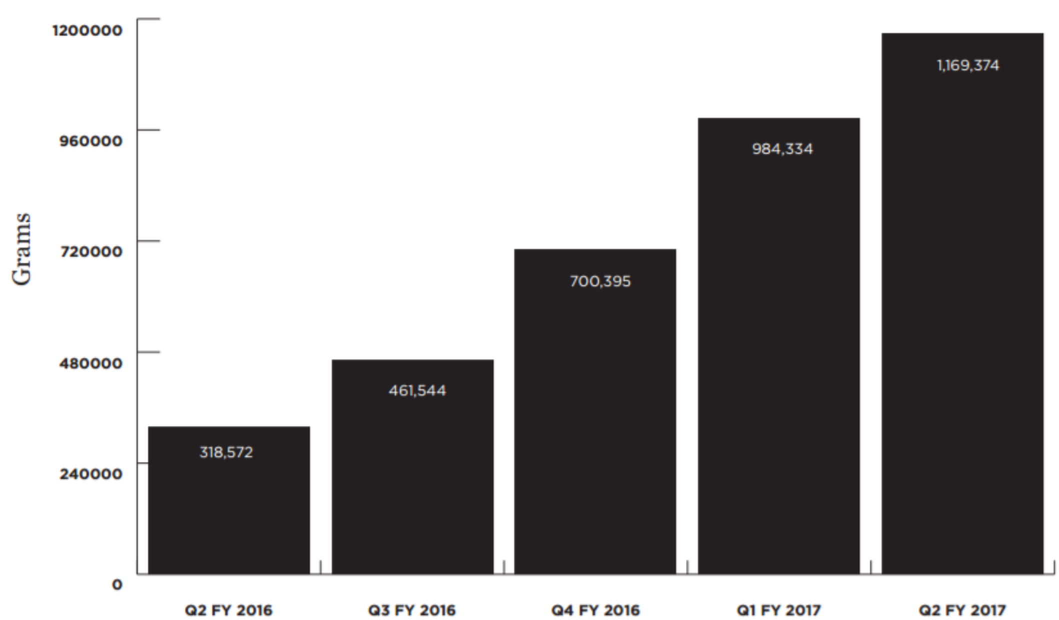
Results of Operations for the three and six months ended September 30, 2016 as compared to the three and six months ended September 30, 2015

Bedrocan was acquired on August 28, 2015 and MCA was acquired on October 1, 2015, and their results of operations are included since the date of acquisition. Accordingly, the comparative period does not include Bedrocan (from April 1, 2015 to August 28, 2015) or MCA.

PATIENTS AT QUARTER'S END



GRAMS AND GRAM EQUIVALENTS SOLD



REVENUE

Revenue for the quarter ended September 30, 2016 and September 30, 2015 was $8,498 and $2,466, respectively. The increase in revenue, period-over-period, was due primarily to growth in the Company's patient base from over 6,200 at the end of September 30, 2015 to over 24,400 at September 30, 2016.

Revenue in the six months ended September 30, 2016 totaled $15,482 as compared to $4,176 in the same period last year.

The Company introduced the sale of Tweed Cannabis Oil, through Tweed, which commenced February 24, 2016. Tweed and Bedrocan began selling Bedrocan's Bedro-oil in the first quarter of Fiscal 2017 on June 9 and June 20, 2016, respectively. The Company believes the sale of cannabis oils will represent a significant revenue stream going forward. Through the second quarter and six months ended September 30, 2016, oils accounted for 13.5% and 12.4%, respectively, of the reported revenue for each period.

The total grams sold during the quarter ended September 30, 2016 was 1,169 kilograms and kilogram equivalents at an average price of $7.01 per gram, up from 984 kilograms and kilogram equivalents at an average price of $7.09 per gram in the first quarter of Fiscal 2017 and up from 319 kilograms sold during the three-month period ended September 30, 2015 at an average price of $7.54 per gram. Year-to-date, the Company has sold 2,153 kilograms and kilogram equivalents at an average price of $7.05 per gram compared to 535 kilograms at an average price of $7.62 per gram in the six months ended September 30, 2015. The higher proportion of Bedrocan sales which are at a lower average sales price per gram caused the downward effect on the average selling price per gram.

COST OF SALES

Plants that are in pre-harvest are considered biological assets and are capitalized on the balance sheet at fair market value less cost to sell at their point of harvest. Costs to sell include trimming, fulfillment, testing and shipping costs. As they continue to grow through the pre-harvest stages, a corresponding non-cash unrealized gain is recognized in income through cost of sales, reflecting the changes in fair value of the biological assets. At harvest, the biological assets are transferred to inventory at their fair value, which becomes the deemed cost for inventory. Inventory is later expensed to cost of sales when sold and offsets against the gain on biological assets. In addition, the cost of production is expensed through cost of sales and represents overheads and other production costs of growing and selling the plants. Together, the gain from changes in the fair value of biological assets, inventory expensed and the cost of production comprise cost of sales. We expect cost of sales to vary from quarter to quarter based on the number of pre-harvest plants, the strains being grown, and where the pre-harvest plants are in the grow cycle at the end of the period.

During the three and six months ended September 30, 2016, the Company harvested 1,711 kg and 3,594 kg, respectively, as at September 30, 2016 with an expected yield of 4,419 kg. In comparison, during the three and six months ended September 30, 2015, the Company harvested 1,395 kg and 2,045 kg, respectively as at September 30, 2015 with an expected yield of 2,690 kg.

The recovery to cost of sales during the quarter ended September 30, 2016 was comprised of a non-cash unrealized gain on changes in the fair value of biological assets of $16,076 which was partially offset by the inventory expensed of $8,414 and $333 for other production costs, for a net recovery to cost of sales of $7,329. The changes in the fair value of biological assets recorded during the quarter was due in large part to the full utilization of the Tweed Farms 350,000 square foot greenhouse, along with significantly higher expected yields per plant estimated at September 30, 2016.

The recovery to cost of sales during the six -month period ended September 30, 2016 was comprised of a non-cash unrealized gain on changes in the fair value of biological assets of $22,760, which was partially offset by the inventory expensed of $15,068 and production costs of $3,902 for a net recovery to cost of sales of $3,790.

Non-cash movements in cost of sales for the six months ended September 30, 2016 total $13,853 which consists of the $22,760 unrealized gain on change in fair value of biological assets and a $105 provision related to reduce net realizable value adjustments related to the compassionate pricing discount program, partially offset by the net changes in biological assets and inventory of $9,012. In the comparative six month period of Fiscal 2016, the total non-cash movements in cost of sales netted to $13,911.

GROSS MARGIN

The gross margin was $15,827, or 186% of revenue, for the three month period ended September 30, 2016. In the comparative period ended September 30, 2015, the gross margin on the same basis was $9,448 or 383% of revenue. In the six-month period ended September 30, 2016, gross margin was $19,272 or 124% of revenue, compared to $13,542 or 324% of revenue in same period last year. Gross margin includes the unrealized gains on changes in fair value of biological assets.

The gross margin was principally due to the relative size of the unrealized gain on changes in the fair value of biological assets. Tweed and Bedrocan's completed and planned grow rooms plus the expanded production capacity of Tweed Farms are expected to yield harvests which will produce increased volumes of available inventories and strains for the Company's registered clients and for export. Larger volumes of product mean that the fixed overhead costs will eventually be spread over more product thereby reducing production costs on a per gram basis. The Company continues to refine its production processes and methodologies in order to increase production yields and gross margins.

ADJUSTED PRODUCT CONTRIBUTION (NON-GAAP MEASURE)

Management makes use of an "Adjusted Product Contribution" measure to provide a better representation of performance in the period by excluding the non-cash fair value measurements as required by IFRS. The Adjusted Product Contribution used by Management 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. Management believes this measure provides useful information as it represents the gross margin for management purposes based on the Company's complete cost to produce inventory sold, removing fair value measurements as required by IFRS. The following is the Company's Adjusted Product Contribution as compared to the reported gross margin, which includes the unrealized gain on changes in fair value of biological assets, in accordance with IFRS:

The gross margin has been adjusted by removing the effects of the IFRS non-cash unrealized gain on changes in fair value of biological assets, the effect of inventory expensed to cost of sales in the period, as fair value measured under IFRS, and removing the effect of all production costs before adding back the costs related to the grams grown, harvested, and sold in the period at the weighted average cost per gram inclusive of all costs from seed to sale consistent with the accounting estimates for biological assets, inventory and production costs associated with growing, harvesting, processing and selling medical marijuana.

The Adjusted Product Contribution in the second quarter of fiscal 2017 was $5,259, or 62% of revenue. In the comparative period last year, the Adjusted Product Contribution was $1,535, or 62% of revenue. Year-to-date, the Adjusted Product Contribution was $9,624, or 62% of revenue. In comparison, the Adjusted Product Contribution in the six months ended September 30, 2015 was $2,562 or 61% of revenue.

Unaudited Non-GAAP Measure	Three Months Ended		Six Months Ended	
(In CDN$000's, except gram amounts)	**September 30, 2016**	September 30, 2015	**September 30, 2016**	September 30, 2015
Adjusted Product Contribution[1]				
Weighed average cost per gram	**$ 2.77**	$ 2.92	**$ 2.72**	$ 3.02
Grams sold in the period	**1,169,374**	318,572	**2,153,708**	534,501
Revenue	**$ 8,498**	$ 2,466	**$ 15,482**	$ 4,176
Adjusted cost of sales	**(3,239)**	(931)	**(5,858)**	(1,614)
Adjusted Product Contribution	**$ 5,259**	$ 1,535	**$ 9,624**	$ 2,562
Adjusted Product Contribution percentage of sales	***62%***	*62%*	***62%***	*61%*
As compared to the Gross Margin per IFRS:				
Gross margin	**$ 15,827**	$ 9,448	**$ 19,272**	$ 13,542
Gross margin percentage of sales	***186.2%***	*383.1%*	***124.5%***	*324.3%*

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 applied to the grams sold in the period.

OPERATING EXPENSES

Sales and marketing expenses for the quarter ended September 30, 2016 and 2015 were $2,810 and $873, respectively. Sales and marketing expenses have declined from 35% of revenue in the second quarter of Fiscal 2016 to 33% of revenue in the quarter ended September 30, 2016. These costs include a full quarter of Bedrocan operations amounting to an increase of $282, share-based compensation of $297 related to previously issued escrowed shares, and $406 in higher patient support payments directly attributed to patient growth. Also included are costs associated with the Company's medical outreach program, branding programs and the client care center, which interfaces directly with the Company's growing base of clients. Since September 30, 2015, the number of patients has grown from over 6,200 to over 24,400 at September 30, 2016. The outreach program is targeted towards ensuring that healthcare practitioners understand how they can incorporate medical marijuana into their practices. These expenditures are consistent with the Company's view that early-mover advantage and strong brand recognition are essential to the Company's successful ongoing customer acquisition strategy. These costs represent a strategic investment, which management believes will have a future benefit in customer acquisition and retention.

Sales and marketing expenses for the six-months ended September 30, 2016 were $5,070 or 33% of revenue. In the comparative period last year, sales and marketing expenses were $1,881 or 45% of revenue. These costs include a full six months of Bedrocan operations amounting to an increase of $419, share-based compensation of $384 related to previously issued escrowed shares, and $717 in higher patient support payments directly attributed to patient growth. Management believes sales and marketing expenses, as a percentage of revenue, will continue to decline.

Research and development ("R&D") expenses for the quarter ended September 30, 2016 and 2015 were $503 or 6% of revenue and $210 or 9% of revenue, respectively. The Company's R&D team is researching a variety of intellectual property opportunities, including those relating to growth patterns under different environmental scenarios and the genetics of various strains, the production of marijuana in encapsulated forms as well as in the development and implementation of internal testing resources, capabilities and procedures. In addition, the Company has invested in the development of patent pending technology related to equipment that Tweed has engineered specifically for the cannabis industry and which is in daily use in Tweed's operations.

R&D expenses for the six-months ended September 30, 2016 were $906 or 6% of revenue. In the comparative period last year, research and development expenses in the six months ended September 30, 2015 were $249 or 6% of revenue. Management believes that research and development expenses will continue to increase marginally, but continue to decrease marginally as a percentage of revenue, over the foreseeable future.

General and administrative ("G&A") expenses for the quarter ended September 30, 2016 and 2015 were $4,031 and $2,239, respectively. General and administrative expenses have declined from 91% of revenue in the second quarter of Fiscal 2016 to 47% of revenue in the quarter ended September 30, 2016. The G&A expenses include a full quarter of Bedrocan operations, whereas the comparative period included only one month, amounting to an increase of $406 compared to the same quarter last year. In addition, the second quarter G&A included fees related to the Company's graduation to the TSX in the amount of $306, higher audit and professional services fees of $181, and higher finance charges such as credit card payment processing fees of $140 due to increased sales activity. G&A expenses during the second quarter also included extensive use of consultants and advisory services while expanding and commercializing the Company's operations, facility costs in Smiths Falls, Tweed Farms and Bedrocan, compliance costs associated with meeting Health Canada requirements, as well as other public company related expenses including related professional fees.

Overall, the increase in G&A reflects the Company's growth and building of commercial capacity and capability. G&A expenses in the six-months ended September 30, 2016 were $6,881 or 44% of revenue. In the comparative period last year, G&A expenses were $3,655 or 88% of revenue in the six-months ended September 30, 2015. These costs include a full six months of Bedrocan operations, whereas the comparative period included only one month, amounting to an increase of $746 over the same prior period, fees related to the Company's graduation to the TSX in the amount of $306, higher audit and professional services fees of $304, and higher finance charges such as credit card payment processing fees of $230 due to increased sales activity. G&A expenses during the six-months ended September 30, 2016 also included higher employee compensation related expenses due to increased staff levels, one-time employee compensation related expenses, and extensive use of consultants and advisory services while expanding and commercializing the Company's operations, facility costs in Smiths Falls, Tweed Farms and Bedrocan. In addition, compliance costs associated with meeting Health Canada requirements, as well as other public company related expenses including related professional fees were also included. Management believes that G&A expenses overall, as a percentage of sales, will decrease marginally over the foreseeable future. As international expansion forms a key component of the Company's business growth strategy, the Company expects to incur related costs, such as legal and tax advice, while pursuing these business ventures in the future.

OTHER EXPENSES AND NET INCOME

Interest income was interest received from the cash the Company has deposited with a Schedule A Canadian financial institution and was offset by long-term debt interest expense for loans at Tweed Farms and Bedrocan and miscellaneous interest charges such as on capital leases. For the quarter ended September 30, 2016 and 2015, it netted to interest expense of $42 and $31, respectively. In the six-months ended September 30, 2016 and 2015, net interest expense was $89 and $12, respectively. The net interest expense in the six months ended September 30, 2016 related to higher long-term debt outstanding mainly from the acquired debt from the Bedrocan acquisition and the increase in the mortgage debt on the Tweed Farms facility.

The MedCann Access acquisition included consideration which is contingent on future performance. This consideration is recognized as a liability on the balance sheet at its estimated fair value. The change in the fair value of the contingent consideration associated with the MedCann Access acquisition is recorded in earnings and resulted in an expense of $286 and $298, respectively, for the three and six months ended September 30, 2016. The increase in the contingent consideration was due to the appreciation of Canopy Growth's share price since October 1, 2015.

The Company recorded an income tax expense of $359 and $162, respectively, for the three and six months ended September 30, 2016, relating to changes in the deferred tax liability. In the comparative periods last year, the Company did not record an income tax expense.

Net income for the quarter ended September 30, 2016 was $5,430 or $0.05 per basic and diluted share, including a non-cash unrealized gain on changes in the fair value of biological assets of $16,076. In the comparative period last year, net income was $3,930 or $0.06 per basic share and $0.05 per diluted share including a non-cash unrealized gain on changes in the fair value of biological assets of $12,480.

Year-to-date, the Company recorded net income of $1,481 or $0.01 per basic and diluted share, including a non-cash unrealized gain on changes in the fair value of biological assets of $22,760. In the comparative period last year, the Company reported net income $4,941 or $0.09 per basic share and $0.07 per diluted share including a non-cash unrealized gain on changes in the fair value of biological assets of $17,755.

LIQUIDITY

As at September 30, 2016, the Company had cash and cash equivalents available of $45,379, up from $15,397 at the end of Fiscal 2016. The increase from the end of Fiscal 2016 was due to cash received from the bought deal financings that closed on April 15, 2016 and August 24, 2016, and options exercised, combined totaling $44,233, net of share issue costs, as well as $3,500 in mortgage proceeds received in the second quarter, offset by the capital expansion at Tweed and Tweed Farms totaling $8,728 and to fund the cash applied to operating activities of $8,925. While the Company has incurred cash losses to date, management anticipates success and eventual cash profitability of the business, though there can be no assurance that the Company will gain adequate market acceptance for its products or be able to generate sufficient positive cash flow to reach profitability.

The Company's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund the Company's operating, acquisition and organic growth requirements.

The table below sets out the cash, biological assets, inventory, other working capital, and long-term debt at September 30, 2016 and March 31, 2016.

(CDN $000's)		**September 30, 2016**		March 31, 2016
Cash & cash equivalents	**$**	**45,379**	$	15,397
Biological assets		**13,748**		5,321
Inventory		**27,579**		22,153
Other working capital		**(5,697)**		(5,218)
Long-term debt		**6,362**		3,469

The increase in total working capital to $81,009 (March 31, 2016 - $37,653) was primarily due to the $46,009 in gross bought deal equity financings raised in the first and second quarters of Fiscal 2017 and to the increase in biological assets with the Tweed Farms greenhouse now in full production. This was offset slightly by higher accounts payable and accrued liabilities and increased short-term debt, primarily due to the increase in the current portion of the mortgage debt on the Tweed Farms facility since the end of Fiscal 2016.

The Company's inventory available for sale and biological assets (plants in various stages of growth) were as follows:

Inventory at September 30, 2016 amounted to $27,579 (March 31, 2016 - $22,153) and biological assets amounted to $13,748 (March 31, 2016 - $5,321), together totaling $41,327 (March 31, 2016 - $27,474).

The biological assets increased from the end of Fiscal 2016 due to significantly higher yielding plants, predominately at Tweed Farms, which were in their later stage of their growth cycle at the end of the second quarter. Harvested plants were added to inventories during the quarter and quantities maintained to meet the continued growth in sales expected and meet strain availability requirements, and the expansion of oils. In addition, from time to time, the Company may opportunistically sell inventory to the wholesale market.

As at September 30, 2016, the Company held 4,887 kg of dry cannabis and 1,736 L of cannabis oils. Included in the dry cannabis quantities was 2,805 kg set aside to be processed into oil and 1,251 kg of product being processed or awaiting for release to sale as dry cannabis, leaving 831 kg in dried cannabis as available for sale in the Company's on-line stores. This compares to 4,447 kg of dry cannabis and 570 L of cannabis oils, in total, held at March 31, 2016.

The long-term assets which total $106,327 (March 31, 2016 - $98,515) were comprised principally of intangible assets of $52,580, property, plant and equipment of $48,492, assets in process of $4,702 that relate to the infrastructure build out for growing production and operations, and other long-term assets of $553 that relates to long-term deferred rent.

In total, the Company received net proceeds $32,082 from the bought deal for common shares issued on August 24, 2016, net of share issue costs, new mortgage debt of $3,500 and $469 in cash proceeds from the exercise of options during the quarter ended September 30, 2016. In addition to the new mortgage, the Company also has up to $2,000 available in a revolving line of credit.

The chart below highlights the Company's cash flows during the six month periods ended September 30, 2016 and 2015.

(CDN $000's)	**Six Months Ended**			
Net cash provided by (used in)		**September 30, 2016**		September 30, 2015
Operating activities	**$**	**(8,925)**	$	(6,971)
Financing activities		**47,635**		346
Investing activities		**(8,728)**		(7,095)
Cash and cash equivalents, beginning of period		**15,397**		21,446
Cash and cash equivalents, end of period	**$**	**45,379**	$	7,726

CASH USED IN OPERATING ACTIVITIES

The cash used in operating activities prior to changes in working capital during the six month period ended September 30, 2016 amounted to $7,735, with net income of $1,481 which included the non-cash unrealized gain on biological assets of $22,760 to more than offset net changes in inventory and biological assets of $9,012 and other non-cash items such as depreciation and amortization of $1,895, the decrease in the inventory allowance to net realizable value of $105 and total share-based compensation of $2,232. The cash used in operating activities after changes in working capital during the six month period ended September 30, 2016 amounted to $8,925.

In the comparative period last year, the cash used in operating activities prior to changes in working capital during the six-months ended September 30, 2015 was $7,305, with net income of $4,941 which included the non-cash unrealized gain on biological assets of $17,755 to more than offset net changes in inventory and biological assets of $2,985 and other non-cash items such as depreciation and amortization of $720 and share-based compensation of $945. The cash used in operating activities after changes in working capital during the six month period ended September 30, 2015 amounted to $6,971.

CASH FROM FINANCING ACTIVITIES

The cash provided by financing activities during the six-months ended September 30, 2016 of $47,635 mainly resulted from the bought deal financings which closed on April 15, 2016 and August 24, 2016 for combined net proceeds of $42,979, the proceeds from the issuance of new mortgage debt of $3,500, and the proceeds from the exercise of warrants and stock options amounting to $1,254. The cash proceeds were partially offset by the repayment of long-term debt amounting to $339.

In the comparative period last year, the cash provided by financing activities during the six-months ended September 30, 2015 of $346 primarily resulted from the proceeds from the exercise of stock options amounting to $568, partially offset by payments of share issue costs of $189.

CASH USED IN INVESTING ACTIVITIES

The cash used in investing activities during the six-months ended September 30, 2016 of $8,728 was due to purchases of property, plant, and equipment and assets in process. The capital expenditures relate to adding additional grow rooms and converting existing rooms for growing purposes at Tweed and Tweed Farms locations, along with expanding oil extraction capability at Tweed.

In comparison, the cash used in investing activities during the six-months ended September 30, 2015 of $7,095 was primarily due to purchases of property, plant, and equipment and assets in process of $7,709 partially offset by the cash and cash equivalents acquired of $900 from the acquisition of Bedrocan. The capital expenditures primarily related to investments to expand capacity at Tweed Farms.

LIQUIDITY, FINANCING AND CAPITAL RESOURCES

The Company is subject to risks including, but not limited to, its inability to raise additional funds through debt and/or equity financing to support the Company's development and continued operations and to meet the Company's liabilities and commitments as they come due. Specifically, the Company has a history of losses with an accumulated deficit of $12,294, share capital of $175,970 and working capital of $81,009 as at September 30, 2016. This compares to an accumulated deficit of $13,775, share capital of $131,080 and working capital of $37,653 as at March 31, 2016. See below under the heading "Risk Factors".

CAPITAL ACTIVITIES

The Company manages its capital with the objective of maximizing shareholder value and sustaining future development of the business. The Company defines capital as the Company's equity and any debt it may issue. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the Company's activities. The Company, upon approval from its Board of Directors, will undertake to balance its overall capital structure through new share issues, the issue of debt or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company's principal capital needs are for funds to expand its growing rooms, ancillary rooms, strategic acquisitions, and general working capital requirements to support growth including new opportunities to produce and sell cannabis oil and fresh marijuana buds and leaves. Since its formation, the Company has financed its cash requirements primarily through the issuance of capital stock. On November 7, 2014, a mortgage was obtained on the Tweed Farms property. The mortgage was obtained from a Canadian financial institution for an original amount of $1,875 (September 30, 2016 - $1,469) at an annual interest rate of 5.3% and had a term of 5 years and an amortization period of 7 years. Through the acquisition of Bedrocan on August 28, 2015, the Company has a long-term debt facility totaling $1,798 with an interest rate of 10%, due on July 1, 2024, payable in blended monthly payments (See **"Transactions with Related Parties"**).

On August 5, 2016, the Company obtained a second mortgage with the same Canadian financial institution for an original amount of $3,500 (September 30, 2016 – $3,473). The mortgage has a maturity date of August 1, 2021, and is secured by a first charge mortgage on the Tweed Farms property, a first position on a Tweed Farms general security agreement and a specific security interest, backed by a corporate guaranty from the Company. So long as the Company has positive cash on its balance sheet at year-end, it will be deemed to have met its financial covenant. The mortgage payable can be prepaid at any time but is subject to a prepayment fee equal to the greater of (a) three months' interest on the amount being prepaid or (b) the amount of interest lost by the lender over the remaining term of the loan on the amount being prepaid.

The Company also has a revolving line of credit for up to $2,000, with a variable interest rate based on the CIBC prime rate plus 1.2% with a 5 year term and interest only payments on drawn amounts, but is payable on demand or may be prepaid at any time at the option of the Company. The line of credit is subject to disbursement conditions related to capital expenditures at Tweed Farms. The line of credit was undrawn as at September 30, 2016.

The Company's authorized share capital is an unlimited number of common shares of which 114,669,288 common shares were issued and outstanding as at September 30, 2016, after excluding 2,411,991 escrowed shares to be released after meeting certain conditions (March 31, 2016 – 98,818,213 common shares); 9,640,152 shares under the Company employee stock option plan ("ESOP") at prices between \$0.43 and \$3.86 per share at September 30, 2016 (March 31, 2016 – 8,446,182 option shares); and no common share warrants were outstanding at September 30, 2016 (March 31, 2016 – 1,138,104 warrants).

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements other than those as stated below in the section titled "Transactions with Related Parties".

TRANSACTIONS WITH RELATED PARTIES

The Company leases office premises from Tweed Hershey Drive Inc., which is related through common ownership (the Company's CEO and chairman is a significant shareholder of the lessor). The lease expires in December 31, 2018 with three (3) additional 5-year renewal options available at the Company's discretion. Details of the amounts expensed and owing related to these premises are detailed in Note 14 Related Parties in the Condensed Interim Consolidated Financial Statements for the three and six months ended September 30, 2016 and 2015.

The Company leases premises for the two Bedrocan facilities in Toronto from a company controlled by Murray Goldman, a director of Canopy Growth Corporation. The leases expire on October 15, 2018 and August 31, 2024. Details of the amounts expensed and owing related to these premises are described in Note 14 Related Parties in the Condensed Interim Consolidated Financial Statements for the three and six months ended September 30, 2016 and 2015.

The Chief Executive Officer has been engaged to provide services to the Company at \$50 per quarter and is eligible for up to a \$200 annual bonus. Details of the amounts expensed and owing related to these services are described in Note 14 Related Parties in the Condensed Interim Consolidated Financial Statements for the three and six months ended September 30, 2016 and 2015.

The Company currently has one loan payable to a director of Canopy Growth Corporation. Included in interest expense is an amount of \$46 and \$92, for the three and six month period ended September 30, 2016, respectively. At September 30, 2016, the loan balance was \$1,798 (March 31, 2016 - \$1,869).

During the quarter ended September 30, 2016 and 2015, \$52 and \$112, respectively, was expensed as director's fees. No amounts remained outstanding at September 30, 2016 and March 31, 2016.

On September 19, 2016, the Company entered into an agreement with Delivra Inc. (Delivra) (TSX.V:DVA) to supply the Company's operating subsidiaries, including Tweed and Bedrocan Canada, with cannabis-infused topical product formulations. A director of the Company is also an officer of Delivra, but has no significant holdings in Delivra. As at September 30, 2016, there were no transactions with nor amounts owing to Delivra.

These transactions are in the normal course of operations and are measured at the exchange amounts being the amounts agreed to by the parties.

RISKS AND UNCERTAINTIES

Many factors could cause the Company's actual results, performance and achievements to differ materially from those expressed or implied by the forward-looking statements and forward-looking information, including without limitation, the following factors, which are discussed in greater detail under the heading "Risk Factors" in the Company's AIF dated July 29, 2016 and in the Company's Short-Form Prospectuses dated August 18, 2016 and April 8, 2016 filed with securities regulators and available on www.sedar.com, which risk factors are incorporated by reference into this document, and should be reviewed in detail by all readers:

- The Company has a history of net losses, may incur significant net losses in the future and may not achieve or maintain profitability;
- The Company's ability to grow, store and sell medical marijuana in Canada are dependent upon licenses from Health Canada which are subject to ongoing compliance and reporting requirements;
- The activities of the Company are subject to regulation by governmental authorities, particularly Health Canada;
- The introduction of home and designated growing may have a negative impact on the Company's sales and infringe on the Company's market;
- Greater access to medical cannabis, through home and designated growing and illegal dispensaries, may decrease the number of patients registering with the Company and may cause registered patients to leave the Company and grow for themselves;
- Home and designated growing may increase access to marijuana in the illegal market, potentially impacting the public's perception of the Company, and the marijuana industry as a whole;
- The Company's operations are subject to various laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical marijuana but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment;
- Third parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's medical marijuana business activities;
- The operation of the Company can be impacted by adverse changes or developments affecting the facilities of the Company's wholly-owned subsidiaries;
- The Company's ability to recruit and retain management, skilled labour and suppliers is crucial to the Company's success;
- The Company's growth strategy contemplates outfitting its facilities with additional production resources. A variety of factors could cause these activities to not be achieved on time, on budget, or at all. As a result, there is a risk that the Company may not have product or sufficient product available to meet the anticipated demand or to meet future demand when it arises;
- The Company and its wholly-owned subsidiaries have limited operating histories;
- Even if its financial resources are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing and there can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company;
- There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company;

- The Company believes the marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the marijuana produced. Consumer perception of the Company’s products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity;
- The Company and its wholly-owned subsidiaries face an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury;
- The products of the Company’s wholly-owned subsidiaries could be subject to the recall or return of their products for a variety of reasons. If a product recall or return should happen, the Company could be required to incur unexpected expenses and divert management attention and could see harm caused to its image and product sales decline. In addition, as result of the product recall or return, the Company and its wholly-owned subsidiaries could face increase operational scrutiny by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses;
- Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Company;
- The Company is largely reliant on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company;
- The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls;
- The Company may engage in acquisitions or other strategic transactions or make investments that could result in significant changes or management disruption;
- The Company could fail to integrate acquired companies into the business of the Company;
- Completed acquisitions, strategic transaction or investments could fail to increase shareholder value;
- Certain of the Directors and Officers of the Company are also directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies;
- The Company may become party to litigation, mediation and/or arbitration from time to time in the ordinary course of business which could adversely affect its business;
- The market price for the common shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company’s control;
- There can be no assurance that an active and liquid market for the common shares will be maintained and an investor may find it difficult to resell any securities of the Company;
- A substantial number of common shares are owned by a limited number of existing shareholders and as such these shareholders are in a position to exercise influence over matters requiring shareholder approval or cause delay or prevent a change in control of the Company that could otherwise be beneficial to the Company’s shareholders;
- The Company does not anticipate paying any dividends on the common shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings;

- The Company’s operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land; the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety; and
- The Company has, and will have, certain business arrangements with third parties, the breakdown/loss of which could impact its operations.

1 Hershey Drive, Smiths Falls, Ontario, K7A 0A8
www.canopygrowth.com