TILRAY® BRANDS

2023 Annual Report
Fiscal Year ended May 31, 2023

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended May 31, 2023

OR

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

Commission File Number 001-38594

TILRAY BRANDS, INC.

(Exact name of Registrant as specified in its Charter)

Delaware	**82-4310622**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
265 Talbot Street West, Leamington, ON	**N8H 5L4**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (844) 845-7291

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.0001 par value per share	TLRY	The Nasdaq Global Select Market

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

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

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

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

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

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

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

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

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of the Registrant's Common Stock on The Nasdaq Global Select Stock Market on November 30, 2022, was approximately $2.4 billion.

As of July 24, 2023 there were 703,257,224 shares of the Registrant's Common Stock, par value $0.0001 per share, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates certain information by reference from the definitive proxy statement to be filed by the registrant in connection with the 2023 Annual Meeting of Stockholders (the "Proxy Statement") with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the year ended May 31, 2023, provided that if such Proxy Statement is not filed within such period, such information will be included in an amendment to this Form 10-K to be filed within such 120-day period.

Table of Contents

		Page
PART I		
Item 1.	Business	4
Item 1A.	Risk Factors	18
Item 1B.	Unresolved Staff Comments	38
Item 2.	Properties	39
Item 3.	Legal Proceedings	40
Item 4.	Mine Safety Disclosures	40
PART II		
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	41
Item 6.	[Reserved]	42
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	43
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	64
Item 8.	Financial Statements and Supplementary Data	66
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	113
Item 9A.	Controls and Procedures	113
Item 9B.	Other Information	114
Item 9C.	Other Information	114
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	115
Item 11.	Executive Compensation	115
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	115
Item 13.	Certain Relationships and Related Transactions, and Director Independence	115
Item 14.	Principal Accounting Fees and Services	115
PART IV		
Item 15.	Exhibits, Financial Statement Schedules	116
Item 16.	Form 10-K Summary	119

In this Annual Report on Form 10-K, "we," "our," "us," "Tilray," and the "Company" refer to Tilray Brands, Inc. and, where appropriate, its consolidated subsidiaries. This report contains references to our trademarks and trade names and to trademarks and trade names belonging to other entities. Solely for convenience, trademarks and trade names referred to in this report may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend our use or display of other companies' trademarks or trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

PART I

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K for the fiscal year ended May 31, 2023 (the "Form 10-K") contains forward-looking statements under Canadian securities laws and within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are intended to be subject to the "safe harbor" created by those sections and other applicable laws. Such statements involve risks, uncertainties and assumptions. If the risks or uncertainties ever materialize or the assumptions prove incorrect, our results may differ materially from those expressed or implied by such forward-looking statements under the Canadian securities laws and within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are intended to be subject to the "safe harbor" created by those sections and other applicable laws. The words "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "project," "will," "would," "seek," or "should," or the negative or plural of these words or similar expressions or variations are intended to identify such forward-looking statements. Forward-looking statements include, among other things, our beliefs or expectations relating to our future performance, results of operations and financial condition; our intentions regarding our cost savings initiatives; our strategic initiatives, business strategy, supply chain, brand portfolio, product performance and expansion efforts; current or future macroeconomic trends; future corporate acquisitions and strategic transactions; and our synergies, cash savings and efficiencies anticipated from the integration of our completed acquisitions and strategic transactions.

Risks and uncertainties that may cause actual results to differ materially from forward-looking statements include, but are not limited to, those identified in this Form 10-K and those discussed in the sections titled "Risk Factor Summary" set forth below, titled "Risk Factors" set forth in Part I, Item 1A of this Form 10-K, and titled "Management's Discussion and Analysis of Financial Condition and Results of Operation" set forth in Part II, Item 7 of this Form 10-K, as well as our other filings made from time to time with the U.S. Securities and Exchange Commission and in our Canadian securities filings.

Forward looking statements are based on information available to us as of the date of this Form 10-Q and, while we believe that information provides a reasonable basis for these statements, these statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements. You should not rely upon forward-looking statements or forward-looking information as predictions of future events.

We undertake no obligation to update forward-looking statements to reflect actual results or changes in assumptions or circumstances, except as required by applicable law.

Risk Factor Summary

Investing in our securities involves a high degree of risk. Below is a summary of material factors that make an investment in our securities speculative or risky. Importantly, this summary does not address all of the risks that we face. Additional discussion of the risks summarized in this risk factor summary, as well as other risks that we face, can be found under the heading "*Item 1A—Risk Factors*" below.

- We have an investment and certain arrangement transactions with HEXO Corp. ("HEXO") and we face uncertainty with respect to our ability to realize a return on our investment and achieve expected production efficiencies and cost savings in connection with the transactions with HEXO as well as the MedMen investment.
- Additional impairments of our goodwill, impairments of our intangible and other long-lived assets, and changes in the estimated useful lives of intangible assets could have a material adverse impact on our financial results.
- We may experience difficulties integrating Tilray and HEXO's operations and realizing the expected benefits of the Arrangement.
- Our business is dependent upon regulatory approvals and licenses, ongoing compliance and reporting obligations, and timely renewals.
- Government regulation is evolving, and unfavorable changes or lack of commercial legalization could impact our ability to carry on our business as currently conducted and the potential expansion of our business.

- Our production and processing facilities are integral to our business and adverse changes or developments affecting our facilities may have an adverse impact on our business.
- We face intense competition, and anticipate competition will increase, which could hurt our business.
- Regulations constrain our ability to market and distribute our products in Canada.
- United States regulations relating to hemp-derived CBD products are new and rapidly evolving, and changes may not develop in the timeframe or manner most favorable to our business objectives.
- Changes in consumer preferences or public attitudes about alcohol could decrease demand for our beverage alcohol products.
- SweetWater, Breckenridge and Montauk each face substantial competition in the beer industry and the broader market for alcoholic beverage products which could impact our business and financial results.
- We have a limited operating history and a history of net losses, and we may not achieve or maintain profitability in the future.
- We are subject to litigation, arbitration and demands, which could result in significant liability and costs, and impact our resources and reputation.
- Our strategic alliances and other third-party business relationships may not achieve the intended beneficial impact and expose us to risks.
- We may not be able to successfully identify and execute future acquisitions, dispositions or other equity transactions or to successfully manage the impacts of such transactions on our operations.
- We are subject to risks inherent in an agricultural business, including the risk of crop failure.
- We depend on significant customers for a substantial portion of our revenue. If we fail to retain or expand our customer relationships or significant customers reduce their purchases, our revenue could decline significantly.
- Our products may be subject to recalls for a variety of reasons, which could require us to expend significant management and capital resources.
- Significant interruptions in our access to certain supply chains for key inputs such as raw materials, supplies, electricity, water and other utilities may impair our operations.
- Management may not be able to successfully establish and maintain effective internal controls over financial reporting.
- The price of our common stock in public markets has experienced and may continue to experience severe volatility and fluctuations.
- The volatility of our stock and the stockholder base may hinder or prevent us from engaging in beneficial corporate initiatives.
- The terms of our outstanding warrants may limit our ability to raise additional equity capital or pursue acquisitions, which may impact funding of our ongoing operations and cause significant dilution to existing stockholders.
- We may not have the ability to raise the funds necessary to settle conversions of the convertible securities in cash or to repurchase the convertible securities upon a fundamental change.
- We are subject to other risks generally applicable to our industry and the conduct of our business.

Item 1. Business.

Our Company

Tilray Brands, Inc., a Delaware corporation (collectively, along with its subsidiaries, the "Company", "Tilray", "we", "us" and "our") is a leading global cannabis-lifestyle and consumer packaged goods company, which was incorporated on January 24, 2018 and headquartered in Leamington and New York, with operations in Canada, the United States, Europe, Australia and Latin America that is changing people's lives for the better – one person at a time – by inspiring and empowering a worldwide community to live their very best life enhanced by moments of connection and wellbeing. Tilray's mission is to be the most responsible, trusted and market leading cannabis-lifestyle and consumer packaged goods company in the world with a portfolio of innovative, high-quality and beloved brands that address the needs of the consumers, customers and patients we serve. Patients and consumers trust Tilray Brands to be the most responsible, trusted and market leading cannabis consumer products company in the world with a portfolio of innovative, high-quality, and beloved brands that address the needs of the consumers, customers, and patients we serve. Our business consists of four reporting segments, which are defined by the industry in which we compete, target consumer and need and route-to-market. These reporting segments consist of medical cannabis, adult-use cannabis, beverage alcohol and wellness.

We were among the first companies to be permitted to cultivate and sell legal medical cannabis. Today, we supply high-quality medical cannabis products to tens of thousands of patients in 21 countries spanning five continents through our global subsidiaries, and through agreements with established pharmaceutical distributors. We are also a leader in the recreational adult-use market in Canada. In the United States, we are one of the largest craft brewers and have businesses in the distilled spirits and hemp-based foods industries.

On April 30, 2021, Tilray acquired all of the issued and outstanding common shares of Aphria Inc. via a plan of arrangement (the "Arrangement"). The Arrangement brought together two highly complementary businesses to create a leading cannabis-lifestyle and consumer packaged goods company with one of the largest global geographic footprints in the industry.

On November 7, 2022, Tilray acquired Montauk Brewing Company, Inc. ("Montauk"), a leading craft brewer in Metro New York located in Montauk, New York (the "Montauk Acquisition"). Montauk is well-known for its beloved product portfolio, premium price point, and distribution across over 6,400 points of distribution and is a welcomed addition to our growing craft alcohol and beer businesses.

On March 16, 2023, Tilray's stockholders formally approved a proposal to amend its certificate of incorporation (the "Charter Amendment"), which modified Tilray's existing certificate of incorporation by canceling its Class 1 Common Stock and re-allocating such authorized shares to Class 2 Common Stock. In addition, the Charter Amendment reclassified each issued and outstanding share of Class 2 Common Stock as one share of Common Stock of Tilray.

On April 10, 2023, we entered into an Arrangement Agreement (the "Arrangement Agreement") with HEXO Corp. ("HEXO"), pursuant to which Tilray agreed to acquire all of the issued and outstanding common shares of HEXO pursuant to a plan of arrangement under the Business Corporations Act (Ontario) (the "Arrangement"). This transaction builds on the successful strategic alliance between the two companies and positions Tilray for continued strong growth and market leadership in Canada, the largest federally legal cannabis market in the world. We closed the acquisition of HEXO on June 22, 2023.

Our Strategy and Outlook

Our overall strategy is to leverage our brands, infrastructure, expertise and capabilities to drive market share in the industries in which we compete, achieve industry-leading, profitable growth and build sustainable, long-term shareholder value. In order to ensure the long-term sustainable growth of our Company, we continue to focus on developing strong capabilities in consumer insights, drive category management leadership and assess growth opportunities with the introduction of new products and entries into new geographies. In addition, we are relentlessly focused on managing our cost of goods and expenses in order to maintain our strong financial position. Finally, our experienced leadership team provides a strong foundation to accelerate our growth. Our management team is complemented by experienced operators, cannabis industry experts, veteran beer and beverage industry leaders and leaders that are well-established in wellness foods, all of whom apply an innovative and consumer-centric approach to our businesses.

To achieve our vision of building the leading global cannabis-lifestyle and consumer packaged goods company that is changing people's lives for the better – one person at a time – by inspiring and empowering the worldwide community to live their very best life, we will focus on the following strategies:

- ***Build global brands that lead in their respective industries by winning the hearts and minds of our consumers and patients***. We have a portfolio of marketing leading brands, which are beloved and trusted by our consumers and patients. Through this extensive portfolio, we seek to continue to build loyalty by providing our consumers and patients with a differentiated and expanded portfolio designed to meet their needs and desires, driven by research and insights.

- ***Develop innovative products and form factors that change the way the world consumes cannabis.*** We plan to continue to develop innovative products that possess the most consumer demand and are truly differentiated from our competitors, while optimizing our cultivation and production facilities. We will continue to invest in innovation in order to continue to provide our patients and consumers with a differentiated portfolio of products that exceeds their expectations and meets their needs.

- ***Grow and leverage our investment in craft beer, spirits and hemp-based food.*** Within the U.S., our strategic acquisitions of beverage alcohol businesses are the cornerstone of our longer-term U.S. strategy and an important step towards achieving our vision to change people's lives for the better by inspiring and empowering the worldwide community to live their very best life. In addition to acquiring strong brands and profitable businesses, our strategic investments in beverage alcohol and food in the U.S. provides us with a platform and infrastructure within the U.S. to enable us to access the U.S. market more quickly in the event of federal legalization. In advance of federal legalization, we are focused on leading the craft beer segment, including growing our SweetWater, Alpine, Green Flash and, most recently, Montauk brands by bringing new consumers into the segment focusing on new product development and innovation that delights our consumers and building brand awareness. We have also diversified our presence in the beverage alcohol space through the purchase of Breckenridge, known for its award-winning bourbon whiskey collection and innovative craft spirits portfolio. In addition to driving growth in our beverage alcohol businesses, we also seek to drive growth in our Tilray Wellness platform, which currently consists of our Manitoba Harvest brand and other hemp-based food and ingredients products by leveraging our consumer insights and consumer marketing activities, new product development as well as educating the consumer on the benefits from hemp-based foods. In the event of federal legalization in the U.S., we expect to be well-positioned to compete in the U.S. cannabis market given our existing strong brands and distribution system in addition to our track record of growth in consumer-packaged goods and cannabis products. Until federal legalization, we intend to continue to diversify and grow our businesses while maximizing their profitability.

- ***Expand the availability of high quality, consistent medical cannabis products for patients around the world, wherever they are legal.*** Since 2014, we have seen an increase in the demand for medical cannabis from both patients, doctors and governments in conjunction with a shift in the medical community, which is increasingly recognizing medical cannabis as a viable option for the treatment of patients suffering from a variety of health conditions. We area focused on driving availability to high-quality medical cannabis that is accessible to all. Internationally, we have made significant investments in our operations within Europe and we are well-positioned to pursue international growth opportunities with our strong medical cannabis brands, distribution network in Germany with CC Pharma, and end-to-end European Union Good Manufacturing Practices ("EU-GMP") supply chain, which includes EU-GMP production facilities in Portugal and Germany. We intend to continue to maximize the utilization of our existing assets and investments in connection with the development and execution of our international growth plans, while leveraging our cannabis expertise and well-established medical brands. Through our well positioned cultivation facilities in Portugal and Germany, we intend to fuel the demand for our EU GMP certified medical grade cannabis internationally. By building on this foundation, we strive to maintain our leadership position in the international cannabis industry.

- ***Optimize and drive efficiencies in our global operations with a relentless focus on cost reduction and cash generation.*** In each of our pillars, we continuously evaluate our cost structure for efficiencies and synergies and eliminate cost when warranted. In cannabis, our state-of-the-art facilities are among the lowest cost production operations with the capabilities to produce a complete portfolio of form factors and

products, including flower, pre-roll, capsules, vapes, edibles and beverages. This approach has permitted us to maintain a strong, flexible balance sheet, cash balance and access to capital, which we believe will assist us to accelerate growth and deliver long-term sustainable value for our stockholders.

Reportable Segments

Our business consists of four reporting segments, which are defined by the industry in which we compete, target consumer and need, route to market, and margins. This enables us to track and measure our performance and build processes for repeatable success in each of these categories. Our defined reporting segments align with how our Chief Operating Decision Maker ("CODM") evaluates and manages our business, including resource allocation and performance assessment. We report our operating results in four reportable segments:

- *Cannabis business* – Cultivation, production, distribution and sale of both medical and adult-use cannabis products
- *Distribution business* – Purchase and resale of pharmaceutical and wellness products
- *Beverage alcohol business* – Production, marketing and sale of beverage alcohol products
- *Wellness business* – Production, marketing and distribution of hemp-based food and other wellness products

Revenue in these four reportable business segments, and the year over year comparison, is as follows:

(In thousands of U.S. dollars)	Year Ended May 31, 2023	% of Total Revenue	Year Ended May 31, 2022	% of Total Revenue	Year Ended May 31, 2021	% of Total Revenue
Cannabis business	$220,430	35%	$237,522	38%	$201,392	39%
Distribution business	258,770	41%	259,747	41%	277,300	54%
Beverage alcohol business	95,093	15%	71,492	11%	28,599	6%
Wellness business	52,831	9%	59,611	10%	5,794	1%
Total net revenue	$627,124	100%	$628,372	100%	$513,085	100%

Revenue in these four reportable business segments as reported in constant currency[1], and the year over year comparison, is as follows:

(In thousands of U.S. dollars)	Year Ended May 31, 2023 as reported in constant currency	% of Total Revenue	Year Ended May 31, 2022 as reported in constant currency	% of Total Revenue
Cannabis business	$233,227	35%	$237,522	38%
Distribution business	285,115	43%	259,747	41%
Beverage alcohol business	95,093	14%	71,492	11%
Wellness business	54,429	8%	59,611	10%
Total net revenue	$667,864	100%	$628,372	100%

Revenue from our cannabis operations from the following sales channel and the year over year comparison is as follows:

(In thousands of U.S. dollars)	Year Ended May 31, 2023	% of Total Revenue	Year Ended May 31, 2022	%of Total Revenue	Year Ended May 31, 2021	% of Total Revenue
Revenue from Canadian medical cannabis	$ 25,000	11%	$ 30,599	13%	$ 25,539	13%
Revenue from Canadian adult-use cannabis	214,319	97%	209,501	88%	222,930	110%
Revenue from wholesale cannabis	1,436	1%	6,904	3%	6,615	3%
Revenue from international cannabis	43,559	20%	53,887	23%	9,250	5%
Less excise taxes	(63,884)	-29%	(63,369)	-27%	(62,942)	-31%
Total	$220,430	100%	$237,522	100%	$201,392	100%

Revenue from our cannabis operations from the following sales channel as reported in constant currency[1] and the year over year comparison is as follows:

(In thousands of U.S. dollars)	Year Ended May 31, 2023 as reported in constant currency	%of Total Revenue	Year Ended May 31, 2022 as reported in constant currency	%of Total Revenue
Revenue from Canadian medical cannabis	$ 26,612	11%	$ 30,599	13%
Revenue from Canadian adult-use cannabis	225,694	97%	209,501	88%
Revenue from wholesale cannabis	1,529	1%	6,904	3%
Revenue from international cannabis	47,434	20%	53,887	23%
Less excise taxes	(68,042)	-29%	(63,369)	-27%
Total	$233,227	100%	$237,522	100%

(1) The constant currency presentation of our Cannabis revenue based on market channel is a non-GAAP financial measure. See "Use of Non-GAAP Measures –Constant Currency Presentation" for a discussion of these Non-GAAP Measures.

Our Brands and Products

Our brand and product strategy centers on developing a broad portfolio of differentiated brands and products designed to appeal to diverse groups of patients and consumers driven by research and insights. Our brand and product activities are designed to comply with all local regulations and requirements, including applicable labelling and marketing restrictions.

Our Medical Cannabis Brands

We were among the first companies to be permitted to cultivate and sell legal medical cannabis. Today, we supply high-quality medical cannabis products to tens of thousands of patients in over 21 countries spanning five continents through our global subsidiaries, and through agreements with established pharmaceutical distributors. Tilray Medical is dedicated to transforming lives and fostering dignity for patients in need through safe and reliable access to a global portfolio of medical cannabis brands, including Tilray, Aphria, Broken Coast, Symbios, Navcora, and Charlotte's Web. Tilray grew from being one of the first companies to become an approved licensed producer of medical cannabis in Canada to building the first GMP-certified cannabis production facilities in Europe, first in Portugal and later in Germany. Today, Tilray Medical is one of the largest suppliers of medical cannabis brands to patients, physicians, hospitals, pharmacies, researchers, and governments, in 21 countries and across five continents. Our medical cannabis brands consist of:

- **Tilray®** - The Tilray brand is a medical cannabis brand designed for prescribers and patients in the global medical market by offering a wide range of high-quality, consistent pharmaceutical-grade medical cannabis and cannabinoid-based products. We believe patients and prescribers choose the Tilray brand because of our rigorous quality standards and the brand is a trusted, scientific based brand known for its medical-grade products. In Canada, Tilray has also partnered with Indiva to carry a wider array of product offerings, specifically in the edibles category, through its medical platform to better serve the interests of our patients.
- **Aphria®**- Since 2014, the Aphria brand is a leading, trusted choice for Canadian patients seeking high quality pharmaceutical-grade medical cannabis. Today, the Aphria brand continues to be a leading brand in Canada and, we will continue to leverage its market leadership as we develop our medical cannabis markets internationally under the Aphria brand.
- **Broken Coast®** - Medical cannabis products under the Broken Coast brand are grown in small batches in single-strain rooms, with a commitment to product quality in order to meet our Canadian patient expectations. Subsequent to the year-ended May 31, 2023, the Company completed its first shipment of Broken Coast product to Australia where the reputation and quality of the flower makes it a highly sought after product in this market.
- **Symbios®** - Launched in 2021, Symbios was developed to provide Canadian patients with a broader spectrum of formats and unique cannabinoid ratios at a better price point while offering a full comprehensive assortment of products, including flower, oils, and pre-rolls.

- **Navcora®** - Launched in 2020, Navcora is dedicated to making pharmaceutical grade cannabis more accessible and reliable in the German market. The Navcora brand is complementary to our existing Tilray medical brand, and is designed to increase our points of distribution in the German medical cannabis market.
- **Charlotte's Web™** - During the year, the Company entered into a strategic alliance which includes licensing, manufacturing, quality, marketing and distribution for Charlotte's Web™ CBD hemp extract products in Canada. For the first time, Canadians will have the ease of nationwide availability of Charlotte's Web™ full spectrum CBD products through Tilray's medical cannabis distribution network. While no shipments were completed during the fiscal year, production commenced and the Company anticipates the first sale to be in the first half of fiscal year 2024.

We are committed to meeting the needs of our patients whether they are looking for more natural options for their medical needs, exploring their options in wellness, or seeking alternatives in their lifestyle. Accessibility is a top priority for Tilray. We are committed to ensuring patients have access to the medication they depend on through a strong supply chain and dedicated support through our dedicated patient care teams. Our product lines focus on active ingredients and standardized, well-defined preparation methods. We use formulations and delivery formats that are intended to allow for consistent and measured dosing, and we test all our products for potency and purity. Each of our commercial products are developed with comprehensive analysis and thorough documentation.

We take a scientific approach to our medical-use product development which we believe establishes credibility and trust in the medical community. We produce products that are characterized by well-defined and reproducible cannabinoid and terpene content, formulated for stable pharmacokinetic profiles, which are customizable in a variety of formulations. We continue to conduct extensive research and development activities and develop and promote new products for medical use.

Our Adult-Use Cannabis Brands

We are a leader in the recreational adult-use market in Canada where we offer a broad-based portfolio of adult-use brands and products and continue to expand our portfolio to include new innovative cannabis products and formats. We maintain agreements to supply all Canadian provinces and territories with our adult-use products for sale through their established retail distribution systems. We believe that our differentiated portfolio of brands, which is designed to resonate with consumers in all categories, sets us apart from our competitors and is providing us with the ability to establish a leading position in the adult-use market in Canada. Therefore, we are investing in brand building with our consumers, new product innovation, insights, distribution, trade marketing and cannabis education to drive market share in the Canadian adult-use cannabis industry.

We believe that our portfolio of brands, developed for consumers across broad demographics and targeted segments, remains unmatched in the industry. With a focus on brand building, innovation, loyalty and conversion, we seek to drive growth with our differentiated portfolio of brands and products, both in sales and market share across categories. The Company is investing capital and resources to establish a leadership position in the adult-use market in Canada. These investments are focused on brand building with consumers, product innovation, distribution, trade marketing and cannabis education. Our strategy is to develop a brand focused portfolio that resonates with consumers in all category segments.

We are positioned to grow our adult-use brand portfolio to specifically meet the needs and preferences of different consumer segments of the adult-use cannabis market. We leverage our selection of strains to offer each consumer segment a different experience through its product and terpene profiles, while also focusing on the value proposition for each of these segments as it relates to price, potency and product assortment.

Each brand is unique to a specific consumer segment and designed to meet the needs of these targeted segments, as described below. Our portfolio of brands and products and our marketing activities have been carefully curated and structured to enable us to develop and promote our brands and product lines in an effective and compliant manner. We continue to develop additional brands and new products, such as edibles and beverages, with more innovative products in our pipeline. Our brand portfolio consists of the following:

	ECONOMY BRANDS
B!NGO	B!NGO is like a nice cold beer on a summer's day. Our products hit the spot and gives consumers that little something that lets them enjoy the moment. It's the everyday companion that keeps it light and simple.
The Batch	A no-frills cannabis value brand focused on delivering quality cannabis flower and pre-rolls at competitive prices. The Batch categorizes its product offering by potency rather than cultivar, allowing us to offer quality cannabis at prices that beat the illicit market.
	VALUE BRANDS
Dubon	''The good stuff'', a vibrantly Québécois cannabis brand and champion of inspired, creative living. Dubon offers master-crafted cannabis cultivars as whole flower and pre-rolls, exclusively available in Québec.
	CORE BRANDS
Good Supply	Quality Bud, No B.S. Good Supply is brand that embraces the goodness of classic cannabis culture – it speaks your language and reminds you of when you first fell in love with cannabis.
Solei Sungrown Cannabis ("Solei")	Solei is a brand designed to embrace the bright Moments in your day. Solei's Moments-based products help to make cannabis simple, approachable and welcoming.
Chowie Wowie	An edibles' brand bringing the 'wow' with perfectly crafted fusions of flavor offered in an array of reliably dosed cannabis-infused chocolates and gummies in THC and CBD varieties.
Canaca	A brand that proudly builds on its homegrown heritage with cannabis whole flower, pre-rolls, oil products and pure cannabis vapes handcrafted by and for Canadian cannabis enthusiasts. Our plants are sourced in BC and expertly cultivated in Ontario for homegrown, down-to-earth quality that's enjoyed across Canada.
	PREMIUM BRANDS
RIFF	RIFF is not your conventional cannabis brand. It is a brand by creatives for creatives. An unconventional brand, fueled by creativity and collaboration
	PREMIUM + BRANDS
Broken Coast	West Coast, Naturally. Broken Coast relies on small batch growing techniques / craft approach with a reputation for its high-quality flower, aroma, bud composition, and heavy trichome appearance that delivers an incredible experience.

Our Wellness Brands

Our Tilray Wellness segment primarily consists of the Manitoba Harvest branded hemp-based food business, which develops, manufactures, markets and distributes a diverse portfolio of hemp-based food and wellness products under various brands, which include Manitoba Harvest, Hemp Yeah!, Just Hemp Foods, and Happy Flower. Manitoba Harvest products are sold in major retailers across the U.S. and Canada.

Our Beverage Alcohol and Spirits Brands

We are also a major player in the craft alcohol and beverage business through SW Brewing Company, LLC (''SweetWater''), the 9th largest craft brewery in the United States according to the Brewers Association. Founded in 1997, SweetWater has broad consumer appeal and has established strong distribution across the United States. From its state-of-the-art breweries in Atlanta, Georgia and Colorado, SweetWater produces a balanced variety of year-round and seasonal specialty craft brews, under the SweetWater Green Flash, Alpine and Montauk brands. The Company also operates in the craft spirits businesses through Breckenridge Distillery, which was founded in 2008 as a small craft spirits brand in Breckenridge, Colorado but has since grown its award-winning bourbon whiskey collection and innovative craft spirits portfolio to be distributed in all 50 states in addition to owning two tasting rooms/retail shops and a world class restaurant.

Our beverage alcohol brands include:

- **SweetWater** – The 9th largest craft brewery in the United States according to the Brewers Association has created an award-winning lineup of year-round, seasonal and specialty beers under a portfolio of brands closely aligned with a cannabis lifestyle, which include the flagship 420 alcoholic beverage offerings, its SweetWater Spirits, a new collection of bright and refreshing ready-to-drink mixed cocktails in a can and our newest innovation SweetWater Gummies, a fruit forward 9.5% ABV of refreshing double IPA. We believe the SweetWater product offerings, including the new Red White and Blue American Lager resonate across all consumer's that want to drink flavorful and refreshing products and that it will be a staple at backyard barbecues, tailgates, and get-togethers. We also continue to be innovative with our 420 Strain G13 IPA, which plays a critical role in our portfolio and resonates as a cannabis lifestyle brand. SweetWater's various 420 strains of craft brews use plant-based terpenes and natural hemp flavors that, when combined with select hops, emulate the flavors and aromas of popular cannabis strains to appeal to a loyal consumer base.

- **Breckenridge Distillery** – A highly sought-after and award-winning brand widely known for its blended bourbon whiskey and its collection of artisanal spirits including vodka and gin that brings to life the best that Colorado has to offer. Breckenridge continues to be one of the most awarded craft distilleries in the U.S.

- **Alpine Beer Company** – An award-winning craft brand founded in 1999, and is rated a top 50 brand in the United States with highly-rated favorites including Nelson IPA and Duet IPA. We recently launched Infinite Haze, a brilliant Hazy IPA bursting with endless aromas of citrus and sweet, tropical fruits which complement our existing product offerings that make up our highly acclaimed year-round lineup.

- **Green Flash** – An award-winning, independently owned and operated craft brand founded in 2002 to bring fresh ideas and a sense of adventure to craft beer. Green Flash delivers an eclectic lineup of specialty craft beers and distributes them throughout the west. Our staple brand, West Coast IPA, as well as our newly launched Hazy West Coast IPA, continue to excite consumers across the west coast. Green Flash has now created a variety 12-pack that takes the best of the west and the east to make an exciting and adventurous consumer experience.

- **Montauk** – As the #1 craft brewer in Metro New York. Montauk is well-known for its beloved product portfolio, premium price point, and distribution across over 6,400 points of distribution. Wave Chaser IPA is a staple of Montauk and has expanded into The Surf Beer, a Golden Ale, Tropical IPA, Juicy IPA and Eastern Haze a Hazy IPA. We have also launched Project 4:20, a terpene flavored beer with earthy aromas which is focused on giving back to local green charities. Montauk's brand reach has predominantly been in New York City, Long Island, and northern New Jersey, but has now been expanded into Connecticut, Rhode Island, Upstate New York, Pennsylvania and the remainder of New Jersey.

Our Operations

Through our cannabis reporting segment, we have invested in state-of-the-art facilities and infrastructure, and we believe that we maintain some of the highest-quality, lowest cost cannabis production operations in Canada, with the scale and distribution network that differentiates us from our competitors in the industry. We also made significant investments in our operations within Europe and we are well-positioned to pursue international growth opportunities with our strong medical cannabis brands, distribution network in Germany, and end-to-end European Union Good Manufacturing Practices ("EU-GMP") supply chain, which includes EU-GMP production facilities in Portugal and Germany. We seek to continue to invest in the expansion of our global supply chain to address the unmet needs of patients around the world.

We currently maintain key international operations in Portugal, Germany, Italy, United Kingdom, Australia, New Zealand and Argentina as well as strategic relationships in Denmark, Luxembourg and Poland. In establishing our international footprint, we sought to create operational hubs in those continents where we identified the biggest opportunities for growth and designed our operations to ensure consistent, high-quality supply of cannabis products as well as a distribution network. While these markets are still at various stages of development, and the regulatory environment around them is either newly formed or still being formed, we are uniquely positioned to bring the knowledge and expertise gained in Canada and leverage our operational footprint in order to generate profitable growth in these geographies.

In beverage alcohol, we have state-of-the-art breweries in Atlanta, Georgia, Fort Collins, Colorado and New York from which SweetWater and Montauk produce a balanced variety of year-round and seasonal specialty craft brews under the SweetWater, Alpine, Green Flash and Montauk brands as well as Breckenridge Distillery, the world's highest distillery, located in Breckenridge, Colorado. Most recently, the Company entered into a new partnership with Mercedes-Benz Stadium and is opening two new SweetWater branded bars at Atlanta's premier sports and entertainment venue, which is home to the NFL's Atlanta Falcons and Atlanta United of Major League Soccer.

Lastly, in Wellness, we own two BRC accredited facilities located in Manitoba, Canada that are dedicated to hemp processing and packaging Manitoba Harvest, Just Hemp Foods, and Hemp Yeah! Branded products including hulled hemp seeds, hemp oil, and hemp protein.

Distribution

Canadian Adult-use Market

Under the Canadian legislative regime, provincial, territorial and municipal governments have the authority to prescribe regulations regarding retail and distribution of adult-use cannabis. As such, the distribution model for adult-use cannabis is prescribed by provincial regulations and differs from province to province. Some provinces utilize government run retailers, while others utilize government-licensed private retailers, and some a combination of the two. All of our adult-use sales are conducted according to the applicable provincial and territorial legislation and through applicable local agencies.

Through our subsidiaries, Aphria and High Park Holdings Ltd. (''High Park''), we maintain supply agreements for adult-use cannabis with all the provinces and territories in Canada.

Tilray is party to a distribution agreement with Great North Distributors to provide sales force and wholesale/retail channel expertise required to efficiently distribute our adult-use products through each of the provincial/territorial cannabis control agencies, excluding Quebec. We also engage Rose Life Sciences Ltd. as our sale agent exclusively for the Province of Quebec, representing our entire brand portfolio.

Canadian Medical Market

In Canada, Tilray Medical operates a direct to patient distribution model and online platform for patients to effectively and efficiently manage the process of registering and ordering medical products from Tilray Medical's full portfolio of medical brands including Tilray, Aphria, Broken Coast, Symbios and Charlotte's Web™.

International Medical Markets

Tilray Medical currently offers broad access to medical cannabis products in legal medical markets across Europe, Australia, New Zealand and Latin America. Our global portfolio of medical cannabis products includes high-quality and GMP-certified flower and extracts. Through our various subsidiaries and partnerships with distributors, our medical products are available to patients in 21 countries on 5 continents, which include the following international distribution channels:

- CC Pharma, our wholly-owned subsidiary, is a leading importer and distributor of pharmaceuticals for the German market and we are leveraging its distribution network in Germany for medical cannabis.
- Our products are also distributed by multiple wholesalers and directly to pharmacies in Germany. As a result, we are able to fulfill prescriptions for our medical cannabis products throughout Germany.
- We import and distribute compliant medical cannabis products into other international markets, including Italy, Poland, Czech Republic, Switzerland, United Kingdom, Portugal, Croatia, Malta, Ireland and Luxembourg.
- In Argentina, ABP, S.A., our wholly-owned subsidiary, distributes medical cannabis throughout Argentina under the Argentinian ''Compassionate Use'' national law, which allows patients with refractory epilepsy, holding a medical prescription from a neurologist, to apply for special access to imported medical cannabis products.

Wholesale

In Canada, we are authorized to sell wholesale bulk and finished cannabis products to other licensees under the Cannabis Regulations. The bulk wholesale sales and distribution channel requires minimal selling, administrative,

and fulfillment costs. Our focus on the right strain assortment, quality of flower, extraction capabilities and processing, enables us to drive wholesale channel opportunities for revenue growth.

Changes in the Canadian market continue to result in more competitors moving towards an asset light model through the rationalization of cultivation facilities. As this transition occurs, the Company anticipates demand for its saleable flower to increase, providing new opportunities in the wholesale channel.

We also intend to expand our capabilities outside of saleable flower, as our quality of extraction processes continue to grow into new categories including the latest in cannabis 3.0 products. We plan to be selective in choosing partners, with the intent to secure supply agreements to further optimize and drive efficiency within our supply chain and operations. While we intend to pursue wholesale sales channels as part of our growth strategies in Canada, these sales will continue to be used to aid in balancing inventory levels.

Wellness Sales and Distribution

Our wellness sales consist of hemp and other hemp-based food products, which are sold to retailers, wholesalers, and direct to consumers. We are a leading provider of hemp seeds and related food products that are sold in over 21,000 retail locations in the United States and Canada and available globally in 18 countries.

Beverage Alcohol Sales and Distribution

In the U.S., our craft beer, including SweetWater, Alpine, Green Flash and Montauk, are distributed under a three-tier model utilized for beverage alcohol. Distribution points include approximately 29,000 off-premises retail locations ranging from independent bottle shops to national chains. SweetWater's significant on-premises business allows consumers to enjoy its varietals in more than 10,000 restaurants and bars. Further, in addition to its traditional distribution footprint, SweetWater Elevated HAZY IPA and 420 Strain series are served on all Delta Air Lines flights nationwide plus internationally, totaling more than 50 countries across six continents which have served to extend SweetWater's brand reach on both a national and international level. The Company supplements this distribution with Delta Air Lines through a kiosk in Atlanta's Hartsfield-Jackson Airport and secured access to distribute through an on-premises location at the Denver International Airport. SweetWater is also available in Canada through limited distribution within Ontario and Quebec. Montauk is distributed across over 6,400 points of distribution, including many of the top national retailers. In addition, our craft spirit brands from Breckenridge are distributed in all 50-states, and in two on-premises tasting and retail store locations. Breckenridge is also distributed in 8 different countries, including Canada, Germany, UK, Macau, Australia, New Zealand, and Singapore, with the intention of further expanding our international distribution.

Regulatory Environment

Canadian Medical and Adult-Use

Medical and adult-use cannabis in Canada is regulated under the federal *Cannabis Act* (Canada) (the ''Cannabis Act'') and the Cannabis Regulations (''CR'') promulgated under the Cannabis Act. Both the Cannabis Act and CR came into force in October 2018, superseding earlier legislation that only permitted commercial distribution and home cultivation of medical cannabis. The following are the highlights of the current federal legislation:

- a federal license is required for companies to cultivate, process and sell cannabis for medical or non-medical purposes. Health Canada, a federal government entity, is the oversight and regulatory body for cannabis licenses in Canada;
- allows individuals to purchase, possess and cultivate limited amounts of cannabis for medical purposes and, for individuals over the age of 18 years, for adult-use recreational purposes;
- enables the provinces and territories to regulate other aspects associated with recreational adult-use. In particular, each province or territory may adopt its own laws governing the distribution, sale and consumption of cannabis and cannabis accessory products, and those laws may set lower maximum permitted quantities for individuals and higher age requirements;
- promotion, packaging and labelling of cannabis is strictly regulated. For example, promotion is largely restricted to the place of sale and age-gated environments (*i.e.,* environments with verification measures in place to restrict access to persons of legal age). Promotions that appeal to underage individuals are prohibited;

- since the current federal regime came into force on October 17, 2018, certain classes of cannabis, including dried cannabis and oils, have been permitted for sale into the medical and adult-use markets;
- following amendments to the CR that came into force on October 17, 2019 (often referred to as Cannabis 2.0 regulations), other non-combustible form-factors, including edibles, topicals, and extracts (both ingested and inhaled), are permitted in the medical and adult-use markets;
- export is restricted to medical cannabis, cannabis for scientific purposes, and industrial hemp; and
- sale of medical cannabis occurs on a direct-to-patient basis from a federally licensed provider, while sale of adult-use cannabis occurs through retail-distribution models established by provincial and territorial governments.

All provincial and territorial governments have, to varying degrees, enacted regulatory regimes for the distribution and sale of recreational adult-use cannabis within their jurisdiction, including minimum age requirements. The retail-distribution models for adult-use cannabis varies nationwide:

- Quebec, New Brunswick, Nova Scotia and Prince Edward Island adopted a government-run model for retail and distribution;
- Ontario, British Columbia, Alberta, and Newfoundland and Labrador adopted a hybrid model with some aspects, including distribution and online retail being government-run while allowing for private licensed retail stores;
- Manitoba and Saskatchewan adopted a private model, with privately-run retail stores and online sales, with distribution in Manitoba managed by the provincial government;
- the three northern territories of Yukon, Northwest Territories and Nunavut adopted a model that mirrors their government-run liquor distribution model.

In addition, the cannabis industry is subject to substantial federal and provincial excise taxes. Excise taxes may be increased in the future by the federal or any provincial government or both.

United States Regulation of Hemp-Based CBD

Hemp products are subject to state and federal regulation in respect to the production, distribution and sale of products intended for human ingestion or topical application. Hemp is categorized as Cannabis sativa L., a subspecies of the cannabis genus. Numerous unique, chemical compounds are extractable from Hemp, including CBD. Hemp, as defined in the Agriculture Improvement Act of 2018 (the ''2018 Farm Bill''), is distinguishable from marijuana, which also comes from the Cannabis sativa L. subspecies, by its absence of more than trace amounts (0.3% or less) of the psychoactive compound THC.

The 2018 Farm Bill preserves the authority and jurisdiction of the Food and Drug Administration (the ''FDA''), under the Food Drug & Cosmetic Act (the ''FD&C Act''), to regulate the manufacture, marketing, and sale of food, drugs, dietary supplements, and cosmetics, including products that contain Hemp extracts and derivatives, such as CBD. As a result, the FD&C Act will continue to apply to Hemp-derived food, drugs, dietary supplements, cosmetics, and devices introduced, or prepared for introduction, into interstate commerce. The 2018 Farm Bill has also enabled production of hemp seed in the U.S. and the FDA approved these products for sale as a food by acknowledging them as GRAS (Generally Recognized as Safe). As a producer and marketer of Hemp-derived products and hemp seed-derived food products, the Company must comply with the FDA regulations applicable to manufacturing and marketing of certain products, including food, dietary supplements, and cosmetics.

As a result of the 2018 Farm Bill, federal law dictates that CBD derived from Hemp is not a controlled substance; however, CBD derived from Hemp may still be considered a controlled substance under applicable state law. Individual states take varying approaches to regulating the production and sale of Hemp and Hemp-derived CBD. Some states explicitly authorize and regulate the production and sale of Hemp-derived CBD or otherwise provide legal protection for authorized individuals to engage in commercial Hemp activities. Other states, however, maintain drug laws that do not distinguish between marijuana and Hemp and/or Hemp-derived CBD which results in Hemp being classified as a controlled substance under certain state laws.

European Union Medical Use

While each country in the European Union (''EU'') has its own laws and regulations, many common practices are being adopted relative to the developing and growing medical cannabis market. For example, to ensure quality and safe products for patients, many EU countries only permit the import and sale of medical cannabis from EU-GMP certified manufacturers.

The EU requires adherence to EU-GMP standards for the manufacture of active substances and medicinal products, including cannabis products. The EU system for certification of GMP allows a Competent Authority of any EU member state to conduct inspections of manufacturing sites and, if the strict EU-GMP standards are met, to issue a certificate of EU-GMP compliance that is also accepted in other EU member countries.

Craft Brewing in the United States

The alcoholic beverage industry in the United States is regulated by federal, state and local governments. These regulations govern the production, sale and distribution of alcoholic beverages, including permitting, licensing, marketing and advertising. To operate their production facilities, SweetWater and Breckenridge must obtain and maintain numerous permits, licenses and approvals from various governmental agencies, including but not limited to, the Alcohol and Tobacco Tax and Trade Bureau (the ''TTB''), the FDA, state alcohol regulatory agencies and state and federal environmental agencies. Our brewery operations are subject to audit and inspection by the TTB at any time.

In addition, the alcohol industry is subject to substantial federal and state excise taxes. Excise taxes may be increased in the future by the federal government or any state government or both. In the past, increases in excise taxes on alcoholic beverages have been considered in connection with various governmental budget-balancing or funding proposals.

Environmental Regulation

Our cannabis, brewing and spirits operations are subject to a variety of federal, state and local environmental laws and regulations and local permitting requirements and agreements regarding, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of hazardous waste. In addition, any new products introduced by us are subject to a comprehensive environmental assessment by an independent third-party expert, including an assessment of how such products may create environmental risks.

While we have no reason to believe the operation of our facilities violates any such regulation or requirement, including the Clean Air Act, the Clean Water Act and the Resource Conservation and Recovery Act, environmental regulation is evolving in a manner which may require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. If a violation were to occur, or if environmental regulations were to become more stringent in the future, we could be adversely affected.

Competitive Conditions

Cannabis Market

We continue to face intense competition from the illicit market as well as other companies, some of which may have longer operating histories and more financial resources and manufacturing and marketing experience. With potential consolidation in the cannabis industry, we could face increased competition by larger and better financed competitors.

Growers of cannabis and retailers operating in the illicit market continue to hold significant market share in Canada and are effectively competitors to our business. Illicit market participants divert customers away through product offering, price point, anonymity and convenience.

Outdoor cultivation also significantly reduces the barrier to entry by reducing the start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices as capital expenditure requirements related to growing outside are typically much lower than those associated with indoor growing. Further, the licensed outdoor cultivation capacity is extremely large. While outdoor cultivation is almost exclusively extraction grade, its presence in the market will have a negative effect on pricing of extraction grade wholesale cannabis.

As of May 31, 2023, Health Canada has issued approximately 980 active licenses to cannabis cultivators, processors and sellers. Health Canada licenses are limited to individual properties. As such, if a licensed producer seeks to commence production at a new site, it must apply to Health Canada for a new license. As of May 31, 2023, approximately 3,700 authorized retail cannabis stores have opened across Canada. As demand for legal cannabis increases and the number of authorized retail distribution points increases, we believe new competitors are likely to enter the Canadian cannabis market. Nevertheless, we believe our brand recognition combined with the quality, consistency, and variety of cannabis products we offer will allow us to maintain a prominent position in the Canadian adult use and medical markets.

Competition is also based on product innovation, product quality, price, brand recognition and loyalty, effectiveness of marketing and promotional activity, the ability to identify and satisfy consumer preferences, as well as convenience and service.

Internationally, cannabis companies are limited to those countries which have legalized aspects of the cultivation, distribution, sale or use of cannabis. We focused on developing assets in certain strategic international jurisdictions, which maintain legalized aspects of the cannabis business. We possess operational hubs in continents with significant growth opportunities and the production capability and distribution network to distribute such products throughout the region served by each hub. The barrier to entry for competitors in these jurisdictions is significantly influenced by the national regulatory landscape with respect to cannabis and the economic climate subsisting in each region.

We expect more countries to pass regulation allowing for the use of medical and/or recreational cannabis. While expansion of the global cannabis market will provide more opportunities to grow our international business, we also expect to experience increased global competition.

Craft Brewing and Craft Distillery Markets

Through SweetWater, Montauk and Breckenridge, we compete in the craft brewing and distillery markets, respectively, as well as in the much larger alcohol beverage market, which encompasses domestic and imported beers, flavored alcohol beverages, spirits, wine, hard ciders and hard seltzers. With the proliferation of participants and offerings in the wider alcohol beverage market and within the craft beer and craft spirits segments, we face significant competition. There have also been numerous acquisitions and investments in craft brewers by larger breweries and private equity and other investors, which further intensified competition within the craft beer market.

While the craft beer and craft spirits markets are highly competitive, we believe that we possess certain competitive advantages. Our unique portfolio combines an award-winning lineup of craft beers and craft spirits with a unique portfolio of brands closely aligned with a cannabis lifestyle, and supported by state-of-the-art breweries and distilleries and strong distribution across the United States. Additionally, as domestic breweries and distillery, we maintain certain competitive advantages over imported beers and spirits, such as lower transportation costs, a lack of import charges and superior product freshness.

Seasonality

SweetWater's and Montauk's sales of craft beer and Breckenridge's sales of craft spirits generally reflect a degree of seasonality, with comparatively higher sales in the summer and the winter holiday season. Typically, the demand for cannabis and hemp-based products is fairly consistent throughout the calendar year, with an increase in the pre-roll cannabis category in the Canadian adult-use market during the summer months. Therefore, the results for any particular quarter may not be indicative of the results to be achieved for the full year.

Environmental and Social

Environmental

Tilray recognizes the importance of climate change and the potential risks it poses to our business and the environment. We are committed to playing our part in mitigating climate change by monitoring our greenhouse gas (GHG) emissions, minimizing our environmental footprint, and promoting sustainable practices within our operations. We understand that climate change presents both risks and opportunities to our business. As a global cannabis-lifestyle and consumer packaged goods company, we recognize that climate-related risks may include changing weather patterns, water scarcity, and regulatory developments related to emissions and energy consumption. These risks can affect our supply chain, cultivation processes, and distribution networks, potentially impacting our

financial performance. On the other hand, we see opportunities in adopting sustainable practices, developing innovative solutions, and embracing renewable energy sources. By proactively managing climate-related risks and identifying opportunities, we aim to enhance our resilience, reduce costs, and create long-term value for our shareholders. As such, the Company has implemented several initiatives to address climate change and promote sustainability across our operations which include:

- GHG Emissions Monitoring: We are committed to monitoring our GHG emissions by assessing energy-efficient technologies, optimizing transportation logistics, and monitoring our energy consumption.
- Supply Chain Sustainability: We are working closely with our suppliers to encourage innovative solutions to improve our environmental footprint. This includes assessing suppliers' environmental performance, promoting responsible sourcing, and supporting initiatives that enhance sustainability throughout the value chain. Specifically, in our Cannabis business we recently adopted the use of biodegradable Hemp packaging on certain products to reduce the use of single-use plastics.
- Waste Management: We have implemented waste management programs to minimize waste generation and promote recycling and reuse. Through these efforts, we strive to reduce our environmental impact and contribute to the circular economy.

Social

As a socially responsible corporation, Tilray recognizes the importance of addressing the social dimensions of our operations and their impact on various stakeholders. We actively engage with the communities in which we operate, understanding that our success is intertwined with their well-being. Through donations to the Erie Shores Community Hospital in Leamington, support to our Canadian veterans and other compassionate use cannabis programs, and donations from SweetWater to Ch8sing Waterfalls in Atlanta, a non-profit focused on empowering women of color, we aim to address local needs and contribute to social development. Additionally, the Company donated a substantial amount of medical supplies from our subsidiary CC Pharma, to the Ukraine to aid them during the existing conflict. We strive to help inspire and empower the worldwide community to live their very best life, and build long-lasting relationships based on trust and mutual benefit.

Employees and Human Capital Resources

Our Commitments and Values

Our vision and purpose unite, inform and inspire our employees to apply their talents to make a positive difference. We foster a collaborative and dynamic work environment providing all employees with the opportunity to work cross-functionally and easily gain exposure to other teams' diverse opinions and perspectives. We strive for every employee to reach their full potential and grow with Tilray.

We continue to focus on developing a culture of compliance, which includes annual training for the Company's employees on applicable corporate policies, including our Code of Conduct, Insider Trading and Trading Window Policy, Corporate Governance Guidelines and Open Door Policy for Reporting Complaints Regarding Accounting and Auditing Matters.

In an emerging and constantly evolving industry, our values unite us, informing and inspiring the way we work with one another and our patients, consumers, customers and partners. The following core values serve as our compass in our strategic direction and decisions:

- We foster a culture of openness, inclusivity and belonging;
- We continually set the bar higher for ourselves and are resilient and adaptive in the face of change;
- We make choices rooted in the belief that transparency, integrity & accountability are at the core of all that we do; and
- We strive for excellence and are steadfast yet agile in the pursuit of our goals.

At Tilray, we recognize that our people are our greatest asset, and we strive to create a workplace that fosters their growth, development, and wellbeing. As of May 31, 2023, we have approximately 1,600 employees worldwide. We consider relations with our employees to be good and have never experienced work stoppages. Aside from Portugal, none of our employees are represented by labor unions or are subject to collective bargaining agreements.

As is common for most companies doing business in Portugal, we are subject to a government-mandated collective bargaining agreement which grants employees nominal additional benefits beyond those required by the local labor code.

Our human capital resource management approach is centered on the following key areas:

- ***Talent Acquisition and Development.*** We have implemented a comprehensive talent acquisition and development program to attract, retain, and develop our employees. This includes regular performance assessments, feedback mechanisms, and opportunities for skill-building and career advancement.
- ***Diversity and Inclusion.*** We are committed to creating a diverse and inclusive workplace, where all employees feel valued, respected, and supported. We have globally mandated unconscious bias training, and are focused on setting strategies for increasing diversity, promoting inclusivity, and reducing biases across the organization. Diversity and inclusion is a priority for our company, and we seek out talented people from a variety of backgrounds to staff our teams in all our markets.
- ***Health and Safety.*** We are committed to providing a safe and healthy workplace for all employees. We have implemented strict health and safety protocols, including regular safety training, ergonomic assessments, and mental health support.
- ***Compensation and Benefits.*** We strive to provide competitive compensation and benefits packages that align with industry standards and reflect the value that our employees bring to the organization.
- ***Employee Engagement.*** We prioritize employee engagement and satisfaction, as we believe that engaged employees are more productive, innovative, and committed.

Available Information

Our website address is www.tilray.com. We file or furnish annual, quarterly and current reports, proxy statements and other information with the United States Securities and Exchange Commission (''SEC''). You may obtain a copy of any of these reports, free of charge, from the investors section of our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The SEC maintains an Internet site that also contains these reports at: www.sec.gov. In addition, copies of our annual report are available, free of charge, on written request to us.

We have a Code of Conduct that applies to our Board of Directors (''Board'') and all of our officers and employees, including, without limitation, our Chief Executive Officer and Chief Financial Officer. You can obtain a copy of our Code of Conduct, as well as our Corporate Governance Guidelines and charters for each of the Board's standing committees, from the Investors section of our website at: www.tilray.com. If we change or waive any portion of the Code of Conduct that applies to any of our directors, executive officers or senior financial officers, we will disclose such information. Information on our website is not incorporated by reference into this Form 10-K or any other report filed with the SEC.

Item 1A. Risk Factors.

Risks Related to each of the HEXO Transaction and MedMen Investment

We may experience difficulties integrating Tilray and HEXO's operations and realizing the expected benefits of the Arrangement Agreement.

The success of the Arrangement Agreement will depend in part on our ability to realize the expected operational efficiencies and associated cost synergies and anticipated business opportunities and growth prospects from combining Tilray and HEXO in an efficient and effective manner. We may not be able to fully realize the operational efficiencies and associated cost synergies or leverage the potential business opportunities and growth prospects to the extent anticipated or at all. Additionally, closing of the Arrangement transactions remains subject to the satisfaction of various closing conditions set forth in the Arrangement Agreement.

The Arrangement Agreement was entered into on April 10, 2023, which closed on June 22, 2023, and we are in the early stages of our integration efforts. The integration of operations and corporate and administrative infrastructures may require substantial resources and divert management attention. Challenges associated with the integration may include those related to retaining and motivating executives and other key employees, blending corporate cultures, eliminating duplicative operations, and making necessary modifications to internal control over financial reporting and other policies and procedures in accordance with applicable laws. Some of these factors are outside our control, and any of them could delay or increase the cost of our integration efforts.

The integration process could take longer than anticipated and could result in the loss of key employees, the disruption of each company's ongoing businesses, increased tax costs, inefficiencies, and inconsistencies in standards, controls, information technology systems, policies and procedures, any of which could adversely affect our ability to maintain relationships with employees, customers or other third parties, or our ability to achieve the anticipated benefits of the transaction, and could harm our financial performance. If we are unable to successfully integrate certain aspects of the operations of Tilray and HEXO or experience delays, we may incur unanticipated liabilities and be unable to fully realize the potential benefit of the revenue growth, synergies and other anticipated benefits resulting from the arrangement, and our business, results of operations and financial condition could be adversely affected. Even if we are able to successfully close the Arrangement transactions, the foregoing risks for the Company would still exist.

We have made substantial commitments of resources and capital in connection with the MedMen investment.

Also, on August 13, 2021 the Company acquired $165.8 million of certain senior secured convertible notes and related warrants issued by MedMen Enterprises Inc., via the Company's ownership interest in a limited partnership. These investments, separately and in the aggregate, represent a significant commitment of capital by the Company, and there can be no assurance that the Company will be able to realize returns on these investments or recoup its initial investments.

Risks Related to the Cannabis Business

Our cannabis business is dependent upon regulatory approvals and licenses, ongoing compliance and reporting obligations, and timely renewals.

Our ability to cultivate, process, and sell medical and adult-use cannabis, cannabis-derived extracts and derivative cannabis products in Canada is dependent on maintaining the licenses issued to our operating subsidiaries by Health Canada under the Cannabis Regulations, or CR. These licenses allow us to produce cannabis in bulk and finished forms and to sell and distribute such cannabis in Canada. They also allow us to export medical cannabis in bulk and finished form to and from specified jurisdictions around the world, subject to obtaining, for each specific shipment, an export approval from Health Canada and an import approval (or no objection notice) from the applicable regulatory authority in the country to or from which the export or import is being made. These CR licenses and other approvals are valid for fixed periods and we must obtain renewals on a periodic basis. There can be no assurance that existing licenses will be renewed or new licenses obtained on the same or similar terms as our existing licenses, nor can there be any assurance that Health Canada will continue to issue import or export permits on the same terms or on the same timeline, or that other countries will allow, or continue to allow, imports or exports.

We are also required to obtain and maintain certain permits, licenses or other approvals from regulatory agencies in countries and markets outside of Canada in which we operate or to which we export our product, including, in the case of certain countries, the ability to demonstrate compliance with EU-GMP standards. We have received

certification of compliance with EU-GMP standards for cultivation and production at Tilray Portugal and Aphria RX in Germany, as well as Part II EU-GMP certification for Aphria One and Part I EU-GMP certification for ARA-Avanti Rx Analytics Inc.'s (''Avanti'') approved facility. These GMP certified facilities are subject to extensive ongoing compliance reviews to ensure that we continue to maintain compliance with current GMP standards. There can be no assurance that we will be able to continue to comply with these standards. Moreover, future governmental actions in countries where we operate, or export products, may limit or altogether restrict the import and/or export of cannabis products.

Any future cannabis production facilities that we operate in Canada or elsewhere will also be subject to separate licensing requirements under the CR or applicable local requirements. Although we believe that we will meet the requirements for future renewals of our existing licenses and obtain requisite licenses for future facilities, there can be no assurance that existing licenses will be renewed or new licenses obtained on the same or similar terms as our existing licenses, nor can there be any assurance that Health Canada will continue to issue import or export permits on the same terms or on the same timeline, or that other countries will allow, or continue to allow, imports or exports. An agency's denial of or delay in issuing or renewing a permit, license or other approval, or revocation or substantial modification of an existing permit, license or approval, could restrict or prevent us from continuing the affected operations, or limit the export and/or import of our cannabis products. In addition, the export and import of cannabis is subject to United Nations treaties establishing country-by-country national estimates and our export and import permits are subject to these estimates which could limit the amount of cannabis we can export to any particular country.

Further, our facilities are subject to ongoing inspections by the governing regulatory authority to monitor our compliance with their licensing requirements. Our existing licenses and any new licenses that we may obtain in the future in Canada or other jurisdictions may be revoked or restricted in the event that we are found not to be in compliance. Should we fail to comply with the applicable regulatory requirements or with conditions set out under our licenses, should our licenses not be renewed when required, be renewed on different terms, or be revoked, we may not be able to continue producing or distributing cannabis in Canada or other jurisdictions or to import or export cannabis products. In addition, we may be subject to enforcement proceedings resulting from a failure to comply with applicable regulatory requirements in Canada or other jurisdictions, which could result in damage awards, the suspension, withdrawal or non-renewal of our existing approvals or denial of future approvals, recall of products, the imposition of future operating restrictions on our business or operations or the imposition of fines or other penalties.

Government regulation is evolving, and unfavorable changes or lack of commercial legalization could impact our ability to carry on our business as currently conducted and the potential expansion of our business.

We operate in a highly regulated and rapidly evolving industry. The successful execution of our business objectives is contingent upon compliance with all applicable laws and regulatory requirements in Canada (including the Cannabis Act and CR), Europe and other jurisdictions, and obtaining all required regulatory approvals for the production, sale, import and export of our cannabis products. The laws, regulations and guidelines generally applicable to the cannabis industry domestically and internationally may change in ways currently unforeseen. Any amendment to or replacement of existing laws, regulations, guidelines or policies may cause adverse effects to our operations, financial condition, results of operations and prospects.

The federal legislative framework pertaining to the Canadian cannabis market is still very new. In addition, the governments of every Canadian province and territory have implemented different regulatory regimes for the distribution and sale of cannabis for adult-use purposes within those jurisdictions. There is no guarantee that the Canadian legislative framework regulating the cultivation, processing, distribution and sale of cannabis will not be amended or replaced or the current legislation will create the growth opportunities we currently anticipate.

In the United States, despite cannabis having been legalized at the state level for medical use in many states and for adult-use in a number of states, cannabis meeting the statutory definition of ''marijuana'' continues to be categorized as a Schedule I controlled substance under the federal Controlled Substances Act, or the CSA, and subject to the Controlled Substances Import and Export Act, or the CSIEA. Hemp and marijuana both originate from the Cannabis sativa plant and CBD is a constituent of both. ''Marihuana'' or ''marijuana'' is defined in the CSA as a Schedule I controlled substance whereas ''hemp'' is essentially any parts of the Cannabis sativa plant that has not been determined to be marijuana. Pursuant to the 2018 Farm Bill, ''hemp,'' or cannabis and cannabis derivatives containing no more than 0.3% of tetrahydrocannabinol, or THC, is now excluded from the statutory definition of ''marijuana'' and, as such, is no longer a Schedule I controlled substance under the CSA. As a result, our activity in the United States is limited to (a) certain corporate and administrative services, including accounting, legal and

creative services, (b) supply of study drug for clinical trials under DEA and FDA authorization, and (c) participation in the market for hemp and hemp-derived products containing CBD in compliance with the 2018 Farm Bill.

There can be no assurance that the United States will implement federal legalization of cannabis. With respect to CBD and hemp, while the 2018 Farm Bill exempts hemp and hemp derived products from the CSA, the commercialization of hemp products in the United States is subject to various laws, including the 2018 Farm Bill, the FD&C Act, the Dietary Supplement Health and Education Act, or (the ''DSHEA''), applicable state and/or local laws, and FDA regulations. See also Risk Factor ''*United States regulations relating to hemp-derived CBD products are new and rapidly evolving, and changes may not develop in the timeframe or manner most favorable to our business objectives*''.

Our ability to expand internationally is also contingent, in part, upon compliance with applicable regulatory requirements enacted by governmental authorities and obtaining all requisite regulatory approvals. We cannot predict the impact of the compliance regime that governmental authorities may implement to regulate the adult-use or medical cannabis industry. Similarly, we cannot predict how long it will take to secure all appropriate regulatory approvals for our products, or the extent of testing and documentation that may be required by governmental authorities. The impact of the various compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on our business, financial condition, results of operations and prospects. As the commercial cannabis industry develops in Canada and other jurisdictions, we anticipate that regulations governing cannabis in Canada and globally will continue to evolve. Further, Health Canada or the regulatory authorities in other countries in which we operate or to which we export our cannabis products may change their administration or application of the applicable regulations or their compliance or enforcement procedures at any time. There is no assurance that we will be able to comply or continue to comply with applicable regulations, which could impact our ability to continue to carry on business as currently conducted and the potential expansion of our business.

We currently incur and will continue to incur ongoing costs and obligations related to regulatory compliance. A failure on our part to comply with regulations may result in additional costs for corrective measures, penalties or restrictions on our business or operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our production and processing facilities are integral to our business and adverse changes or developments affecting our facilities may have an adverse impact on our business.

Our cultivation and processing facilities are integral to our business and the licenses issued by applicable regulatory authorities is specific to each of these facilities. Adverse changes or developments affecting these facilities, including, but not limited to, disease or infestation of our crops, a fire, an explosion, a power failure, a natural disaster, an epidemic, pandemic or other public health crisis, or a material failure of our security infrastructure, could reduce or require us to entirely suspend operations at the affected facilities.

A significant failure of our site security measures and other facility requirements, including failure to comply with applicable regulatory requirements, could have an impact on our ability to continue operating under our facility licenses and our prospects of renewing our licenses, and could also result in a suspension or revocation of these licenses.

We face intense competition, and anticipate competition will increase, which could hurt our business.

We face, and we expect to continue to face, intense competition from other Licensed Producers and other potential competitors, some of which have longer operating histories and more financial resources than we have. In addition, we anticipate that the cannabis industry will continue to undergo consolidation, creating larger companies with financial resources, manufacturing and marketing capabilities and product offerings that may be greater than ours. As a result of this competition, we may be unable to maintain our operations or develop them as currently proposed, on terms we consider acceptable, or at all.

Health Canada has issued hundreds of licenses for Licensed Producers. The number of licenses granted and the number of Licensed Producers ultimately authorized by Health Canada could have an adverse impact on our ability to compete for market share in Canada. We expect to face additional competition from new market entrants and may

experience downward price pressure on our cannabis products as new entrants increase production. If the number of users of cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies.

Our commercial opportunity in the medical and adult-use markets could also be impacted if our competitors produce and commercialize products that, among other things, are safer, more effective, more convenient or less expensive than the products that we may produce, have greater sales, marketing and distribution support than our products, enjoy enhanced timing of market introduction and perceived effectiveness advantages over our products and receive more favorable publicity than our products. To remain competitive, we intend to continue to invest in research and development, marketing and sales and client support. We may not have sufficient resources to maintain research and development, marketing and sales and client support efforts on a competitive basis.

In addition to the foregoing, the legal landscape for medical and adult-use cannabis is changing internationally. We maintain operations outside of Canada, which may be affected as other countries develop, adopt and change their laws related to medical and adult-use cannabis. Increased international competition, including competition from suppliers in other countries who may be able to produce at lower cost, and limitations placed on us by Canadian or other regulations, might lower the demand for our cannabis products on a global scale.

Competition from the illicit cannabis market could impact our ability to succeed.

We face competition from illegal market operators that are unlicensed and unregulated including illegal dispensaries and illicit market suppliers selling cannabis and cannabis-based products. As these illegal market participants do not comply with the regulations governing the cannabis industry, their operations may have significantly lower costs. The perpetuation of the illegal market for cannabis may have a material adverse effect on our business, results of operations, as well as the perception of cannabis use. Furthermore, given the restrictions on regulated cannabis retail, it is possible that legal cannabis consumers revert to the illicit market as a matter of convenience.

The cannabis industry and market are relatively new and evolving, which could impact our ability to succeed in this industry and market.

We are operating our business in a relatively new industry and market that is expanding globally, and our success depends on our ability to attract and retain consumers and patients. There are many factors which could impact our ability to attract and retain consumers and patients, including but not limited to brand awareness, our ability to continually produce desirable and effective cannabis products and the ability to bring new consumers and patients into the category. The failure to acquire and retain consumers and patients could have a material adverse effect on our business, financial condition, results of operations and prospects.

To remain competitive, we will continue to innovate new products, build brand awareness and make significant investments in our business strategy and production capacity. These investments include introducing new products into the markets in which we operate, adopting quality assurance protocols and procedures, building our international presence and undertaking research and development. These activities may not promote our products as effectively as intended, or at all, and we expect that our competitors will undertake similar investments to compete with us for market share. Competitive conditions, consumer preferences, regulatory conditions, patient requirements, prescribing practices, and spending patterns in this industry and market are relatively unknown and may have unique characteristics that differ from other existing industries and markets and that cause our efforts to further our business to be unsuccessful or to have undesired consequences. As a result, we may not be successful in our efforts to attract and retain customers or to develop new cannabis products and produce and distribute these products in time to be effectively commercialized, or these activities may require significantly more resources than we currently anticipate in order to be successful.

Regulations constrain our ability to market and distribute our products in Canada.

In Canada, there are significant regulatory restrictions on the marketing, branding, product formats, product composition, packaging, and distribution of adult-use cannabis products. For instance, the CR includes a requirement for health warnings on product packaging, the limited ability to use logos and branding (only one brand name and one brand element per package), restrictions on packaging itself, and restrictions on types and avenues of marketing.

Cannabis 2.0 regulations, which govern the production and sale of new classes or forms of cannabis products (including vapes and edibles), impose considerable restrictions on product composition, labeling, and packaging in addition to being subject to similar marketing restrictions as existing form factors.

Further, each province and territory of Canada has the ability to separately regulate the distribution of cannabis within such province or territory (including the legal age), and the rules and regulations adopted vary significantly. Additional marketing and product composition restrictions have been imposed by some provinces and territories. Such federal and provincial restrictions may impair our ability to differentiate our products and develop our adult-use brands. Some provinces and territories also impose significant restrictions on our ability to merchandise products; for example, some provinces impose restrictions on investment in retailers or distributors as well as in our ability to negotiate for preferential retail space or in-store marketing. If we are unable to effectively market our products and compete for market share, our sales and results of operations may be adversely affected.

Research regarding the health effects of cannabis is in relatively early stages and subject to further study which could impact demand for cannabis products.

Research and clinical trials on the potential benefits and the short-term and long-term effects of cannabis use on human health remains in relatively early stages and there is limited standardization. As such, there are inherent risks associated with using cannabis and cannabis derivative products. Moreover, future research and clinical trials may draw opposing conclusions to statements contained in articles, reports and studies we relied on or could reach different or negative conclusions regarding the benefits, viability, safety, efficacy, dosing or other facts and perceptions related to cannabis, which could adversely affect social acceptance of cannabis and the demand for our products.

United States regulations relating to hemp-derived CBD products are new and rapidly evolving, and changes may not develop in the timeframe or manner most favorable to our business objectives.

Our participation in the market for hemp-derived CBD products in the United States and elsewhere may require us to employ novel approaches to existing regulatory pathways. Although the passage of the 2018 Farm Bill legalized the cultivation of hemp in the United States to produce products containing CBD and other non-THC cannabinoids, it remains unclear whether and when the FDA will propose or implement new or additional regulations. While, to date, there are no laws or regulations enforced by the FDA which specifically address the manufacturing, packaging, labeling, distribution, or sale of hemp or hemp-derived CBD products and the FDA has issued no formal regulations addressing such matters, the FDA has issued various guidance documents and other statements reflecting its non-binding opinion on the regulation of such products.

The hemp plant and the cannabis/marijuana plant are both part of the same cannabis sativa genus/species of plant, except that hemp, by definition, has less than 0.3% THC content, but the same plant with a higher THC content is cannabis/marijuana, which is legal under certain state laws, but which is not legal under United States federal law. The similarities between these two can cause confusion, and our activities with legal hemp in the United States may be incorrectly perceived as us being involved in federally illegal cannabis. The FDA has stated in guidance and other public statements that it is prohibited to sell a food, beverage or dietary supplement to which THC or CBD has been added. While the FDA does not have a formal policy of enforcement discretion with respect to any products with added CBD, the agency has stated that its primary focus for enforcement centers on products that put the health and safety of consumers at risk, such as those claiming to prevent, diagnose, mitigate, treat, or cure diseases in the absence of requisite approvals. While the agency's enforcement to date has therefore focused on products containing CBD and that make drug-like claims, there is the risk that the FDA could expand its enforcement activities and require us to alter our marketing for our hemp-derived CBD products or cease distributing them altogether. The FDA could also issue new regulations that prohibit or limit the sale of hemp-derived CBD products. Such regulatory actions and associated compliance costs may hinder our ability to successfully compete in the market for such products.

In addition, such products may be subject to regulation at the state or local levels. State and local authorities have issued their own restrictions on the cultivation or sale of hemp or hemp-derived CBD. This includes laws that ban the cultivation or possession of hemp or any other plant of the cannabis genus and derivatives thereof, such as CBD. State regulators may take enforcement action against food and dietary supplement products that contain CBD, or enact new laws or regulations that prohibit or limit the sale of such products.

The regulation of hemp and CBD in the United States has been constantly evolving, with changes in federal and state laws and regulation occurring on a frequent basis. Violations of applicable FDA and other laws could result in

warning letters, significant fines, penalties, administrative sanctions, injunctions, convictions or settlements arising from civil proceedings. Unforeseen regulatory obstacles or compliance costs may hinder our ability to successfully compete in the market for such products.

Risks related to the Beverage Alcohol Business

Changes in consumer preferences or public attitudes about alcohol could decrease demand for our beverage alcohol products.

If general consumer trends lead to a decrease in the demand for SweetWater's and Montauk's beers and other alcohol products or Breckenridge's whiskey products, including craft beer, our sales and results of operations in the beverage alcohol segment may be adversely affected. There is no assurance that the craft brewing segment will experience growth in future periods. If the markets for wine, spirits or flavored alcohol beverages continue to grow, this could draw consumers away from the industry in general and our beverage alcohol products specifically.

Further, the alcoholic beverage industry is subject to public concern and political attention over alcohol-related social problems, including drunk driving, underage drinking and health consequences from the misuse of alcohol. In reaction to these concerns, steps may be taken to restrict advertising, to impose additional cautionary labeling or packaging requirements, or to increase excise or other taxes on beverage alcohol products. Any such developments may have an adverse impact on the financial condition, operating results and cash flows for SweetWater, Montauk and Breckenridge.

Developments affecting production at our brewery in Atlanta or our distillery in Breckenridge could negatively impact financial results for our beverage alcohol business segment.

Adverse changes or developments affecting our brewery in Atlanta or our distillery in Breckenridge, including, fire, power failure, natural disaster, public health crisis, or a material failure of our security infrastructure, could reduce or require us to entirely suspend operations. Additionally, due to many factors, including seasonality and production schedules of our various products and packaging, actual production capacity may fluctuate throughout the year and may not reach full working capacity. If we experience contraction in our sales and production volumes, the excess capacity and unabsorbed overhead may have an adverse effect on gross margins, operating cash flows and overall financial performance of SweetWater, Montauk or Breckenridge.

SweetWater, Breckenridge and Montauk each face substantial competition in the beer industry and the broader market for alcoholic beverage products which could impact our business and financial results.

The market for alcoholic beverage products within the United States is highly competitive due to the increasing number of domestic and international beverage companies with similar pricing and target drinkers, the introduction and expansion of hard seltzers and ready-to-drink beverages, gains in market share achieved by domestic specialty beers and imported beers, and the acquisition of craft brewers and smaller producers by larger companies. We anticipate competition among domestic craft brewers and distillers will also remain strong as existing facilities build more capacity, expand geographically and add more products, flavors and styles. The continued growth in the sales of hard seltzers, craft-brewed domestic beers and imported beers is expected to increase competition in the market for alcoholic beverages within the United States and, as a result, prices and market share of SweetWater's, Montauk Brewing's and Breckenridge's products may fluctuate and possibly decline.

The alcohol industry has seen continued consolidation among producers in order to take advantage of cost savings opportunities for supplies, distribution and operations. Due to the increased leverage that these combined operations have in distribution and sales and marketing expenses, the costs to SweetWater, Montauk and Breckenridge of competing could increase. The potential also exists for these large competitors to increase their influence with their distributors, making it difficult for smaller producers to maintain their market presence or enter new markets. The increase in the number and availability of competing products and brands, the costs to compete and potential decrease in distribution support and opportunities may adversely affect our business and financial results.

SweetWater, Breckenridge and Montauk are each dependent on distributors to deliver sustained growth and distribute products.

In the United States, each of SweetWater, Breckenridge and Montauk sells its alcohol beverages to independent distributors for distribution to retailers and, ultimately, to consumers. No assurance can be given that SweetWater, Breckenridge and Montauk will be able to maintain their current distribution networks or secure additional

distributors on favorable terms. If existing distribution agreements are terminated, it may not be possible to enter into new distribution agreements on substantially similar terms or to timely put in place replacement distribution agreements, which may result in an impairment to distribution and an increase in the costs of distribution.

General Business Risks and Risks Related to Our Financial Condition and Operations

Additional impairments of our goodwill, impairments of our intangible and other long-lived assets, and changes in the estimated useful lives of intangible assets could have a material adverse impact on our financial results.

Goodwill, intangible and other long-lived assets comprise a significant portion of our total assets. As of May 31, 2023 our goodwill and intangible assets totaled $2.0 billion and $971.3 million, respectively. We test goodwill and indefinite lived intangible assets for impairment annually, while our other long-lived assets, including our finite-lived intangible assets, are tested for impairment when circumstances indicate that the carrying amount may not be recoverable, in accordance with Generally Accepted Accounting Principles in the U.S. (''GAAP''). A decrease in our market capitalization or profitability, or unfavorable changes in market, economic or industry conditions could increase the risk of additional impairment. Any resulting additional impairments could have a negative impact on our stock price.

For the year ended May 31, 2023, the Company recognized non-cash impairment charges of $603.5 million in cannabis goodwill and $15 million in wellness goodwill, $205 million in intangible assets and $104 million in capital assets. These non-cash impairment charges were a result of a decline in the Company's market value which was determined to be other than temporary, as well as increased borrowing rates which forced the Company to adjust the company specific risk premium.

We will continue to monitor key assumptions and other factors utilized in our goodwill, intangible and other long-lived assets impairment analysis, and if business or other market conditions develop that are materially different than we currently anticipate, we will conduct an additional impairment evaluation. Any reduction in or impairment of the value of goodwill, intangible assets and long-lived assets will result in a charge against earnings, which could have a material adverse impact on our reported financial results.

We have a limited operating history and a history of net losses, and we may not achieve or maintain profitability in the future.

We began operating in 2014 and have yet to generate a profit. We intend to continue to expend significant funds to explore potential opportunities and complete strategic mergers and acquisitions, invest in research and development, expand our marketing and sales operations and meet the compliance requirements as a public company.

Our efforts to grow our business may be more costly than we expect and we may not be able to increase our revenue enough to offset higher operating expenses. We may incur significant losses in the future for a number of reasons, including as a result of unforeseen expenses, difficulties, complications and delays, the other risks described herein and other unknown events. The amount of future net losses will depend, in part, on the growth of our future expenses and our ability to generate revenue. If we continue to incur losses in the future, the net losses and negative cash flows incurred to date, together with any such future losses, will have an adverse effect on our stockholders' equity and working capital. Because of the numerous risks and uncertainties associated with producing and selling cannabis and beverage alcohol products, as outlined herein, we are unable to accurately predict when, or if, we will be able to achieve profitability. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. If we are unable to achieve and sustain profitability, the market price of our common stock may significantly decrease and our ability to raise capital, expand our business or continue our operations may be impaired.

We are subject to litigation, arbitration and demands, which could result in significant liability and costs, and impact our resources and reputation.

Tilray has previously been named as a defendant in a class action relating to the prior merger of Privateer Holdings, Inc. with and into a wholly owned subsidiary (referred to as the Downstream Merger), and a class action related to the drop in our stock price. In addition, legal proceedings covering a wide range of matters are pending or threatened in various U.S. and foreign jurisdictions against the Company. The type of claims that may be raised in these proceedings include product liability, unfair trade practices, antitrust, tax, contraband shipments, patent infringement, employment matters, claims for contribution and claims of competitors, shareholders or distributors. Litigation is subject to uncertainty and it is possible that there could be adverse developments in pending or future cases.

We are also subject to other litigation and demands relating to business decisions, regulatory and industry changes, supply relationships, and our business acquisition matters and related activities. Litigation may include claims for substantial compensatory or punitive damages or claims for indeterminate amounts of damages. Tilray and its various subsidiaries are also involved from time to time in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding our business. These matters could result in adverse judgments, settlements, fines, penalties, injunctions or other relief.

We have incurred and may continue to incur substantial costs and expenses relating directly to these actions. Responding to such actions could divert management's attention away from our business operations and result in substantial costs. For more information on our pending legal proceedings, see "*Part I, Item 3. Legal Proceedings*".

We are exposed to risks relating to the laws of various countries as a result of our international operations.

We currently conduct operations in multiple countries and plan to expand these international operations. As a result of our operations, we are exposed to various levels of political, economic, legal and other risks and uncertainties associated with operating in or exporting to these jurisdictions. These risks and uncertainties include, but are not limited to, changes in the laws, regulations and policies governing the production, sale and use of our products, political instability, instability at the United Nations level, currency controls, fluctuations in currency exchange rates and rates of inflation, labor unrest, changes in taxation laws, regulations and policies, restrictions on foreign exchange and repatriation and changing political conditions and governmental regulations relating to foreign investment and the cannabis business more generally.

Changes, if any, in the laws, regulations and policies relating to the advertising, production, sale and use of our products or in the general economic policies in these jurisdictions, or shifts in political attitude related thereto, may adversely affect the operations, or profitability of our operations, in these countries. As we explore novel business models, such as global co-branded products, cannabinoid clinics and cannabis retail, international regulations will become increasingly challenging to manage. Specifically, our operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on advertising, production, price controls, export controls, controls on currency remittance, increased income taxes, restrictions on foreign investment, land and water use restrictions and government policies rewarding contracts to local competitors or requiring domestic producers or vendors to purchase supplies from a particular jurisdiction. Failure to comply strictly with applicable laws, regulations and local practices could result in additional taxes, costs, civil or criminal fines or penalties or other expenses being levied on our international operations, as well as other potential adverse consequences such as the loss of necessary permits or governmental approvals.

Furthermore, there is no assurance that we will be able to secure the requisite import and export permits for the international distribution of our products. Countries may also impose restrictions or limitations on imports that require the use of, or confer significant advantages upon, producers within that particular country. As a result, we may be required to establish facilities in one or more countries in the EU (or elsewhere) where we wish to distribute our products in order to take advantage of the favorable legislation offered to producers in these countries.

We are required to comply concurrently with all applicable laws in each jurisdiction where we operate or to which we export our products, and any changes to such laws could adversely impact our business.

Various federal, state, provincial and local laws and regulations govern our business in the jurisdictions in which we operate or propose to operate, and in which we export or propose to export our products. Such laws and regulations include those relating to health and safety, conduct of operations and the production, management, transportation, storage and disposal of our products and of certain material used in our operations. In many cases, we must concurrently comply with complex federal, provincial, state and/or local laws in multiple jurisdictions. These laws change frequently and may be difficult to interpret and apply. Compliance with these laws and regulations requires the investment of significant financial and managerial resources, and a determination that we are not in compliance with any of these laws and regulations could harm our brand image and business. Moreover, it is impossible for us to predict the cost or effect of such laws, regulations or guidelines upon our future operations. Changes to these laws or regulations could negatively affect our competitive position within our industry and the markets in which we operate, and there is no assurance that various levels of government in the jurisdictions in which we operate will not pass legislation or regulation that adversely impacts our business.

Our strategic alliances and other third-party business relationships may not achieve the intended beneficial impact and expose us to risks.

We currently have, and may adjust the scope of, and may in the future enter into, strategic alliances with third parties that we believe will complement or augment our existing business. Our ability to complete further strategic alliances is dependent upon, and may be limited by, among other things, the availability of suitable candidates and capital. In addition, strategic alliances could present unforeseen integration obstacles or costs, may not enhance our business or profitability and may involve risks that could adversely affect us, including the investment of significant amounts of management time that may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances. We may become dependent on our strategic partners and actions by such partners could harm our business. Future strategic alliances could result in the incurrence of debt, impairment charges, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve, or that our existing strategic alliances will continue to achieve, the expected benefits to our business or that we will be able to consummate future strategic alliances on satisfactory terms, or at all.

We may not be able to successfully identify and execute future acquisitions, dispositions or other equity transactions or to successfully manage the impacts of such transactions on our operations.

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) the potential disruption of our ongoing business; (ii) the distraction of management away from the ongoing oversight of our existing business activities; (iii) incurring additional indebtedness; (iv) the anticipated benefits and cost savings of those transactions not being realized fully, or at all, or taking longer to realize than anticipated; (v) an increase in the scope and complexity of our operations; (vi) the loss or reduction of control over certain of our assets; and (vii) capital stock or cash to pay for the acquisition. Material acquisitions and strategic transactions have been and continue to be material to our business strategy. There can be no assurance that we will find suitable opportunities for strategic transactions at acceptable prices, have sufficient capital resources to pursue such transactions, be successful in negotiating required agreements, or successfully close transactions after signing such agreements. There is no guarantee that any acquisitions will be accretive, or that past or future acquisitions will not result in additional impairments or write downs.

The existence of one or more material liabilities of an acquired company that are unknown to us at the time of acquisition could result in our incurring those liabilities. A strategic transaction may result in a significant change in the nature of our business, operations and strategy, and we may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into our operations.

We are subject to risks inherent in an agricultural business, including the risk of crop failure.

We grow cannabis, which is an agricultural process. As such, our business is subject to the risks inherent in the agricultural business, including risks of crop failure presented by weather, climate change, forest fires, insects, plant diseases and similar agricultural risks. Although we primarily grow our products indoors under climate-controlled conditions, we also have certain outdoor cultivation capacity and there can be no assurance that natural elements, such as insects, climate change and plant diseases, will not interrupt our production activities or have an adverse effect on our business.

We depend on significant customers for a substantial portion of our revenue. If we fail to retain or expand our customer relationships or significant customers reduce their purchases, our revenue could decline significantly.

We derive a significant portion of revenue from the supply contracts we have with 12 Canadian provinces and territories for adult-use cannabis products. There are many factors which could impact our contractual agreements with the provinces and territories, including but not limited to availability of supply, product selection and the popularity of our products with retail customers. If our supply agreements with certain Canadian provinces and territories are amended, terminated or otherwise altered, our sales and results of operations could be adversely affected, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, not all of our supply contracts with the Canadian provinces and territories contain purchase commitments or otherwise obligate the provincial or territorial wholesaler to buy a minimum or fixed volume of cannabis products from us. The amount of cannabis that the provincial or territorial wholesalers may purchase under the supply contracts may therefore vary from what we expect or planned for. As a result, our revenues could fluctuate

materially in the future and could be materially and disproportionately impacted by the purchasing decisions of the provincial or territorial wholesalers. In the future, these customers may decide to purchase less product from us than they have in the past, may alter purchasing patterns or return inventory, or may decide not to continue to purchase our products, any of which could cause our revenue to decline materially and materially harm our financial condition and results of operations. If we are unable to diversify our customer base, we will continue to be susceptible to risks associated with customer concentration.

We may be unable to attract or retain key personnel, and we may be unable to attract, develop and retain additional employees required for our development and future success.

Our success is largely dependent on the performance of our management team and certain employees and our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. The loss of the services of any key personnel, or an inability to attract other suitably qualified persons when needed, could prevent us from executing on our business plan and strategy, and we may be unable to find adequate replacements on a timely basis, or at all.

Further, officers, directors, and certain key personnel at each of our facilities that are licensed by Health Canada are subject to the requirement to obtain and maintain a security clearance from Health Canada under the CR. Moreover, under the CR, an individual with security clearance must be physically present on site when other individuals are conducting activities with cannabis. Under the CR, a security clearance is valid for a limited time and must be renewed before the expiry of a current security clearance. There is no assurance that any of our existing personnel who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. A failure by an individual in a key operational position to maintain or renew his or her security clearance could result in a reduction or complete suspension of our operations. In addition, if an individual in a key operational position leaves us, and we are unable to find a suitable replacement who is able to obtain a security clearance required by the CR in a timely manner, or at all, we may not be able to conduct our operations at planned production volume levels or at all.

The CR also requires us to designate a qualified individual in charge who is responsible for supervising activities relating to the production of study drugs for clinical trials, which individual must meet certain educational and security clearance requirements. If our current designated qualified person in charge fails to maintain their security clearance, or leaves us and we are unable to find a suitable replacement who meets these requirements, we may no longer be able to continue our clinical trial activities.

Increased labor costs, potential organization of our workforce, employee strikes, and other labor-related disruption may adversely affect our operations.

Outside Portugal, none of our employees are represented by a labor union or subject to a collective bargaining agreement. In Portugal, none of our employees are represented by a labor union or subject to any workforce-initiated labor agreement. As with other companies carrying on business in Portugal, we are subject to a government-mandated collective bargaining agreement, which grants employees nominal additional benefits beyond those required by the local labor code. We cannot assure that our labor costs going forward will remain competitive based on various factors, such as: (i) our workforce may organize in the future and labor agreements may be put in place that have significantly higher labor rates and company obligations; (ii) our competitors may maintain significantly lower labor costs, thereby reducing or eliminating our comparative advantages vis-à-vis one or more of our competitors or the larger industry; and (iii) our labor costs may increase in connection with our growth.

Significant interruptions in our access to certain supply chains for key inputs such as raw materials, supplies, electricity, water and other utilities may impair our operations.

Our business is dependent on a number of key inputs and their related costs (certain of which are sourced in other countries and on different continents), including raw materials, supplies and equipment related to our operations, as well as electricity, water and other utilities. We operate global manufacturing facilities, and have dispersed suppliers and customers. Governments may regulate or restrict the flow of labor or products, and the Company's operations, suppliers, customers and distribution channels could be severely impacted. While we have not experienced any material supply chain disruptions, any significant future governmental-mandated or market-related interruption, price increase or negative change in the availability or economics of the supply chain for key inputs and, in particular, rising or volatile energy costs could curtail or preclude our ability to continue production. In addition, our operations would be significantly affected by a prolonged power outage.

Our ability to compete is dependent on us having access, at a reasonable cost and in a timely manner, to skilled labor, equipment, parts and components. No assurances can be given that we will be successful in maintaining our required supply of labor, equipment, parts and components. In addition, the invasion of Ukraine by Russia and the resulting measures that have been taken, and could be taken in the future, have and may continue to have a negative impact on our costs, including for input materials, energy and transportation.

Fluctuations in cannabinoid prices relative to contracted prices with third party suppliers could negatively impact our earnings.

A portion of our results of operations and financial condition, as well as the selling prices for our products, are dependent upon cannabinoid supply contracts. Production and pricing of cannabinoids are determined by constantly changing market forces of supply and demand over which we have limited or no control. The market for cannabis biomass is particularly volatile compared to other commoditized markets due to the relatively nascent maturity of the industry in which we operate. The lack of centralized data and large variations in product quality make it difficult to establish a ''spot price'' for cannabinoids and develop an effective price hedging strategy. Accordingly, supply contracts with any term may prove to be costly in the future to the extent cannabinoid prices decrease dramatically or at a faster rate than anticipated.

Our failure to successfully negotiate supply contracts that address such market vagaries could result in us being contractually obligated to purchase products, some of which may be priced above then-current market prices, or interruption of the supply of inputs for the manufacturing of our products, all of which could have a material adverse effect on our business, results of operations, financial condition, liquidity and prospects.

We may be negatively impacted by volatility in the political and economic environment, and a period of sustained inflation across the markets in which we operate could result in higher operating costs.

Trade, monetary and fiscal policies, and political and economic conditions may substantially change, and credit markets may experience periods of constriction and variability. These conditions may impact our business. Further rising inflation may negatively impact our business, raise cost and reduce profitability. While we would take actions, wherever possible, to reduce the impact of the effects of inflation, in the case of sustained inflation across several of the markets in which we operate, it could become increasingly difficult to effectively mitigate the increases to our costs. In addition, the effects of inflation on consumers' budgets could result in the reduction of our customers' spending habits. If we are unable to take actions to effectively mitigate the effect of the resulting higher costs, our profitability and financial position could be negatively impacted.

We face risks associated with the transportation of our products to consumers in a safe and efficient manner.

We depend on fast, cost-effective, and efficient courier services to distribute our products to both wholesale and retail customers. Any prolonged disruption of third-party transportation services could have a material adverse effect on our sales volumes or satisfaction with our services. Rising costs associated with third-party transportation services used by us to ship our products may also adversely impact our profitability, and more generally our business, financial condition and results of operations.

The security of our products during transportation to and from our facilities is of the utmost concern. A breach of security during transport or delivery could result in the loss of high-value product and forfeiture of import and export approvals, since such approvals are shipment specific. Any failure to take steps necessary to ensure the safekeeping of our cannabis products could also have an impact on our ability to continue supplying provinces and territories, to continue operating under our existing licenses, to renew or receive amendments to our existing licenses or to obtain new licenses.

Our products may be subject to recalls for a variety of reasons, which could require us to expend significant management and capital resources.

Manufacturers and distributors of cannabis, hemp and beverage alcohol products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, adulteration, unintended harmful side effects or interactions with other substances, packaging safety, and inadequate or inaccurate labeling disclosure. Although we have detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits, whether frivolous or otherwise. If any of the products produced by us

are recalled due to an alleged product defect or for any other reason, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. As a result of any such recall, we may lose a significant amount of sales and may not be able to replace those sales at an acceptable gross profit or at all. In addition, a product recall may require significant management attention or damage our reputation and goodwill or that of our products or brands.

Additionally, product recalls may lead to increased scrutiny of our operations by Health Canada or other regulatory agencies, requiring further management attention, increased compliance costs and potential legal fees, fines, penalties and other expenses. Any product recall affecting the cannabis industry more broadly, whether or not involving us, could also lead consumers to lose confidence in the safety and security of cannabis products generally, including products sold by us.

We may be subject to product liability claims or regulatory action. This risk is exacerbated by the fact that cannabis use may increase the risk of serious adverse side effects.

As a manufacturer and distributor of products which are ingested by humans, we face the risk of exposure to product liability claims, regulatory action and litigation if our products are alleged to have caused loss or injury. We may be subject to these types of claims due to allegations that our products caused or contributed to injury or illness, failed to include adequate instructions for use or failed to include adequate warnings concerning possible side effects or interactions with other substances. This risk is exacerbated by the fact that cannabis use may increase the risk of developing schizophrenia and other psychoses, symptoms for individuals with bipolar disorder, and other side effects. Furthermore, we are now offering an expanded assortment of form factors, some of which may have additional adverse side effects, such as vaping products. See also Risk Factor "*Our vape business is subject to uncertainty in the evolving vape market due to negative public sentiment and regulatory scrutiny.*" Previously unknown adverse reactions resulting from human consumption of cannabis or beverage alcohol products alone or in combination with other medications or substances could also occur.

In addition, the manufacture and sale of our products, like the manufacture and sale of any ingested product, involves a risk of injury to consumers due to tampering by unauthorized third parties or product contamination. We have in the past recalled, and may again in the future have to recall, certain products as a result of potential contamination and quality assurance concerns. A product liability claim or regulatory action against us could result in increased costs and could adversely affect our reputation and goodwill with our customers and consumers generally. There can be no assurance that we will be able to maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could result in us becoming subject to significant liabilities that are uninsured and adversely affect our commercial arrangements with third parties.

We, or the cannabis industry more generally, may receive unfavorable publicity or become subject to negative consumer or investor perception.

We believe that the cannabis industry is highly dependent upon positive consumer and investor perception regarding the benefits, safety, efficacy and quality of the cannabis distributed to consumers. The perception of the cannabis industry and cannabis products, currently and in the future, may be significantly influenced by scientific research or findings, regulatory investigations, litigation, political statements, media attention and other publicity (whether or not accurate or with merit) both in Canada and in other countries relating to the consumption of cannabis products, including unexpected safety or efficacy concerns arising with respect to cannabis products or the activities of industry participants. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular cannabis product or will be consistent with earlier publicity. Adverse scientific research reports, findings and regulatory proceedings that are, or litigation, media attention or other publicity that is, perceived as less favorable than, or that questions, earlier research reports, findings or publicity (whether or not accurate or with merit) could result in a significant reduction in the demand for our products. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis, or our products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could adversely affect us. This adverse publicity could arise even if the adverse effects associated with cannabis products resulted from consumers' failure to use such products legally, appropriately or as directed.

Failure to comply with safety, health and environmental regulations applicable to our operations and industry may expose us to liability and impact operations.

Safety, health and environmental laws and regulations affect nearly all aspects of our operations, including product development, working conditions, waste disposal, emission controls, the maintenance of air and water quality standards and land reclamation, and, with respect to environmental laws and regulations, impose limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Compliance with GMP requires satisfying additional standards for the conduct of our operations and subjects us to ongoing compliance inspections in respect of these standards in connection with our GMP certified facilities. Compliance with safety, health and environmental laws and regulations can require significant expenditures, and failure to comply with such safety, health and environmental laws and regulations may result in the imposition of fines and penalties, the temporary or permanent suspension of operations, the imposition of clean-up costs resulting from contaminated properties, the imposition of damages and the loss of or refusal of governmental authorities to issue permits or licenses to us or to certify our compliance with GMP standards. Exposure to these liabilities may arise in connection with our existing operations, our historical operations and operations that we may undertake in the future. We could also be held liable for worker exposure to hazardous substances and for accidents causing injury or death. There can be no assurance that we will at all times be in compliance with all safety, health and environmental laws and regulations notwithstanding our attempts to comply with such laws and regulations.

In addition, government environmental approvals and permits are currently, and may in the future be required in connection with our operations. To the extent such approvals are required and not obtained, we may be curtailed or prohibited from its proposed business activities or from proceeding with the development of our operations as currently proposed. Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. We may be required to compensate those suffering loss or damage due to our operations and may have civil or criminal fines or penalties imposed for violations of applicable environmental laws or regulations.

Changes in applicable safety, health and environmental standards may impose stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. We are not able to determine the specific impact that future changes in safety, health and environmental laws and regulations may have on our industry, operations and/or activities and our resulting financial position; however, we anticipate that capital expenditures and operating expenses will increase in the future as a result of the implementation of new and increasingly stringent safety, health and environmental laws and regulations. Further changes in safety, health and environmental laws and regulations, new information on existing safety, health and environmental conditions or other events, including legal proceedings based upon such conditions or an inability to obtain necessary permits in relation thereto, may require increased compliance expenditures by us.

We may experience breaches of security at our facilities, which could result in product loss and liability.

Because of the nature of our products and the limited legal channels for distribution, as well as the concentration of inventory in our facilities, we are subject to the risk of theft of our products and other security breaches. A security breach at any one of our facilities could result in a significant loss of available products, expose us to additional liability under applicable regulations and to potentially costly litigation or increase expenses relating to the resolution and future prevention of similar thefts, any of which could have an adverse effect on our business, financial condition and results of operations.

We may be subject to risks related to our information technology systems, including service interruption, cyber-attacks and misappropriation of data, which could disrupt operations and may result in financial losses and reputational damage.

We have entered into agreements with third parties for hardware, software, telecommunications and other information technology, or IT, services in connection with our operations. Our operations depend, in part, on how well we and our vendors protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism, theft, malware, ransomware and phishing attacks.

We are increasingly reliant on Cloud-based systems for economies of scale and our mobile workforce, which could result in increased attack vectors or other significant disruptions to our work processes. Any of these and other events could result in IT system failures, delays or increases in capital expenses. Our operations also depend on the timely maintenance, upgrade and replacement of networks, equipment and IT systems and software, as well as preemptive expenses to mitigate the risks of failures. The failure of IT systems or a component of IT systems could, depending on the nature of any such failure, adversely impact our reputation and results of operations.

There are a number of laws protecting the confidentiality of personal information and patient health information, and restricting the use and disclosure of that protected information. In particular, the privacy rules under the Personal Information Protection and Electronics Documents Act (Canada), or PIPEDA, the European Unions' General Data Protection Regulation, or the GDPR, and similar laws in other jurisdictions, protect personal information, including medical records of individuals. We collect and store personal information about our employees and customers and are responsible for protecting that information from privacy breaches. A privacy breach may occur through a procedural or process failure, an IT malfunction or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated through employee collusion or negligence or through deliberate cyber-attack. Moreover, if we are found to be in violation of the privacy or security rules under PIPEDA or other laws protecting the confidentiality of patient health information, including as a result of data theft and privacy breaches, we could be subject to sanction, litigation and civil or criminal penalties, which could increase our liabilities and harm our reputation.

As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. While we have implemented security resources to protect our data security and information technology systems, such measures may not prevent such events. Significant disruption to our information technology system or breaches of data security could have a material adverse effect on our business, financial condition and results of operations.

The cannabis industry continues to face significant funding challenges, and we may not be able to secure adequate or reliable sources of funding, which may impact our operations and potential expansion.

The continued development of our business will require significant additional financing, and there is no assurance that we will be able to obtain the financing necessary to achieve our business objectives. Our ability to obtain additional financing will depend on investor demand, our performance and reputation, market conditions, and other factors. Our inability to raise such capital could result in the delay or indefinite postponement of our current business objectives or our inability to continue to operate our business. There can be no assurance that additional capital or other types of equity or debt financing will be available if needed or that, if available, the terms of such financing will be favorable to us.

In addition, from time to time, we may enter into transactions to acquire assets or the capital stock or other equity interests of other entities. Our continued growth may be financed, wholly or partially, with debt, which may increase our debt levels above industry standards.

Our existing and future debt agreements may contain covenant restrictions that limit our ability to operate our business and pursue beneficial transactions.

Our existing debt agreements and future debt agreements may contain, covenant restrictions that limit our ability to operate our business, including restrictions on our ability to invest in our existing facilities, incur additional debt or issue guarantees, create additional liens, repurchase stock or make other restricted payments. As a result of these covenants, our ability to respond to changes in business and economic conditions and engage in beneficial transactions, including to obtain additional financing and pursue business opportunities, may be restricted. Furthermore, our failure to comply with our debt covenants could result in a default under our debt agreements, which could permit the holders to accelerate our obligation to repay the debt and to enforce security over our assets. If any of our debt is accelerated, we may not have sufficient funds available to repay it or be able to obtain new financing to refinance the debt.

Servicing our debt will require a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our substantial consolidated indebtedness (refer to the consolidated financial statements included elsewhere in this Form 10-K) may increase our vulnerability to any generally adverse economic and industry conditions. We and our subsidiaries may, subject to the limitations in the terms of our existing and future indebtedness, incur additional

debt, secure existing or future debt or recapitalize our debt. Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our current and future indebtedness, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control, including rising interest rates. Our business has not generated positive cash flow from operations. If this continues in the future, we may not have sufficient cash flows to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our current and future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

Management may not be able to successfully establish and maintain effective internal controls over financial reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Rules 13a-15(f) and 15d(f) under the Exchange Act, internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with United States Generally Accepted Accounting Principles (‘‘GAAP’’). Due to the work around integration and modification to internal control over financial reporting and other policies and procedures, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

It is not expected that our disclosure controls and procedures and internal controls over financial reporting will prevent all error or fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to inherent limitations, our internal control over financial reporting may not prevent or detect all misstatements. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. We cannot guarantee that we will not have a material weakness in our internal controls in the future. If we experience any material weakness in our internal controls in the future, our financial statements may contain misstatements and we could be required to restate our financial statements.

Because a significant portion of our sales are generated in Canada and other countries outside the United States, fluctuations in foreign currency exchange rates could harm our results of operations.

The reporting currency for our financial statements is the United States dollar. We derive a significant portion of our revenue and incur a significant portion of our operating costs in Canada and Europe, as well as other countries outside the United States, including Australia. As a result, changes in the exchange rate in these jurisdictions relative to the United States dollar, may have a significant, and potentially adverse, effect on our results of operations. Our primary risk of loss regarding foreign currency exchange rate risk is caused by fluctuations in the exchange rates between the United States dollar against the Canadian dollar and the Euro, although as we expand internationally, we will be subject to additional foreign currency exchange risks. Because we recognize revenue in Canada in Canadian dollars and revenue in Europe in Euros, if either or both of these currencies weaken against the United States dollar it would have a negative impact on our Canadian and/or European operating results upon the translation of those results into United States dollars for the purposes of consolidation. In addition, a weakening of these foreign currencies against the United States dollar would make it more difficult for us to meet our obligations under the convertible securities we have issued. We have not historically engaged in hedging transactions and do not currently contemplate engaging in hedging transactions to mitigate foreign exchange risks. As we continue to recognize gains and losses in foreign currency transactions, depending upon changes in future currency rates, such gains or losses could have a significant, and potentially adverse, effect on our results of operations.

We may have exposure to greater than anticipated tax liabilities, which could harm our business.

Our income tax obligations are based on our corporate operating structure and third-party and intercompany arrangements, including the manner in which we develop, value and use our intellectual property and the valuations of our intercompany transactions. The tax laws applicable to our international business activities, including the laws of the United States, Canada and other jurisdictions, are subject to change and uncertain interpretation. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology, intercompany arrangements, or transfer pricing, all of which could increase our worldwide effective tax rate and the amount of taxes that we pay and harm our business. Taxing authorities may also determine that the manner in which we operate our business is not consistent with how we report our income, which could increase our effective tax rate and the amount of taxes that we pay and could seriously harm our business. In addition, our future income taxes could fluctuate because of earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities or by changes in tax laws, regulations or accounting principles.

We are subject to regular review and audit by federal, state, provincial and local tax authorities. Any adverse outcome from a review or audit could seriously harm our business. In addition, determining our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are many transactions where the ultimate tax determination is uncertain. Although we believe that the amounts recorded in our financial statements are reasonable, the ultimate tax outcome relating to such amounts may differ for such period or periods and may seriously harm our business. Furthermore, due to shifting economic and political conditions, tax policies, laws, or rates in various jurisdictions, we may be subject to significant changes in ways that impair our financial results. Our results of operations and cash flows could be adversely affected by additional taxes imposed on us prospectively or retroactively or additional taxes or penalties resulting from the failure to comply with any collection obligations or failure to provide information for tax reporting purposes to various government agencies.

We may not be able to utilize our net operating loss carryforwards which could result in greater than anticipated tax liabilities.

We have accumulated net operating loss carryforwards in the United States, Canada and other jurisdictions. Our ability to use our net operating loss carryforwards is dependent upon our ability to generate taxable income in future periods. In addition, these net operating loss carryforwards could expire unused or be subject to limitations which impact our ability to offset future income tax liabilities. U.S. federal net operating losses incurred in 2018 and in future years may be carried forward indefinitely. However, our Canadian net operating loss carry-forwards begin to expire in 2028, and limited carryforward periods also exist in other jurisdictions. As a result, we may not be able realize the full benefit of our net operating loss carryforwards in Canada and other jurisdictions, which could result in increased future tax liability to us. Further, our ability to utilize net operating loss carryforwards in the United States and other jurisdictions could be limited from ownership changes in the current and/or prior periods.

Risks Related to our Intellectual Property

We may not be able to adequately protect our intellectual property.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance under the CSA, the benefit of certain federal laws and protections that may be available to most businesses, such as federal trademark and patent protection, may not be available to us. As a result, our intellectual property may not be adequately or sufficiently protected against the use or misappropriation by third parties under such U.S. laws. In addition, since the regulatory framework of the cannabis industry is in a state of flux, we can provide no assurance that we will obtain protection for our intellectual property, whether on a federal, state or local level.

We may not realize the full benefit of the clinical trials or studies that we participate in if we are unable to secure ownership or the exclusive right to use the resulting intellectual property on commercially reasonable terms.

Although we have participated in several clinical trials, we are not the sponsor of many of these trials and, as such, do not have full control over the design, conduct and terms of the trials. In some cases, for instance, we are only the provider of a cannabis study drug for a trial that is designed and initiated by an independent investigator within an academic institution. In such cases, we are often not able to acquire rights to all the intellectual property generated by the trials. Although the terms of all clinical trial agreements entered into by us provide us with, at a minimum, ownership of intellectual property relating directly to the study drug being trialed (*e.g.* intellectual property

relating to use of the study drug), ownership of intellectual property that does not relate directly to the study drug is often retained by the institution. As such, we are vulnerable to any dispute among the investigator, the institution and us with respect to classification and therefore ownership of any particular piece of intellectual property generated during the trial. Such a dispute may affect our ability to make full use of intellectual property generated by a clinical trial.

Where intellectual property generated by a trial is owned by the institution, we are often granted a right of first negotiation to obtain an exclusive license to such intellectual property. If we exercise such a right, there is a risk that the parties will fail to come to an agreement on the license, in which case such intellectual property may be licensed to other parties or commercialized by the institution.

Risks Related to Ownership of Our Securities

The price of our common stock in public markets has experienced and may continue to experience severe volatility and fluctuations.

The market price for our common stock, and the market price of stock of other companies operating in the cannabis industry, has been extremely volatile. For example, during the 2023 fiscal year, the trading price of our common stock ranged between a low sales price of $1.78 and a high sales price of $5.12. The market price of our common stock may continue to be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control, including the following: (i) actual or anticipated fluctuations in our quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to us; (iv) the addition or departure of our executive officers or other key personnel; (v) the release or expiration of lock-up or other transfer restrictions on our common stock; (vi) sales or perceived sales, or the expectation of future sales, of our common stock; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; (viii) news reports or social media relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the cannabis industry or our target markets; and (ix) the increase in the number of retail investors and their participation in social media platforms targeted at speculative investing.

The volatility of our stock and the stockholder base may hinder or prevent us from engaging in beneficial corporate initiatives.

Our stockholder base is comprised of a large number of retail (or non-institutional) investors, which creates more volatility since stock changes hands frequently. In accordance with our governing documents and applicable laws, there are a number of initiatives that require the approval of stockholders at the annual or a special meeting. To hold a valid meeting, a quorum comprised of stockholders representing one-third of the voting power of our outstanding shares of common stock is necessary. A record date is established to determine which stockholders are eligible to vote at the meeting, which record date must be 30 – 60 days prior to the meeting. Since our stocks change hands frequently, there can be a significant turnover of stockholders between the record date and the meeting date which makes it harder to get stockholders to vote. While we make every effort to engage retail investors, such efforts can be expensive and the frequent turnover creates logistical issues. Further retail investors tend to be less likely to vote in comparison to institutional investors. Failure to secure sufficient votes or to achieve the minimum quorum needed for a meeting to happen may impede our ability to move forward with initiatives that are intended to grow the business and create stockholder value or prevent us from engaging in such initiatives at all. If we find it necessary to delay or adjourn meetings or to seek approval again, it will be time consuming and we will incur additional costs.

The terms of our outstanding warrants may limit our ability to raise additional equity capital or pursue acquisitions, which may impact funding of our ongoing operations and cause significant dilution to existing stockholders.

On March 13, 2020, we entered into an underwriting agreement with Canaccord Genuity LLC relating to the issuance and sale of shares of our common stock at a price to the public of $4.76 per share and included warrants to purchase additional common stock at a price of $4.7599 per warrant. As of May 31, 2023, 6,209,000 warrants remain outstanding and do not expire until March 13, 2025. The warrants contain a price protection, or anti-dilution feature, pursuant to which, the exercise price of such warrants will be reduced to the consideration paid for, or the exercise price or conversion price of, as the case may be, any newly issued securities issued at a discount to the original warrant exercise price of $5.95 per share. Therefore, the exercise price of the warrants may end up being lower than $5.95 per share, which could result in incremental dilution to existing stockholders.

Additionally, so long as the warrants remain outstanding, we may only issue up to $20 million in aggregate gross proceeds under our at-the-market offering program at prices less than the exercise price of the warrants, and in no event more than $6 million per quarter at prices below the exercise price of the warrants, without triggering the warrant's anti-dilution feature described in the paragraph immediately above. If our stock price were to remain below the warrant exercise price of $5.95 per share for an extended time, we may be forced to lower the warrant exercise price at unfavorable terms in order to fund our ongoing operations. As of May 31, 2023, the warrant exercise price was $3.15. Refer to Part II, Item 8, Note 20, *Warrants*, of this form 10-K for additional information.

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

The trading market for our common stock depends, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the securities or industry analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. In addition, if our operating results fail to meet the forecast of analysts, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

We may not have the ability to raise the funds necessary to settle conversions of the Convertible Securities in cash or to repurchase the Convertible Securities upon a fundamental change.

We issued various securities convertible into shares of our common stock, or Convertible Securities. Holders of certain Convertible Securities have the right to require us to repurchase their Convertible Securities upon the occurrence of a fundamental change. In addition, upon conversion, unless we deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Convertible Securities being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Convertible Securities surrendered. In addition, our ability to repurchase the Convertible Securities or to pay cash upon conversions of the Convertible Securities may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase Convertible Securities at a time when the repurchase is required by the indenture or to pay any cash payable on future conversions of the Convertible Securities as required by the indenture would constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing our existing or future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Convertible Securities or make cash payments upon conversions thereof.

The conditional conversion feature of the Convertible Securities, if triggered, may adversely affect our financial condition and operating results.

In the event a conditional conversion feature of the Convertible Securities is triggered, holders of Convertible Securities will be entitled to convert the Convertible Securities at any time during specified periods at their option. If one or more holders elect to convert their Convertible Securities, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders of Convertible Securities do not elect to convert their Convertible Securities, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Convertible Securities as a current rather than long-term liability, which would result in a material reduction of our net working capital.

Conversion of the Convertible Securities may dilute the ownership interest of our stockholders or may otherwise depress the price of our common stock.

The conversion of some or all of the Convertible Securities may dilute the ownership interests of our stockholders. Upon conversion of the Convertible Securities, we have the option to pay or deliver, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock. If we elect to settle our conversion obligation in shares of our common stock or a combination of cash and shares of our common stock,

any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Convertible Securities may encourage short selling by market participants because the conversion of the Convertible Securities could be used to satisfy short positions, or anticipated conversion of the Convertible Securities into shares of our common stock could depress the price of our common stock.

Certain provisions in the indentures governing the Convertible Securities may delay or prevent an otherwise beneficial takeover attempt of us.

Certain provisions in the indentures governing the Convertible Securities may make it more difficult or expensive for a third party to acquire us. For example, we may be required to repurchase certain Convertible Securities for cash upon the occurrence of a fundamental change and, in certain circumstances, to increase the relevant conversion rate for a holder that converts its Convertible Securities in connection with a make-whole fundamental change. A takeover of us may trigger the requirement that we repurchase the Convertible Securities and/or increase the conversion rate, which could make it more costly for a potential acquirer to engage in such takeover. Such additional costs may have the effect of delaying or preventing a takeover of us that would otherwise be beneficial to investors.

Our stockholders may be subject to dilution resulting from future offerings of common stock by us.

We may raise additional funds in the future by issuing common stock or equity-linked securities. Holders of our securities have no preemptive rights in connection with such further issuances. Our board of directors has the discretion to determine if an issuance of our capital stock is warranted, the price at which such issuance is to be effected and the other terms of any future issuance of capital stock. In addition, additional common stock will be issued by us in connection with the exercise of options or grant of other equity awards granted by us. Such additional equity issuances could, depending on the price at which such securities are issued, substantially dilute the interests of the holders of our existing securities.

Provisions in our corporate charter documents could make an acquisition of us more difficult and may prevent attempts by our stockholders to replace or remove our current board of directors.

Provisions in our corporate charter and our bylaws may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Because our board of directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team. Among others, these provisions include the following:

- Our board of directors is divided into three classes with staggered three-year terms which may delay or prevent a change of our management or a change in control;
- Our board of directors has the right to elect directors to fill a vacancy created by the expansion of the board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- Except in limited circumstances, our stockholders may not act by written consent or call special stockholders' meetings; as a result, a holder, or holders, controlling a majority of our capital stock would not be able to take certain actions other than at annual stockholders' meetings or special stockholders' meetings called by the board of directors, the chairman of the board or our chief executive officer;
- Our certificate of incorporation prohibits cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- Stockholders must provide advance notice and additional disclosures in order to nominate individuals for election to the board of directors or to propose matters that can be acted upon at a stockholders' meeting, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company; and
- Our board of directors may issue, without stockholder approval, shares of undesignated preferred stock; the ability to issue undesignated preferred stock makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us.

General Risk Factors

We may not be able to maintain adequate insurance coverage, the premiums may not continue to be commercially justifiable, and coverage limitations or exclusions may leave us exposed to uninsured liabilities.

We currently maintain insurance coverage, including product liability insurance, protecting many, but not all, of our assets and operations. Our insurance coverage is subject to coverage limits and exclusions and may not be available for all of the risks and hazards to which we are exposed, or the coverage limits may not be sufficient to protect against the full amount of loss. In addition, no assurance can be given that such insurance will be adequate to cover our liabilities, including potential product liability claims, or will be generally available in the future or, if available, that premiums will be commercially justifiable. If we were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, we may be exposed to material uninsured liabilities that could diminish our liquidity, profitability or solvency.

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

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

As a cannabis company, we may be subject to heightened scrutiny in Canada and the United States that could materially adversely impact the liquidity of our shares of common stock.

Our existing operations in the United States, and any future operations, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in the United States and Canada.

Given the heightened risk profile associated with cannabis in the United States, the Canadian Depository for Securities Ltd., or CDS, may implement procedures or protocols that would prohibit or significantly impair the ability of CDS to settle trades for companies that have cannabis businesses or assets in the United States.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group, the parent company of CDS, announced the signing of a Memorandum of Understanding (the ''TMX MOU'') with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no assurances given that this approach to regulation will continue in the future. If such a ban were to be implemented, it could have a material adverse effect on the ability of holders of the common stock to settle trades. In particular, the shares of common stock would become highly illiquid until an alternative was implemented, and investors would have no ability to effect a trade of the common stock through the facilities of a stock exchange.

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

We are subject to numerous tax and accounting requirements, and changes in existing accounting or taxation rules or practices, or varying interpretations of current rules or practices, could have a significant adverse effect on our financial results, the manner in which we conduct our business or the marketability of any of our products. We currently maintain international operations and plan to expand such operations in the future. These operations, and any expansion thereto, will require us to comply with the tax laws and regulations of multiple jurisdictions, which may vary substantially. Complying with the tax laws of these jurisdictions can be time consuming and expensive and could potentially subject us to penalties and fees in the future if we fail to comply.

We may be materially adversely affected by negative impacts on the global economy, capital markets or other geopolitical conditions resulting from the recent invasion of Ukraine by Russia and subsequent sanctions against Russia, Belarus and related individuals and entities.

United States and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the recent invasion of Ukraine by Russia in February 2022. In response to such invasion, the North Atlantic Treaty Organization (''NATO'') deployed additional military forces to eastern Europe, and the United States, the United Kingdom, the European Union and other countries have announced various sanctions and restrictive actions against Russia, Belarus and related individuals and entities, including the removal of certain financial institutions from the Society for Worldwide Interbank Financial Telecommunication (SWIFT) payment system. Certain countries, including the United States, have also provided and may continue to provide military aid or other assistance to Ukraine during the ongoing military conflict, increasing geopolitical tensions with Russia. The invasion of Ukraine by Russia and the resulting measures that have been taken, and could be taken in the future, by NATO, the United States, the United Kingdom, the European Union and other countries have created global security concerns that could have a lasting impact on regional and global economies. Although the length and impact of the ongoing military conflict in Ukraine is highly unpredictable, the conflict could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions. Additionally, Russian military actions and the resulting sanctions could adversely affect the global economy and financial markets and lead to instability and lack of liquidity in capital markets.

Any of the above mentioned factors, or any other negative impact on the global economy, capital markets or other geopolitical conditions resulting from the Russian invasion of Ukraine and subsequent sanctions, could adversely affect our business. The extent and duration of the Russian invasion of Ukraine, resulting sanctions and any related market disruptions are impossible to predict, but could be substantial, particularly if current or new sanctions continue for an extended period of time or if geopolitical tensions result in expanded military operations on a global scale. Any such disruptions may also have the effect of heightening many of the other risks described in this ''Risk Factors'' section, such as those related to the market for our securities, cross-border transactions or our ability to raise equity or debt financing. If these disputes or other matters of global concern continue for an extensive period of time, our operations may be adversely affected.

In addition, the recent invasion of Ukraine by Russia, and the impact of sanctions against Russia, and the potential for retaliatory acts from Russia, could result in increased cyber-attacks against U.S. companies.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The following outlines our principal cultivation, manufacturing and storage facilities by reporting segment as of May 31, 2023:

Facility and Primary Use	Location	Reporting Segment	Owned/ Leased	Approximate Square Footage
Canada:				
Aphria One (Cannabis Cultivation and Processing)	Leamington, ON	Cannabis	Owned	1,400,000
1974568 Ontario Ltd. (operating as "Aphria Diamond") (Cannabis Cultivation)	Leamington, ON	Cannabis	Owned[1]	1,500,000
Broken Coast (Cannabis Cultivation and Processing)	Vancouver Island, BC	Cannabis	Owned	47,000
Avanti (EU-GMP Cannabis Processing and Lab)	Brampton, ON	Cannabis	Owned	18,000
Tilray North America Campus (EU-GMP Cannabis Cultivation and Processing)	Nanaimo, BC	Cannabis	Owned[2]	60,000
High Park Farms (Cannabis Cultivation and Processing)	Enniskillen, ON	Cannabis	Leased[2]	626,000
High Park Holdings (Cannabis 2.0 Processing)	London, ON	Cannabis	Leased	134,000
Manitoba Harvest (Hemp Processing)	Winnipeg, MB	Wellness	Leased	15,000
Manitoba Harvest (Hemp Processing)	St. Agathe, MB	Wellness	Owned	35,000
United States:				
SweetWater Brewery (Craft Brewery)	Atlanta, GA	Beverage Alcohol	Owned[3]	158,000
SweetWater Colorado (Craft Brewery)	Fort Collins, CO	Beverage Alcohol	Owned	33,000
Breckenridge Distillery	Breckenridge, CO	Beverage Alcohol	Owned	23,000
Breckenridge Distillery Warehouse	Denver, CO	Beverage Alcohol	Owned	75,000
Montauk Brewing Company	Montauk, NY	Beverage Alcohol	Owned	4,000
Fort Collins (CBD extraction site)	Fort Collins, CO	Cannabis	Owned	50,000
International:				
Tilray EU Campus and Cultivation Site (Cannabis Cultivation and Processing)	Cantanhede, Portugal	Cannabis	Owned[4]	3,300,000
CC Pharma (Distribution Operations)	Densborn, Germany	Distribution	Owned	70,000
Aphria RX (Cannabis Cultivation)	Neumünster, Germany	Cannabis	Owned	65,000
FL Group Srl (Distribution Operations)	Vado Ligure, Italy	Cannabis	Leased	4,700
ABP (Distribution Operations)	Buenos Aires, Argentina	Distribution	Leased	10,000

1 *Aphria Diamond is a 51% majority-owned subsidiary of Aphria, Inc. Aphria Diamond is a strategic venture with Double Diamond Farms.*

2 *We announced our decision to close these facilities in Enniskillen, ON and Nanaimo, BC. These facilities have ceased operations.*

3 *We purchased the building during the year.*

4 *In Cantanhede, Portugal, we own one cultivation and manufacturing location used for medical cannabis and land adjacent to this facility for future expansion.*

We also lease space for other smaller offices in the United States, Canada, Europe and other parts of the world.

We believe our facilities and committed leased space are currently adequate to meet our needs. As we continue to expand our operations, we may need to acquire or lease additional facilities or dispose of existing facilities.

Item 3. Legal Proceedings.

The information called for by this item is incorporated herein by reference to Note 27, *Commitments and Contingencies*, in the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Our common stock is traded on the Nasdaq Global Select Market under the symbol "TLRY."

Holders

As of July 24, 2023, there were approximately 703,257,224 holders of record of our common stock.

Dividends

We have not paid any cash dividends on our common stock to date. It is our current intention to not declare or pay any dividends for the foreseeable future as we intend to utilize all available funds and any future earnings to support operations and to finance the growth and development of our business. Any future determination to pay dividends will be made at the discretion of our board of directors subject to applicable laws and will depend upon, among other factors, our results of operations, financial condition, contractual restrictions and capital requirements. Our future ability to pay cash dividends on common stock is limited by the terms of the Aphria Diamond credit facility, as well as any future debt or preferred securities.

Recent sales of unregistered securities; use of proceeds from registered securities.

Each issuance of common stock described below, unless otherwise noted, were exempt from registration under Section 4(2) of the Securities Act 1933 in transactions by an issuer not involving a public offering and no underwriter participated in the offer and sale of the shares issued pursuant to the foregoing issuances, and no commission or other remuneration was paid or given directly or indirectly in connection therewith.

On June 30, 2022, Tilray entered into an assignment and assumption agreement with Double Diamond Holdings Ltd. ("DDH"), an Ontario corporation, pursuant to which, among other things, Tilray acquired from DDH a promissory note in the amount of $5,063,709 (the "Note") payable by 1974568 Ontario Limited ("Aphria Diamond"). DDH is a joint venturer with Aphria Inc. (Tilray's wholly-owned subsidiary) in Aphria Diamond. As consideration for the Note, Tilray issued 1,529,821 shares of its common stock to DDH.

On July 12, 2022, Tilray acquired from HT Investments MA LLC ("HTI") all of the outstanding principal and interest under a secured convertible note (the "HEXO Note") issued by HEXO Corp. ("HEXO") with certain amendments, pursuant to the amended and restated assignment and assumption agreement, dated as of June 14, 2022. As consideration for the acquisition of the HEXO Note, Tilray paid a purchase price in an aggregate amount equal to $155 million, which purchase price was satisfied through the issuance to HTI of 33,314,412 shares of Tilray's common stock and the issuance of a newly issued $50 million convertible promissory note.

On September 1, 2022, the Company issued 10,276,305 shares of Tilray's common stock to DDH in connection with the assignment from DDH to the Company of a promissory note payable by 1974568 Ontario Limited.

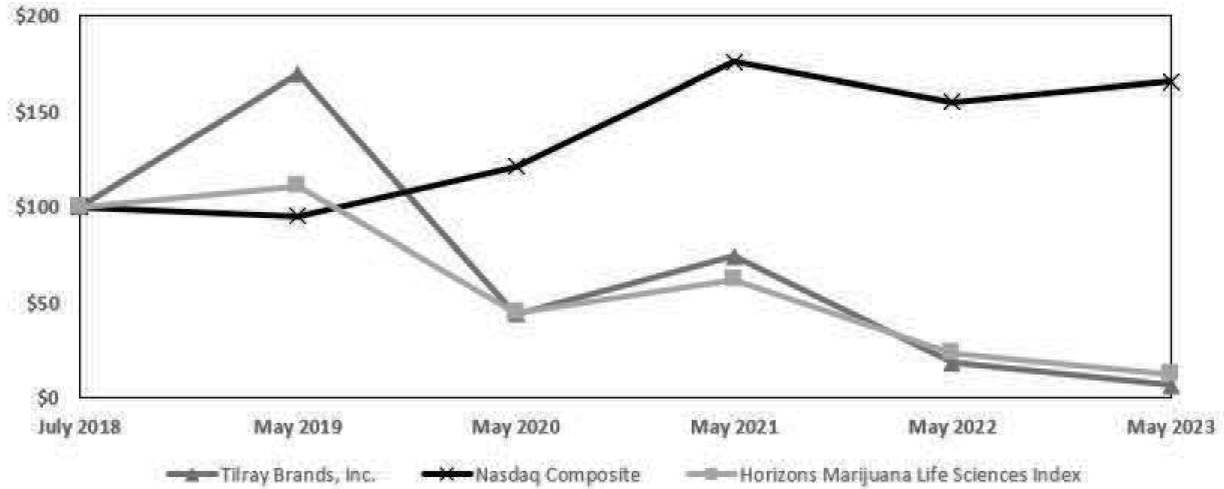
On December 5, 2022, the Company issued 1,979,541 shares of Tilray's common stock to DDH in connection with the assignment from DDH to the Company of a promissory note payable by 1974568 Ontario Limited.

On February 21, 2023, the Company issued 2,328,739 shares of Tilray's common stock to DDH in connection with the assignment from DDH to the Company of a promissory note payable by 1974568 Ontario Limited.

On May 30, 2023, the Company issued 38,500,000 shares of Tilray's common stock as part of a share lending agreement with an affiliate of Jefferies LLC in connection with the registered offering of $150 million of unsecured convertible senior notes. The net proceeds from this offering were used to finance the concurrent repurchase of a portion of its outstanding 5.00% Convertible Senior Notes due 2023 (TLRY 23) and 5.25% Convertible Senior Notes due 2024 (APHA 24), as described in Note 17 (Convertible debentures payable). On June 9, 2023, the Company issued an additional $22.5 million of unsecured convertible senior notes by way of overallotment bringing the outstanding balance to $172.5 million as described in Note 30 (Subsequent events).

Stock Performance Graph

The following graph compares the performance of our common stock to the Nasdaq Composite and the Horizons Marijuana Life Sciences Index for the period from July 18, 2018, date of initial public offering, through May 31, 2023 in comparison to the indicated indexes. The results assume that $100, which was invested on July 18, 2018 in our common stock and each of the indicated indexes.



	July 18, 2018	May 31, 2019	May 31, 2020	May 31, 2021	May 31, 2022	May 31, 2023
Tilray Brands, Inc.	$100.00	$169.76	$ 43.99	$ 74.45	$ 18.50	$ 6.88
Nasdaq Composite	$100.00	$ 95.24	$121.27	$175.70	$154.86	$165.81
Horizons Marijuana Life Sciences Index	$100.00	$110.97	$ 44.93	$ 62.28	$ 23.71	$ 12.65

This information under "Stock Performance Graph" is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference in any filing of Tilray under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K and irrespective of any general incorporation language in those filings.

Repurchases

None.

Item 6. [Reserved]

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to help the reader understand our operations and our present business environment from the perspective of management. You should read the following discussion and analysis of our financial condition and results of operations together with the "Cautionary Note Regarding Forward-Looking Statements"; the sections in Part I entitled "Item 1A. Risk Factors" and the financial information and the notes thereto included in Part II, Item 8 of this Form 10-K in this Annual Report for the fiscal year ended May 31, 2023 ("Annual Report"). We use certain non-GAAP measures that are more fully described below under the caption "—Use of Non-GAAP Measures," which we believe are appropriate supplemental non-GAAP measures to evaluate our business and operations, measure our performance, identify trends affecting our business, project our future performance, and make strategic decisions.

Amounts are presented in thousands of United States dollars, except for shares, warrants, per share data and per warrant data or as otherwise noted.

Company Overview

We are a leading global cannabis-lifestyle and consumer packaged goods company headquartered in Leamington and New York, with operations in Canada, the United States, Europe, Australia, and Latin America that is changing people's lives for the better – one person at a time – by inspiring and empowering a worldwide community to live their very best life, enhanced by moments of connection and wellbeing. Tilray's mission is to be the most responsible, trusted and market leading cannabis consumer products company in the world with a portfolio of innovative, high-quality and beloved brands that address the needs of the consumers, customers and patients we serve.

Our overall strategy is to leverage our brands, infrastructure, expertise and capabilities to drive market share in the industries in which we compete, achieve industry-leading, profitable growth and build sustainable, long-term shareholder value. In order to ensure the long-term sustainable growth of our Company, we continue to focus on developing strong capabilities in consumer insights, drive category management leadership and assess growth opportunities with the introduction of new products and entries into new geographies. In addition, we are relentlessly focused on managing our cost of goods and expenses in order to maintain our strong financial position.

Trends and Other Factors Affecting Our Business

Canadian cannabis market trends.

The cannabis industry in Canada continues to evolve at a rapid pace during the early periods following the federal legalization of adult-use cannabis. Through analysis of the current market conditions, the following key trends have emerged and are anticipated to influence the near-term future in the industry:

- *Price compression.* We have historically seen price compression in the market, when compared to the prior fiscal year, which was driven by intense competition from the approximately 1,000 Licensed Producers in Canada. The price compression year over year has reduced the Company's revenue by approximately $32.8 million for the year ended May 31, 2023.
- *Excise taxes.* Given the impacts of the above-referenced price compression, excise tax has grown to become a larger component of net revenue as it is predominantly computed as a fixed price on grams sold rather than as a percentage of the selling price. The Cannabis Council of Canada has formed an Excise Task Force to present these challenges to the Ministry of Finance in Canada and continues to pursue reform. Additionally, as many as two-thirds of Canadian licensed producers had excise tax deficits owed, which they were unable to pay on time. The Company believes this will be a key element of potential consolidation in the industry and we believe long term there is a possibility of some level of reform but it will likely not occur in the next 12 months;
- *Market share*. Tilray continues to maintain its market leadership position in Canada and we experienced an increase in share from 8.1% to an 8.3% market share, from the immediately preceding quarter, as reported by Hifyre data for all provinces excluding Quebec where Weedcrawler was deemed more accurate. This increase in the final quarter of the year, was attributed to our relentless dedication to our innovation pipeline which we anticipate to keep driving market share increases in the coming fiscal year. This increase was offset by challenges in the province of Quebec during the year, which had a negative impact on adult-use revenue during the year.

- *Change in potency preferences*. Evolving consumer demand for higher potency products has caused a substantial shift in consumer purchasing patterns. We revised our flower strategy to remain innovative and evolve with the industry, launching a large volume of new beta flower strains in the current year which continue to be newly listed in the provinces during the remainder of the fiscal year to contend with this change in demand.

These identified trends have had impacts on the current period results of operations and are discussed in greater detail in the respective section.

International cannabis market trends.

The cannabis industry in Europe is in its early stages of development whereby countries within Europe are at different stages of legalization of medical and adult-use cannabis as some countries have expressed a clear political ambition to legalize adult-use cannabis (Germany, Portugal, Luxembourg and Czech Republic), some are engaging in an experiment for adult-use (Netherlands, Switzerland) and some are debating regulations for cannabinoid-based medicine (France, Spain, Italy, and the United Kingdom). In Europe, we believe that, despite continuing recessionary economic conditions and the Russian conflict with Ukraine, cannabis legalization (both medicinal and adult-use) will continue to gain traction albeit more slowly than originally expected. We also continue to believe that Tilray remains uniquely positioned to maintain and gain significant market share in these markets with its infrastructure and its investments, which is comprised of two EU-GMP cultivation facilities within Europe located in Portugal and Germany, our distribution network and our demonstrated commitment to the availability, quality and safety of our cannabinoid-based medical products. Today, Germany remains the largest medical cannabis market in Europe.

The following is a summary of the state of cannabis legalization within Europe:

Germany. The new coalition government led by chancellor Olaf Schulz declared its intention to legalize adult-use cannabis use, which aims to regulate the controlled dispensing of cannabis for adult-use consumption. In late October 2022, the German government published key details of its plan to legalize and regulate adult-use cannabis, including what Health Minister Karl Lauterbach described as ‘‘complete’’ cultivation within the country. Subsequently, Lauterbach announced that a first draft of the proposed regulations shall be issued in the first quarter of calendar year 2023, which will be evaluated by the European Union Commission in a formal notification procedure.

Recently, Mr. Lauterbach advised that the proposal had been revised and that the new plan is a two-part model, which appears to be designed in order to legalize cannabis as broadly as possibly without running afoul of European Union rules. On July 6, 2023, it was announced that the draft regulations pertaining to decriminalization, home cultivation and non-commercial ‘‘cultivation associations’’ (i.e., social clubs) had been finalized by the health ministry and was ready to be delivered to the German parliament.

We continue to believe that Tilray is well-positioned in Germany to provide consistent and sustainable cannabis products for the adult-use market whether only in-country cultivation is permitted or whether imports are also allowed given our Aphria RX facility located in Germany and our EU-GMP-certified production facility in Portugal, as well as our distribution platform, which provides us with access to 13,000 pharmacies in Germany.

Switzerland. In October 2021, Switzerland announced its intention to legalize cannabis by allowing production, cultivation, trade, and consumption. In the meantime, a three-year pilot project commenced on January 30, 2023, which permits selected participants to purchase cannabis for adult-use in various pharmacies in Basel, and more recently in Zurich, to conduct studies on the cannabis market and its impact on Swiss society. It is the first trial for the legal distribution of adult-use cannabis containing THC in Europe.

Spain. The Spanish Congress’ Health Committee has recently approved a Medical Cannabis Report that paves the way for a government-sponsored bill on medical cannabis. The Report explicitly opens the door to standardized preparations other than the drugs already approved, highlighting their advantages in relation to safety, security and stability; as well as the possibility to prescribe medical cannabis in community pharmacies and not only in hospitals, favoring the access to the patients that may need it.

France. France launched a two-year pilot experiment to supply approximately 3,000 patients with medical cannabis. To date, 2,300 patients are enrolled in the experiment, which has been extended for another year and is now ending March 2024 in order to collect more data and to adopt a legal framework. The first results of the experimentation are positive. Several independent agencies have produced reports that show the effectiveness of medical cannabis, especially in situations of chronic pain.

Czech Republic. The Czech Republic has discussed plans to launch a fully regulated adult-use cannabis market in first half of calendar year 2023.

Malta. In 2021, became the first country in the European Union to legalize personal possession of the drug and permit private ''cannabis clubs,'' where members can grow and share the drug.

Beverage alcohol market trends.

The beverage alcohol category, while more established, continues to shift with changes in consumer trends for the craft industry. Specifically, based on IRI data for the last 10 weeks ended May 31, 2023, the US beer industry declined 0.6%, with craft beer down 2.7% during the same period SweetWater however, outperformed both the US craft beer market and the US beer industry in the same period as the brand grew 7.7% on total sales for multi-outlet. The Company anticipates continuing to grow its beer sales by expanding distribution points of its SweetWater, Green Flash, Alpine and Montauk brands as well as launching innovative products such as hard seltzers, rose beer, lager, hazy IPAs and pale ales to continue to be a market leader in the craft beer industry.

Breckenridge Distillery is a leader in the Colorado bourbon industry and continues to gain market share in both the vodka and gin markets. A primary growth objective is to continue expansion of market share across the United States, as well as expanding the national chains footprint, to maintain a double-digit annual top-line growth. To ensure continued growth in the future, the company is focused on expanding the marketing strategy, highlighting its quality products. Breckenridge Distillery's commitment to quality has been recognized in recent awards by Whisky Magazine as the World's Best Blended, Best American Blended Malt, Best American Blended Limited Release, and Best American Blended. The overall bourbon market continues to grow, although competition from tequila and RTD's remains a challenge. The integration of the national distributer agreement signed with RNDC in Fall 2022 has been slow, but will also be a growth driver for the business.

Wellness market trends.

Manitoba Harvest's branded hemp business continued to expand its U.S. and Canadian leading market share position this year. These market share gains were offset by many customers reducing inventory levels amidst the current economic climate to conserve cash. During the year, the Company successfully expanded its Hemp Food portfolio into more accessible consumer formats and launched a breakthrough CBD wellness beverage, Happy Flower™. The Company will look to expand the Happy Flower™ brand with retail distribution into key markets, focusing on states with established CBD permissibility and sales momentum in future periods.

Acquisitions, Strategic Transactions and Synergies

We strive to continue to expand our business on a consolidated basis, through a combination of organic growth and acquisition. While we continue to execute against our strategic initiatives that we believe will result in the long-term, sustainable growth and value to our stockholders, we continue to evaluate potential acquisitions and other strategic transactions of businesses that we believe complement our existing portfolio, infrastructure and capabilities or provide us with the opportunity to enter attractive new geographic markets and product categories as well as expand our existing capabilities. In addition, we have exited certain businesses and continue to evaluate certain businesses within our portfolio that are dilutive to profitability and cash flow. As a result, we incur transaction costs in connection with identifying and completing acquisitions and strategic transactions, as well as ongoing integration costs as we combine acquired companies and continue to achieve synergies, which is offset by income generated in connection with the execution of these transactions. For the year ended May 31, 2023, we incurred $1.6 million of transaction costs, net of recoveries.

Our acquisition and wind down strategy has had a material impact on the Company's results in the current quarter and we expect will continue to persist into future periods generating accretive impacts for our stockholders. There are currently three primary cost saving initiatives as follows:

- ***Tilray and HEXO strategic alliance and Arrangement Agreement:***

On July 12, 2022, Tilray acquired the HEXO Convertible Note from HTI and entered into a strategic alliance with HEXO Corp. (''HEXO'') as discussed in Note 11 (Convertible notes receivable) and Note 17 (Convertible debentures payable). In addition, Tilray and HEXO entered into various commercial transaction agreements, including (i) an advisory services agreement regarding Tilray's provision of advisory services to HEXO in exchange for an $18 million annual advisory fee payable to Tilray; (ii) a co-manufacturing agreement providing for third-party

manufacturing services between the parties and setting forth the terms of Tilray's international bulk supply to HEXO; and (iii) a procurement and cost savings agreement for shared savings related to specified optimization activities, procurement, and other similar cost savings realized by the parties as a result of the foregoing commercial arrangements.

Through this strategic alliance, Tilray achieved substantial cash savings and production efficiencies. In the year ended May 31, 2023, the Company recognized $40.4 million of advisory services revenue included in Canadian adult-use cannabis revenue. Included in interest expense, net is $7.7 million of interest income for the year ended May 31, 2023. The Company earned $47.9 from this transaction during the year, which exceeded the initial target of $40 million to be earned during the first 12 month period in connection with the HEXO Convertible Note transaction.

On April 10, 2023, Tilray entered into an Arrangement Agreement to purchase 100% of the outstanding shares of HEXO to be satisfied through the issuance of 0.4352 of Tilray Common Stock for each outstanding HEXO share, see Note 30 (Subsequent events). The acquisition of HEXO builds on the successful strategic alliance between the two companies and positions Tilray for continued strong growth and market leadership in Canada, the largest federally legal cannabis market in the world. The company expects to realize $25 million of additional synergies over the first two years from the transaction close date.

- ***Canadian Cannabis business cost reduction plan:***

During our fourth quarter of our fiscal year ended May 31, 2022, the Company launched a $30 million cost optimization plan of our existing cannabis business to solidify our position as an industry leading low-cost producer. The Company took decisive action to manage cash flow amid an evolving retail environment by identifying opportunities to leverage technology, supply chain, procurement, and packaging efficiencies while driving labor savings. During the year ended May 31, 2023, we have achieved $22 million of our cost optimization plan on an annualized run-rate basis of which $18.5 million represented actual cost savings during the period. The amount achieved is comprised of the following items:

- *Optimizing cultivation*. We made impactful strides to right-size our cultivation footprint by maximizing our yield per plant and by honing the ability to flex production during optimal growing seasons to manage our cost to grow.
- *Refining selling fees.* We assessed our current product-to-market strategy to optimize our direct and controllable selling fees as a percentage of revenue without compromising our sales strategy on a go-forward basis.
- *Reducing general and administrative costs*. We remain focused on reducing operating expenses by leveraging innovative solutions to maintain a lean organization. We plan to further automate processes, reducing outside spend where efficient, and ensuring we are obtaining competitive pricing on our administrative services.

- ***International Cannabis business cost reduction plan:***

During our fiscal year ended May 31 2023, the Company launched an $8.0 million cost optimization plan for our international cannabis business to adapt to changing market dynamics and slower than anticipated legalization in Europe. During the year, the Company achieved an annualized run-rate basis of $6.2 million of cost savings. This was driven by the integration of our Distribution and European cannabis business for redundant costs including headcount consolidation in addition to optimization of our facility utilization.

- ***Tilray-Aphria Arrangement Agreement:***

In connection with the Tilray-Aphria Arrangement Agreement, we committed to achieving $80 million, subsequently increased to $100 million, of synergies in connection with the integration of Tilray and Aphria and developed a robust plan and timeline to achieve such synergies. In executing our integration plan, we evaluated and optimized the organizational structure, evaluated and retained the talent and capabilities we identified as necessary to achieve our longer-term growth plan and vision, reviewed contracts and arrangements, and analyzed our supply chain and our strategic partnerships. Due to the Company's actions in connection with the integration of Tilray and Aphria, during the prior fiscal year ended May 31, 2022, we exceeded the identified $80 million of cost synergies by $5 million and achieved such synergies ahead of our plan.

During the year ended May 31, 2023, the Company achieved the remaining $15 million of the targeted $100 million in cost-saving synergies on an annualized run-rate basis. While this milestone marks the completion of the Tilray and Aphria Arrangement Agreement synergy plan, the Company intends to continue to prioritize cost saving initiatives in the future while remaining committed to our growth plan and vision.

- ***Strategic transactions related to facility closures and exits:***

In connection with evaluating the profitability of our CC Pharma distribution business, Tilray decided to discontinue its partnership in a medical device reprocessing business given it was not core to CC Pharma's business and was both dilutive from a profitability and cash flow perspective. In connection with evaluating the profitability of our international cannabis business, Tilray also discontinued transactions with one of its customers in Israel to focus on markets which we believe are more accretive to our profitability and cash flow. In addition, Tilray terminated its relationship with a supplier in Uruguay due to a breach of the underlying contract. During the year ended May 31, 2023 the Company sold its interest in ASG Pharma Ltd., a wholly-owned subsidiary incorporated in Malta.

As a result of these strategic business decisions, there were the following impacts on the results for the year ended May 31, 2023 aggregating $9.3 million which increased our net loss, summarized as follows:

- we recognized a one-time return adjustment of $3.1 million in our international cannabis revenue from a customer in Israel;
- we recognized a decrease in gross profit of $1.4 million which related to the above mentioned return from a customer in Israel;
- We recognized restructuring charges of $1.6 million of exit costs and $2.8 million for inventory adjustments from the termination of our producer partnership in Uruguay due to a breach of the underlying contract;
- there was an increase to office and general expenses of $1.6 million for a bad debt expense related to the aforementioned customer in Israel; and
- the Company recognized a $2.2 million of restructuring costs as a result of CC pharma discontinuing its partnership in the medical reprocessing business.
- the Company recognized a $0.3 million gain on the disposal of our investment in ASG Malta in other non-operating (loss) gain, net.

The impacts of the items discussed in this section are assessed further in our analysis of the results of operations below.

Business Acquisitions

Acquisition of Montauk Brewing Company, Inc.

On November 7, 2022, Tilray acquired Montauk Brewing Company, Inc. (''Montauk''), a leading craft brewer company based in Montauk, New York. As consideration for the acquisition of Montauk, the Company paid after post closing adjustments of $35.1 million, which was paid with $28.7 million in cash and $6.4 million from the issuance of 1,708,521 shares of Tilray's common stock. In the event that Montauk achieves certain volume and/or EBITDA targets on or before December 31, 2025, the stockholders of Montauk shall be eligible to receive as additional contingent cash consideration of up to $18 million. The Company, determined that the closing date fair value of this contingent consideration was $10.2 million. In connection with this transaction, the Company is leveraging SweetWater's existing nationwide infrastructure and Montauk's northeast influence to significantly expand our distribution network and drive profitable growth in our beverage-alcohol segment. This distribution network is part of Tilray's strategy to leverage our growing portfolio of CPG brands and ultimately to launch THC-based product adjacencies upon federal legalization in the U.S.

Results of Operations

Our consolidated results, in millions except for per share data, are as follows:

(in thousands of U.S. dollars)	For the year ended May 31, 2023	2022	2021	Change 2023 vs. 2022		Change 2022 vs. 2021	
Net revenue	$ 627,124	$ 628,372	$ 513,085	(1,248)	(0)%	115,287	22%
Cost of goods sold	480,164	511,555	389,903	(31,391)	(6)%	121,652	31%
Gross profit	146,960	116,817	123,182	30,143	26%	(6,365)	(5)%
Operating expenses:							
General and administrative	165,159	162,801	111,575	2,358	1%	51,226	46%
Selling	34,840	34,926	26,576	(86)	(0)%	8,350	31%
Amortization	93,489	115,191	35,221	(21,702)	(19)%	79,970	227%
Marketing and promotion	30,937	30,934	17,539	3	0%	13,395	76%
Research and development	682	1,518	830	(836)	(55)%	688	83%
Change in fair value of contingent consideration	855	(44,650)	—	45,505	(102)%	(44,650)	0%
Impairments	934,000	378,241	—	555,759	147%	378,241	0%
Other than temporary change in fair value of convertible notes receivable	246,330	—	—	246,330	0%	—	0%
Litigation (recovery) costs	(505)	16,518	3,251	(17,023)	(103)%	13,267	408%
Restructuring costs	9,245	795	—	8,450	1,063%	795	0%
Transaction costs	1,613	30,944	60,361	(29,331)	(95)%	(29,417)	(49)%
Total operating expenses	1,516,645	727,218	255,353	789,427	109%	471,865	185%
Operating loss	(1,369,685)	(610,401)	(132,171)	(759,284)	124%	(478,230)	362%
Interest expense, net	(13,587)	(27,944)	(27,977)	14,357	(51)%	33	(0)%
Non-operating (expense) income, net	(66,909)	197,671	(184,838)	(264,580)	(134)%	382,509	(207)%
Loss before income taxes	(1,450,181)	(440,674)	(344,986)	(1,009,507)	229%	(95,688)	28%
Income tax benefits, net	(7,181)	(6,542)	(8,972)	(639)	10%	2,430	(27)%
Net loss	$(1,443,000)	$(434,132)	$(336,014)	(1,008,868)	232%	(98,118)	29%

Use of Non-GAAP Measures

The Company reports its financial results in accordance with U.S. GAAP. However, throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report on Form 10-K, we discuss non-GAAP financial measures, including reference to:

- adjusted gross profit (excluding purchase price allocation (“PPA”) step up and inventory valuation allowance) for each reporting segment (Cannabis, Beverage alcohol, Distribution and Wellness),
- adjusted gross margin (excluding purchase price allocation (“PPA”) step up and inventory valuation allowance) for each reporting segment (Cannabis, Beverage alcohol, Distribution and Wellness),
- adjusted EBITDA,
- cash and marketable securities, and
- constant currency presentation of net revenue.

All these non-GAAP financial measures should be considered in addition to, and not in lieu of, the financial measures calculated and presented in accordance with accounting principles generally accepted in the United States of America, (“GAAP”). These measures are presented to help investors' overall understanding of our financial performance and should not be considered in isolated or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. These non-GAAP financial measures reflect an additional way of viewing aspects

of operations that, when viewed with U.S. GAAP results, provide a more complete understanding of the business. The Company strongly encourages investors and shareholders to review Company financial statements and publicly filed reports in their entirety and not to rely on any single financial measure. Please see "Reconciliation of Non-GAAP Financial Measures to GAAP Measures" below for a reconciliation of such non-GAAP Measures to the most directly comparable GAAP financial measures, as well as a discussion of our adjusted gross margin, adjusted gross profit and adjusted EBITDA measures and the calculation of such measures.

Constant Currency Presentation

We believe that this measure provides useful information to investors because it provides transparency to underlying performance in our consolidated net sales by excluding the effect that foreign currency exchange rate fluctuations have on period-to-period comparability given the volatility in foreign currency exchange markets. To present this information for historical periods, current period net sales for entities reporting in currencies other than the U.S. Dollar are translated into U.S. Dollars at the average monthly exchange rates in effect during the corresponding period of the prior fiscal year rather than at the actual average monthly exchange rate in effect during the current period of the current fiscal year. As a result, the foreign currency impact is equal to the current year results in local currencies multiplied by the change in average foreign currency exchange rate between the current fiscal period and the corresponding period of the prior fiscal year.

Cash and Marketable Securities

The Company combines the Cash and cash equivalent financial statement line item with the Marketable securities financial statement line item as an aggregate total as reconciled in the liquidity and capital resource section below. The Company's management believes that this presentation provides useful information to management, analysts and investors regarding certain additional financial and business trends relating to its short-term liquidity position by combing these two GAAP metrics.

Operating Metrics and Non-GAAP Measures

We use the following operating metrics and non-GAAP measures to evaluate our business and operations, measure our performance, identify trends affecting our business, project our future performance, and make strategic decisions. Other companies, including companies in our industry, may calculate non-GAAP measures and operating metrics with similar names differently which may reduce their usefulness as comparative measures.

	For the years ended May 31,		
(in thousands of U.S. dollars)	**2023**	**2022**	**2021**
Net cannabis revenue	$220,430	$237,522	$201,392
Net beverage alcohol revenue	95,093	71,492	28,599
Distribution Revenue	258,770	259,747	277,300
Wellness revenue	52,831	59,611	5,794
Cannabis costs	162,755	194,834	130,511
Beverage alcohol costs	48,770	32,033	12,687
Distribution costs	231,309	243,231	242,472
Wellness costs	37,330	41,457	4,233
Total adjusted gross profit (excluding PPA step-up and inventory valuation adjustments)	206,442	186,031	143,936
Cannabis adjusted gross margin (excluding inventory valuation adjustments)	51%	43%	45%
Beverage alcohol adjusted gross margin (excluding PPA step-up)	53%	58%	59%
Distribution gross margin (excluding inventory valuation adjustments)	11%	9%	13%
Wellness gross margin	29%	30%	27%
Adjusted EBITDA	$ 61,479	$ 48,047	$ 40,771
Cash and marketable securities	448,529	415,909	488,466
Working capital	$340,050	$523,161	$482,368

(1) *Adjusted EBITDA, adjusted gross profit and adjusted gross margin for each of our segments are non-GAAP financial measures. See "Reconciliation of Non-GAAP Financial Measures to GAAP Measures" below for a reconciliation of these Non-GAAP Measures to our most comparable GAAP measure.*

Segment Reporting

Our reportable segments revenue is primarily comprised of revenues from our cannabis, distribution, wellness and beverage alcohol operations, as follows:

(in thousands of U.S. dollars)	For the year ended May 31, 2023	2022	2021	Change 2023 vs. 2022		Change 2022 vs. 2021	
Cannabis business	$220,430	$237,522	$201,392	$(17,092)	(7)%	$ 36,130	18%
Distribution business	258,770	259,747	277,300	(977)	0%	(17,553)	(6)%
Beverage alcohol business	95,093	71,492	28,599	23,601	33%	42,893	150%
Wellness business	52,831	59,611	5,794	(6,780)	(11)%	53,817	929%
Total net revenue	$627,124	$628,372	$513,085	$ (1,248)	0%	$115,287	22%

Our reportable segments revenue reported in constant currency[(1)] are as follows:

(in thousands of U.S. dollars)	For the year ended May 31, as reported in constant currency 2023	2022	Change 2023 vs. 2022 Change	% Change
Cannabis business	$233,227	$237,522	$ (4,295)	(2)%
Distribution business	285,115	259,747	25,368	10%
Beverage alcohol business	95,093	71,492	23,601	33%
Wellness business	54,429	59,611	(5,182)	(9)%
Total net revenue	$667,864	$628,372	$39,492	6%

Our geographic revenue is, as follows:

(in thousands of U.S. dollars)	For the year ended May 31, 2023	2022	2021	Change 2023 vs. 2022		Change 2022 vs. 2021	
North America	$324,645	$314,132	$229,120	$ 10,513	3%	$ 85,012	37%
EMEA	284,567	296,911	279,062	(12,344)	(4)%	17,849	6%
Rest of World	17,912	17,329	4,903	583	3%	12,426	253%
Total net revenue	$627,124	$628,372	$513,085	$ (1,248)	0%	$115,287	22%

Our geographic revenue in constant currency[(1)] is, as follows:

(in thousands of U.S. dollars)	For the year ended May 31, as reported in constant currency 2023	2022	Change 2023 vs. 2022 Change	% Change
North America	$335,243	$314,132	$21,111	7%
EMEA	309,152	296,911	12,241	4%
Rest of World	23,469	17,329	6,140	35%
Total net revenue	$667,864	$628,372	$39,492	6%

Our geographic capital assets are, as follows:

(in thousands of U.S. dollars)	For the year ended May 31, 2023	2022	Change 2023 vs. 2022	
North America	$319,173	$464,370	$(145,197)	(31)%
EMEA	107,131	119,409	(12,278)	(10)%
Rest of World	3,363	3,720	(357)	(10)%
Total capital assets	$429,667	$587,499	$(157,832)	(27)%

Cannabis revenue

Cannabis revenue based on market channel is, as follows:

(in thousands of US dollars)	For the year ended May 31, 2023	2022	2021	Change 2023 vs. 2022		Change 2022 vs. 2021	
Revenue from Canadian medical cannabis	$ 25,000	$ 30,599	$ 25,539	$ (5,599)	(18)%	$ 5,060	20%
Revenue from Canadian adult-use cannabis	214,319	209,501	222,930	4,818	2%	(13,429)	(6)%
Revenue from wholesale cannabis	1,436	6,904	6,615	(5,468)	(79)%	289	4%
Revenue from international cannabis	43,559	53,887	9,250	(10,328)	(19)%	44,637	483%
Total cannabis revenue	284,314	300,891	264,334	(16,577)	(6)%	36,557	14%
Excise taxes	(63,884)	(63,369)	(62,942)	(515)	1%	(427)	1%
Total cannabis net revenue	$220,430	$237,522	$201,392	$(17,092)	(7)%	$ 36,130	18%

Cannabis revenue based on market channel in constant currency[(1)] is, as follows:

(in thousands of US dollars)	For the year ended May 31, as reported in constant currency 2023	2022	Change 2023 vs. 2022 Change	% Change
Revenue from Canadian medical cannabis	$ 26,612	$ 30,599	$ (3,987)	(13)%
Revenue from Canadian adult-use cannabis	225,694	209,501	16,193	8%
Revenue from wholesale cannabis	1,529	6,904	(5,375)	(78)%
Revenue from international cannabis	47,434	53,887	(6,453)	(12)%
Total cannabis revenue	301,269	300,891	378	0%
Excise taxes	(68,042)	(63,369)	(4,673)	7%
Total cannabis net revenue	$233,227	$237,522	$ (4,295)	(2)%

(1) The constant currency presentation of our Cannabis revenue based on market channel is a non-GAAP financial measure. See "Use of Non-GAAP Measures –Constant Currency Presentation" above for a discussion of these Non-GAAP Measures.

Revenue from medical cannabis: Revenue from Canadian medical cannabis decreased 18% to $25.0 million for the year ended May 31, 2023, compared to revenue of $30.6 million for the year ended May 31, 2022. On a constant currency basis revenue from Canadian medical cannabis decreased to $26.6 million from $30.6 million for the year ended May 31, 2022. This decrease in revenue from medical cannabis is primarily driven by increased competition from the adult-use recreational market and its related price compression impacting the medical cannabis market.

Revenue from adult-use cannabis: During the year ended, May 31, 2023, our revenue from Canadian adult-use cannabis product increased 2% to $214.3 million compared to revenue of $209.5 million for the prior year. Due to the decline in the Canadian dollar, on a constant currency basis, our revenue from Canadian adult-use cannabis increased 8% to $225.7 million for the year ended May 31, 2023. Included in the current period results was the favorable impact of the HEXO arrangement which resulted in $40.4 million of advisory services revenue for the year ended May 31, 2023 that did not occur in the prior period comparative. This increase was offset by the negative impacts of price compression, challenges in the province of Quebec and change in potency preferences.

Wholesale cannabis revenue: Revenue from wholesale cannabis decreased to $1.4 million for the year ended May 31, 2023, compared to revenue of $6.9 million for the prior year same period which is consistent on a constant currency basis. The Company continues to believe that wholesale cannabis revenue will remain subject to quarter-to-quarter variability and is based on opportunistic sales.

International cannabis revenue: Revenue from international cannabis decreased to $43.6 million for the year ended May 31, 2023, compared to revenue of $53.9 million for the year ended May 31, 2022. Given the deterioration of the Euro against the U.S. Dollar in the quarter, on a constant currency basis, revenue from international cannabis decreased to $47.4 million from $53.9 million in the prior year same period. During the year, the Company recognized a one-time return adjustment of $3.1 million related to a customer in Israel. In addition, the Company had

$9.8 million of revenue in the prior year to Israel, which did not repeat in the current period results given the challenging and severe deterioration of market conditions in Israel. These negative impacts were partially offset by expansion into other European countries that have legalized medical cannabis.

Distribution revenue

Revenue from Distribution operations decreased to $258.8 million for the year ended May 31, 2023 compared to revenue of $259.7 million for the prior year same period. Revenue was negatively impacted during year from the deterioration of the Euro against the U.S. Dollar, which when the impacts are eliminated on a constant currency basis, revenue increased to $285.1 million for the year ended May 31, 2023 when compared to prior year same period. However, this impact is offset by the impact of the flood that occurred in the comparative prior period and forced a business closure for approximately five days leading to a decrease in net revenue in the prior period of almost $5.0 million, which did not recur in the current year. Additionally, the Company is continuing to prioritize higher margin sales, and as a result of our focus on higher margin sales and capacity constraints, management believes in future periods we can continue to drive larger profit margins despite not increasing revenue in our distribution business as we approach full utilization of our facility.

Beverage alcohol revenue

Revenue from our Beverage operations increased to $95.1 million the year ended May 31, 2023, compared to revenue of $71.5 million for the prior year same period. The increase in the year relates primarily to our acquisition of Montauk on November 7, 2022.

Wellness revenue

Our Wellness revenue from Manitoba Harvest decreased to $52.8 million for the year ended May 31, 2023 compared to $59.6 million for the prior year same period. On a constant currency basis for the year ended May 31, 2023, Wellness revenue decreased to $54.4 million from $59.6 million. The decrease in revenue for the year related to continual changes of inventory management by one of our customers based on a warehousing strategy as well as a decline in sales velocity from a recent price increase required to protect our margin given the inflation on our ingredient costs.

Gross profit and gross margin

Our gross profit and gross margin for the years ended May 31, 2023, 2022 and 2021, is as follows, for our each of our operating segments:

(in thousands of U.S. dollars)	For the year ended May 31. 2023	2022	2021	Change 2023 vs. 2022	Change 2022 vs. 2021
Cannabis					
Net revenue	$220,430	$237,522	$201,392	$(17,092)	$ 36,130
Cost of goods sold	162,755	194,834	130,511	(32,079)	64,323
Gross profit (loss)	57,675	42,688	70,881	14,987	(28,193)
Gross margin	26%	18%	35%	8%	-17%
Inventory valuation adjustments	55,000	59,500	19,919	(4,500)	39,581
Adjusted gross profit[1]	112,675	102,188	90,800	10,487	11,388
Adjusted gross margin[1]	51%	43%	45%	8%	-2%
Distribution					
Net revenue	258,770	259,747	277,300	(977)	(17,553)
Cost of goods sold	231,309	243,231	242,472	(11,922)	759
Gross profit	27,461	16,516	34,828	10,945	(18,312)
Gross margin	11%	6%	13%	5%	(7%)
Inventory valuation adjustments	—	7,500	—	(7,500)	7,500
Adjusted gross profit[1]	27,461	24,016	34,828	3,445	(10,812)
Adjusted gross margin[1]	11%	9%	13%	2%	-4%

(in thousands of U.S. dollars)	For the year ended May 31. 2023	2022	2021	Change 2023 vs. 2022	Change 2022 vs. 2021
Beverage alcohol					
Net revenue	95,093	71,492	28,599	23,601	42,893
Cost of goods sold	48,770	32,033	12,687	16,737	19,346
Gross profit	46,323	39,459	15,912	6,864	23,547
Gross margin	49%	55%	56%	(6%)	(1%)
Purchase price accounting step-up	4,482	2,214	835	2,268	1,379
Adjusted gross profit[(1)]	50,805	41,673	16,747	9,132	24,926
Adjusted gross margin[(1)]	53%	58%	59%	-5%	-1%
Wellness					
Net revenue	52,831	59,611	5,794	(6,780)	53,817
Cost of goods sold	37,330	41,457	4,233	(4,127)	37,224
Gross profit	15,501	18,154	1,561	(2,653)	16,593
Gross margin	29%	30%	27%	(1%)	3%
Total					
Net revenue	627,124	628,372	513,085	(1,248)	115,287
Cost of goods sold	480,164	511,555	389,903	(31,391)	121,652
Gross profit (loss)	146,960	116,817	123,182	30,143	(6,365)
Gross margin	23%	19%	24%	4%	-5%
Inventory valuation adjustments	55,000	67,000	19,919	(12,000)	47,081
Purchase price accounting step-up	4,482	2,214	835	2,268	1,379
Adjusted gross profit[(1)]	$206,442	$186,031	$143,936	$ 20,411	$ 42,095
Adjusted gross margin[(1)]	33%	30%	28%	3%	2%

(1) Adjusted gross profit is our Gross profit (adjusted to exclude inventory valuation adjustment and purchase price accounting valuation step-up) and adjusted gross margin is our Gross margin (adjusted to exclude inventory valuation adjustment and purchase price accounting valuation step-up) and are non-GAAP financial measures. See "Reconciliation of Non-GAAP Financial Measures to GAAP Measures" for additional discussion regarding these non-GAAP measures. The Company's management believes that adjusted gross profit and adjusted gross margin are useful to our management to evaluate our business and operations, measure our performance, identify trends affecting our business, project our future performance, and make strategic decisions. We do not consider adjusted gross profit and adjusted gross margin in isolation or as an alternative to financial measures determined in accordance with GAAP.

Adjusted Gross Profit and Adjusted Gross Margin

Adjusted gross profit and adjusted gross margin are non-GAAP financial measures and may not be comparable to similar measures presented by other companies. Adjusted gross profit is our Gross profit (adjusted to exclude inventory valuation adjustment and purchase price accounting valuation step-up) and adjusted gross margin is our Gross margin (adjusted to exclude inventory valuation adjustment and purchase price accounting valuation step-up) and are non-GAAP financial measures. The Company's management believes that adjusted gross profit and adjusted gross margin are useful to our management to evaluate our business and operations, measure our performance, identify trends affecting our business, project our future performance, and make strategic decisions. We do not consider adjusted gross profit and adjusted gross margin percentage in isolation or as an alternative to financial measures determined in accordance with GAAP.

Cannabis gross margin: Gross margin increased during the year ended May 31, 2023, to 26% from 18% for the prior year same periods. The largest impact in the change in cannabis gross margin was related to the non-cash inventory valuation adjustments that occurred in the current year which was higher in the prior year. Excluding these valuation adjustments, adjusted gross margin during the year ended May 31, 2023, increased to 51% from 43% when comparing the same prior year period. The largest impact on the current period adjusted gross margin is the inclusion of the $40.4 million of HEXO advisory fee revenue included in cannabis revenue. When this revenue is excluded from this computation, our adjusted cannabis gross margin would have been 40%. The reason for the decline in the year when excluding the impacts from HEXO is attributed to the impacts of price compression as well as a decrease in utilization of our cannabis facilities to manage demand requirements. Additionally, the Company recognized a

one-time return as discussed in the international cannabis revenue section that reduced our top line revenue as well as a one-time inventory disposals incurred as exit costs from Israel for a combined impact of reducing gross profit by $1.4 million. Further impacting the decrease in the adjusted gross cannabis margin is a shift in strategic priorities to focus on pursuing cash flow generating activities. The Company has made the business decision to lower production in our cannabis facilities as a result of slower than anticipated legalization globally. We will continue to prioritize reductions in operational costs as we continue to assess additional potential cost saving initiatives.

Distribution gross margin: Gross margin of 11% for the year ended May 31, 2023, increased from 6% the year ended May 31, 2022. The distribution gross margin for the year ended May 31, 2023, increased to 11% from the prior year's adjusted gross margin of 9%, which included a write-off of $7.5 million from excess inventory related to medicines purchased during the peak of the pandemic that occurred in prior period comparative figure and did not recur. The adjusted year over year increase relates to a change in product mix as the Company continues to focus on higher margin sales in the current year.

Beverage alcohol gross margin: Gross margin of 49% for the year ended May 31, 2023, decreased from 55% the prior year ended May 31, 2022. Adjusted gross margin of 53% decreased in the year ended May 31, 2023, from 58% in the year ended May 31, 2022. The adjusted gross margin for Beverage alcohol was 53% in the year compared to 58% for the prior year. The decrease in beverage alcohol gross margin for the year is a result of the Montauk acquisition that was not completed in the prior period comparison and the Breckenridge acquisition which was only in two quarters of the comparative period. Both acquired companies operate at a slightly lower margin than SweetWater, which contributed to the decrease. Additionally, SweetWater has expanded operations in Colorado in the current period which has had negative impacts on the margin as it is still in the start-up phase.

Wellness gross margin: Gross margin of 29% for the year ended May 31, 2023, decreased from a gross margin of 30% for the year ended May 31, 2022. The decrease is related to the impacts of higher input costs of seed ingredients as a result of inflation. The Company increased prices in the second quarter to combat the impacts of this inflation and as a result the gross margin has remained overall consistent.

Operating expenses

	For the year ended May 31,			Change		Change	
(in thousands of US dollars)	2023	2022	2021	2023 vs. 2022		2022 vs. 2021	
General and administrative	$ 165,159	$162,801	$111,575	$ 2,358	1%	$ 51,226	46%
Selling	34,840	34,926	26,576	(86)	(0)%	8,350	31%
Amortization	93,489	115,191	35,221	(21,702)	(19)%	79,970	227%
Marketing and promotion	30,937	30,934	17,539	3	0%	13,395	76%
Research and development	682	1,518	830	(836)	(55)%	688	83%
Change in fair value of contingent consideration	855	(44,650)	—	45,505	(102)%	(44,650)	NM
Impairments	934,000	378,241	—	555,759	147%	378,241	NM
Other than temporary change in fair value of convertible notes receivable	246,330	—	—	246,330	NM	—	NM
Litigation (recovery) costs	(505)	16,518	3,251	(17,023)	(103)%	13,267	408%
Restructuring costs	9,245	795	—	8,450	1,063%	795	NM
Transaction costs	1,613	30,944	60,361	(29,331)	(95)%	(29,417)	(49)%
Total operating expenses	$1,516,645	$727,218	$255,353	$789,427	109%	$471,865	185%

Total operating expenses for the year ended May 31, 2023, increased by $789.4 million to $1,516.6 million from $727.2 million as compared to prior year. Operating expenses are comprised of general and administrative, share-based compensation, selling, amortization, marketing and promotion, research and development, change in fair value of contingent consideration, impairments, litigation (recovery) costs, restructuring costs and transaction (income) costs. This increase was primarily a result of the non-cash impairments and changes in fair value of convertible notes receivable recorded in the period described in detail below.

General and administrative costs

(in thousands of US dollars)	For the year ended May 31, 2023	2022	2021	Change 2023 vs. 2022		Change 2022 vs. 2021	
Executive compensation	$ 13,655	$ 14,128	$ 8,645	$ (473)	(3)%	$ 5,483	63%
Office and general	27,845	27,153	19,503	692	3%	7,650	39%
Salaries and wages	57,228	51,693	37,126	5,535	11%	14,567	39%
Stock-based compensation	39,595	35,994	17,351	3,601	10%	18,643	107%
Insurance	12,033	17,536	12,257	(5,503)	(31)%	5,279	43%
Professional fees	7,166	13,047	11,779	(5,881)	(45)%	1,268	11%
Gain on sale of capital assets	(48)	(682)	—	634	(93)%	(682)	NM
Insurance proceeds	—	(4,032)	—	4,032	(100)%	(4,032)	NM
Travel and accommodation	4,530	4,203	2,711	327	8%	1,492	55%
Rent	3,155	3,761	2,203	(606)	(16)%	1,558	71%
Total general and administrative costs	$165,159	$162,801	$111,575	$ 2,358	1%	$51,226	46%

Executive compensation decreased by 3% in the year ended May 31, 2023 compared to $14.1 the prior year, primarily due to a minor changes in the executive team structure and otherwise remained consistent.

Office and general increased by 3% in the year ended May 31, 2023 compared to $27.2 the prior year, primarily due to the acquisition of Montauk, increased operations and some reclassification of other expenses during the period.

Salaries and wages increased 11% in the year ended May 31, 2023 compared to $51.7 the prior year. The increase is primarily due to additions associated with the inclusion of Breckenridge employees, who were partially included in the prior year and Montauk employees, who were not included in the prior year.

The Company recognized stock-based compensation expense of $39.6 million in the year ended May 31, 2023 compared to $36.0 million to the prior year. The increase is primarily driven by the increased number of employees and the accelerated vesting of certain elements of our stock-based compensation awards.

Insurance expenses decreased by 31% in the year ended May 31, 2023 compared to the prior year, due primarily to our revised directors and officers' insurance policy. This item was a target of the Tilray-Aphria Arrangement Agreement synergies.

Professional fees decreased by 45% to $7.2 million in the year ended May 31, 2023 from $13.0 when compared to the prior year. This item was a target of the Tilray-Aphria Arrangement Agreement synergies which drove the large decrease in the year. As well, some of our charter amendment costs were recorded in transactions costs during the period.

The Company recognized $4.0 million in the year ended May 31, 2022 related to insurance recoveries under the business interruption and extra expense portions of CC Pharma's property insurance and had no recoveries in 2023.

Selling costs

For the year ended May 31, 2023, the Company incurred selling costs of $34.8 million or 5.6% of revenue as compared to $34.9 or 5.6% of revenue in the prior year. These costs relate to third-party distributor commissions, shipping costs, Health Canada cannabis fees, and patient acquisition and maintenance costs. Patient acquisition and ongoing patient maintenance costs include funding to individual clinics to assist with additional costs incurred by clinics resulting from the education of patients using the Company's products. The amount has remained consistent as a percentage of revenue on a year over year basis.

Amortization

The Company incurred non-production related amortization charges of $93.5 million for the year ended May 31, 2023 compared to $115.2 million in 2022. The decreased amortization is a result of the reduced intangible asset levels.

Marketing and promotion cost

For the year ended May 31, 2023, the Company incurred marketing and promotion costs of $30.9 million, as compared to $30.9 in the prior year. This amount has remained consistent period over period as marketing is not directly proportionate to sales and is discretionary.

Research and development

Research and development costs were $0.7 million in the year ended May 31, 2023, compared to $1.5 million in the prior year. Research and development costs relate to external costs associated with the development of new products.

Impairment

Based upon a combination of factors including a sustained decline in the Company's market capitalization below the Company's carrying value, coupled with challenging macro-economic conditions, most particularly the rising interest rate environment and slower than anticipated progress in global cannabis legalization, the Company concluded that it is more likely than not that indicators of impairment were present in the Company's third quarter ended February 28, 2023. Accordingly, the Company performed the applicable impairment tests by computing the fair value of each reporting segment by using the income approach, and a combination of the income approach and the market approach for all other asset categories identified to have indicators of impairment as summarized below. As a result the Company incurred a non-cash impairment expense for the year ended May 31, 2023 of $934.0 million which is comprised of the following components:

- Capital asset impairments of $81.5 million on a production facility in Canada and $22.5 million on equipment which the Company has temporarily made idle in order to reduce cultivation costs and right-size the Company's production to align with current and projected demand, as references in Note 6 (Capital assets), and;
- Intangible asset impairments of $110.0 million on customer relationships & distribution channels, $55.0 million of its licenses, permits & applications and $40.0 million of its intellectual property, trademarks, knowhow & brands, as a result of the decline in market share in its Canadian cannabis with certain product lines and customers, as referenced in Note 8 (Intangible assets), and;
- Goodwill impairments of $603.5 million in cannabis goodwill and $15.0 million in wellness goodwill, as a result of the increased Company specific risk premium which was driven by increased borrowing rates and the decline of the company's market capitalization, as referenced in Note 10 (Goodwill), and;
- Other current assets impairments of $6.5 million.

This non-cash impairment expense has no impact on the Company's compliance with debt covenants, its cash flows or available liquidity.

Other than temporary write-down of convertible notes receivable

During the year the Company recognized an other-than-temporary change in fair value, which resulted in a non-cash impairment expense of convertible notes receivable impairments of $128.6 million on the HEXO Convertible Notes Receivable due to changes in the HEXO share price and HEXO operations, which culminated in HEXO's assessment of a going concern issue primarily surrounding their ability to meet their minimum liquidity covenant and $117.8 million on the MedMen Convertible Notes due to the deterioration of capital market conditions from increased interest rates and recent delays in US Federal cannabis legalization, as referenced in Note 11 (Convertible Notes Receivable). Subsequent to year-end, the Company converted the HEXO Convertible Notes Receivable and acquired all the outstanding shares of HEXO, see Note 30 (Subsequent events).

Litigation costs

Litigation costs of ($0.5) million were expensed during the year ended May 31, 2023 compared to $16.5 million in the prior year. Litigation costs include fees and expenses incurred in connection with defending and settling ongoing litigation matters, net of any judgments or settlement recoveries received from third parties. See Note 27 (Commitments and Contingencies) for additional information on significant litigation matters.

Restructuring costs

In connection with executing our acquisition strategy and strategic transactions, the Company incurred non-recurring restructuring and exit costs associated with the integration efforts of these transactions. For the year ended May 31, 2023 and May 31, 2022 respectively, the Company incurred $9.2 million and $0.8 million of restructuring costs. The breakdown of the restructuring charges for the year ended May 31, 2023 are as follows:

In the year the Company incurred $2.7 million of expenses related to severance costs required to right size the Company's production to better align with current demand requirements. The Company also incurred $1.6 million of exit cost and $2.8 million for inventory adjustments from the termination of our producer partnership in Uruguay due to a breach of the underlying contract in our International cannabis business. Additionally, amounts related to the Tilray-Aphria arrangement agreement for the closure of our Canadian cannabis facility in Enniskillen were reclassified from transaction costs to restructuring costs during the quarter in the amount of $1.4 million. It is anticipated that there will continue to be additional costs associated with this transaction until the resolution of our lease termination for our Enniskillen facility and the restructuring of Nanaimo facility are completed. The Company also incurred $2.2 million of write-offs from the exit of our medical device reprocessing business in our distribution reporting segment. These one-time non-cash charges were a required exit cost as we determined this business venture was no longer accretive to our focus of being free cash flow positive and is not anticipated to have ongoing expenses.

Transaction costs

Items classified as transaction (income) costs are non-recurring in nature and correspond largely to our acquisitions, and synergy strategy. The decrease of 95% from $30.9 million in the prior year to $1.6 million in the current year is related to the following items:

- the prior year included fees related to the MedMen transaction, and there are no further expected costs to be incurred unless the Triggering Event arises;
- we recognized a change in fair value of $18.3 million on the HTI Share Consideration's purchase price derivative as a result of an increase in our share price on the shares paid for the HEXO convertible note receivable Note 11 (Convertible notes receivable). This gain was payable to the Company from HTI and was collected in cash during the current year. This gain offsets the following items in the year and contributes to the year over year decrease in transaction costs,
- a non-reimbursed compensation payment of $5.0 million, as a result of the HEXO transaction;
- fees incurred for the Montauk acquisition in the current year which differed from the fees incurred for the Breckenridge acquisitions which occurred in the prior year; and
- fees associated with amending our charter during the year.

Non-operating income (expense), net

(in thousands of US dollars)	For the year ended May 31, 2023	2022	2021	Change 2023 vs. 2022		Change 2022 vs. 2021	
Change in fair value of convertible debenture payable	$(43,651)	$163,670	$(170,453)	$(207,321)	(127)%	$334,123	(196)%
Change in fair value of warrant liability	12,438	63,913	1,234	(51,475)	(81)%	62,679	5,079%
Foreign exchange loss	(25,535)	(28,383)	(22,347)	2,848	(10)%	(6,036)	27%
Loss on long-term investments	(2,190)	(6,737)	(2,352)	4,547	(67)%	(4,385)	186%
Other non-operating (losses) gains, net	(7,971)	5,208	9,080	(13,179)	(253)%	(3,872)	(43)%
Total non-operating income (expense)	$(66,909)	$197,671	$(184,838)	$(264,580)	(134)%	$382,509	(207)%

For the year ended May 31, 2023, the Company recognized a gain on the change in fair value of its APHA 24 convertible debentures of ($43.7) million, compared to a loss on the change in fair value of $163.7 million for the prior year. The change is driven primarily by the changes in the Company's share price and the change in the trading

price of the convertible debentures. For the year ended May 31, 2023, the Company recognized a change in fair value of its warrants of $12.4 million compared to a change in fair value of $63.9 million for the prior year. Furthermore, for the year ended May 31, 2023, the Company recognized a loss of ($25.5) million, resulting from the changes in foreign exchange rates during the period, compared to a loss of ($28.4) million for the prior year, largely associated with the strengthening of the US dollar against the Canadian dollar. The remaining other losses relate to changes in fair value in the Company's convertible notes receivable and long-term investments.

Reconciliation of Non-GAAP Financial Measures to GAAP Measures

Adjusted EBITDA

Adjusted EBITDA is a non-GAAP financial measure that does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. The Company calculates adjusted EBITDA as net (loss) income before income taxes, interest expense, net, non-operating expense (income), net, amortization, stock-based compensation, change in fair value of contingent consideration, impairment, inventory valuation adjustments, purchase price accounting step up, facility start-up and closure costs, lease expense, litigation costs and transaction costs.

The Company's management believes that this presentation provides useful information to management, analysts and investors regarding certain additional financial and business trends relating to its consolidated results of operations and financial condition before non-controlling interests. In addition, management uses this measure for reviewing the financial results of the Company and as a component of performance-based executive compensation.

We do not consider adjusted EBITDA in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitation of adjusted EBITDA is that it excludes certain expenses and income that are required by GAAP to be recorded in our consolidated financial statements. In addition, adjusted EBITDA is subject to inherent limitations as this metric reflects the exercise of judgment by management about which expenses and income are excluded or included in determining adjusted EBITDA. In order to compensate for these limitations, management presents adjusted EBITDA in connection with GAAP results.

For the year ended May 31, 2023, adjusted EBITDA increased by $13.5 million to $61.5 million compared to $48.0 in the prior year.

	For the year ended May 31,			Change 2023 vs. 2022		Change 2022 vs. 2021	
	2023	2022	2021				
Adjusted EBITDA reconciliation:							
Net (loss) income	$(1,443,000)	$(434,132)	$(336,014)	$(1,008,868)	232%	$ (98,118)	29%
Income tax benefits, net	(7,181)	(6,542)	(8,972)	(639)	10%	2,430	(27)%
Interest expense, net	13,587	27,944	27,977	(14,357)	(51)%	(33)	(0)%
Non-operating income (expense), net	66,909	(197,671)	184,838	264,580	(134)%	(382,509)	(207)%
Amortization	130,149	154,592	67,832	(24,443)	(16)%	86,760	128%
Stock-based compensation	39,595	35,994	17,351	3,601	10%	18,643	107%
Change in fair value of contingent consideration	855	(44,650)	—	45,505	(102)%	(44,650)	NM
Impairments	934,000	378,241	—	555,759	147%	378,241	NM
Other than temporary change in fair value of convertible notes receivable	246,330	—	—	246,330	NM	—	NM
Inventory valuation adjustments	55,000	67,000	19,919	(12,000)	(18)%	47,081	236%
Purchase price accounting step-up	4,482	2,214	835	2,268	102%	1,379	165%
Facility start-up and closure costs	7,600	13,700	2,056	(6,100)	(45)%	11,644	566%
Lease expense	2,800	3,100	1,337	(300)	(10)%	1,763	132%
Litigation (recovery) costs	(505)	16,518	3,251	(17,023)	(103)%	13,267	408%
Restructuring costs	9,245	795	—	8,450	1,063%	795	NM
Transaction costs	1,613	30,944	60,361	(29,331)	(95)%	(29,417)	(49)%
Adjusted EBITDA	$ 61,479	$ 48,047	$ 40,771	$ 13,432	28%	$ 7,276	18%

Adjusted EBITDA should not be considered in isolation from, or as a substitute for, net loss. There are a number of limitations related to the use of adjusted EBITDA as compared to net loss, the closest comparable GAAP measure. Adjusted EBITDA excludes:

- Non-cash inventory valuation adjustments;
- Non-cash amortization expenses, although these are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future;
- Stock-based compensation expenses, which has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of our compensation strategy;
- Non-cash impairment charges, as the charges are not expected to be a recurring business activity;
- Non-cash other than temporary write-down of convertible notes receivable, as the charges are not expected to be a recurring business activity;
- Non-cash foreign exchange gains or losses, which accounts for the effect of both realized and unrealized foreign exchange transactions. Unrealized gains or losses represent foreign exchange revaluation of foreign denominated monetary assets and liabilities;
- Non-cash change in fair value of warrant liability;
- Interest expense, net;
- Costs incurred to start up new facilities such as Sweetwater Colorado, and to fund emerging market operations such as Malta and our German cultivation facilities and closure costs to run facilities through the wind-down of operations;
- Lease expense, to conform with competitors who report under IFRS;
- Transaction costs includes acquisition related expenses, which vary significantly by transactions and are excluded to evaluate ongoing operating results;
- Litigation (recovery) costs includes costs related to ongoing litigations, legal settlements and recoveries which are excluded to evaluate ongoing operating results;
- Restructuring costs;
- Amortization of purchase accounting step-up in inventory value included in costs of sales - product costs; and
- Current and deferred income tax expenses and recoveries, which are a significant recurring expense or recovery in our business in the future and reduce or increase cash available to us.

Critical Accounting Policies and Significant Judgments and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). A detailed discussion of our significant accounting policies can be found in Part II, Item 8, Note 3, “*Summary of Significant Accounting Policies*”, and the impact and risks associated with our accounting policies are discussed throughout this Form 10-K and in the Notes to the Consolidated Financial Statements. We have identified certain policies and estimates as critical to our business operations and the understanding of our past or present results of operations related to (i) long-term investments and convertible notes receivable, (ii) estimated useful lives, impairment consideration and amortization of capital and intangible assets, (iii) stock-based compensation, (iv) business combinations, (v) convertible debentures and (vi) warrant liability. These policies and estimates are considered critical because they had a material impact, or they have the potential to have a material impact, on our consolidated financial statements and because they require us to make significant judgments, assumptions or estimates. We believe that the estimates, judgments and assumptions made when accounting for the items described below were reasonable, based on information available at the time they were made. Actual results could differ materially from these estimates.

(i) Revenue recognition

Revenue is recognized when the control of the promised goods, through performance obligation, is transferred to the customer in an amount that reflects the consideration we expect to be entitled to in exchange for the performance obligations or as advisory services are provided. Payments received for the goods or services in advance of performance are recognized as a contract liability.

Excise taxes remitted to tax authorities are government-imposed excise taxes on cannabis and beer. Excise taxes are recorded as a reduction of sales in net revenue in the consolidated statements of operations and recognized as a current liability within accounts payable and other current liabilities on the consolidated balance sheets, with the liability subsequently reduced when the taxes are remitted to the tax authority.

In addition, amounts disclosed as net revenue are net of excise taxes, sales tax, duty tax, allowances, discounts and rebates.

In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration and the existence of significant financing components, if any.

Some contracts for the sale of goods may provide customers with a right of return, volume discount, bonuses for volume/quality achievement, or sales allowance. In addition, the Company may provide in certain circumstances, a retrospective price reduction to a customer based primarily on inventory movement. These items give rise to variable consideration. The Company uses the expected value method to estimate the variable consideration because this method best predicts the amount of variable consideration to which the Company will be entitled. The Company uses historical evidence, current information and forecasts to estimate the variable consideration. The Company reduces revenue and recognizes a contract liability equal to the amount expected to be refunded to the customer in the form of a future rebate or credit for a retrospective price reduction, representing its obligation to return the customer's consideration. The estimate is updated at each reporting period date.

(ii) Valuation of inventory

Refer to Part II, Item 8, Note 3, "*Summary of Significant Accounting Policies*" for further details on our inventory cost policy. At the end of each reporting period, the Company performs an assessment of inventory and records write-downs for excess and obsolete inventories based on the Company's estimated forecast of product demand, production requirements, market conditions, regulatory environment, and spoilage. Actual inventory losses may differ from management's estimates and such differences could be material to the Company's statements of financial position, statements of loss and comprehensive loss and statements of cash flows. Changes in the regulatory structure, lack of retail distribution locations or lack of consumer demand could result in future inventory reserves.

(iii) Impairment of goodwill and indefinite-lived intangible assets

Goodwill and indefinite-lived intangible assets are tested for impairment annually, or more frequently when events or circumstances indicate that impairment may have occurred. As part of the impairment evaluation, we may elect to perform an assessment of qualitative factors. If this qualitative assessment indicates that it is more likely than not that the fair value of the indefinite-lived intangible asset or the reporting unit (for goodwill) is less than its carrying value, a quantitative impairment test to compare the fair value to the carrying value is performed. An impairment charge is recorded if the carrying value exceeds the fair value. The assessment of whether an indication of impairment exists is performed at the end of each reporting period and requires the application of judgment, historical experience, and external and internal sources of information. We make estimates in determining the future cash flows and discount rates in the quantitative impairment test to compare the fair value to the carrying value.

(iv) Stock-based compensation

We measure and recognize compensation expenses for stock options and restricted stock units ("RSUs") to employees, directors and consultants on a straight-line basis over the vesting period based on their grant date fair values. We estimate the fair value of stock options on the date of grant using the Black-Scholes option pricing model. The fair value of RSUs is based on the share price as at the date of grant. We estimate forfeitures at the time of grant and revise these estimates in subsequent periods if actual forfeitures differ from those estimates.

Determining the estimated fair value at the grant date requires judgment in determining the appropriate valuation model and assumptions, including the fair value of common shares on the grant date, risk-free rate, volatility rate, annual dividend yield and the expected term. Volatility is estimated by using the historical volatility of the accounting acquirer and, other companies that we consider comparable and have trading and volatility history.

(v) Business combinations and goodwill

We use judgement in applying the acquisition method of accounting for business combinations and estimates to value contingent consideration, identifiable assets and liabilities assumed at the acquisition date. Estimates are used to determine cash flow projections, including the period of future benefit, and future growth and discount rates, among other factors. The values allocated to the acquired assets and liabilities assumed affect the amount of goodwill recorded on acquisition. Fair value of assets acquired and liabilities assumed is typically estimated using an income approach, which is based on the present value of future discounted cash flows. Significant estimates in the discounted cash flow model include the discount rate, rate of future revenue growth and profitability of the acquired business and working capital effects. The discount rate considers the relevant risk associated with the business-specific characteristics and the uncertainty related to the ability to achieve projected cash flows. These estimates and the resulting valuations require significant judgment. Management engages third party experts to assist in the valuation of material acquisitions.

(vi) Convertible notes receivable

Convertible notes receivables include various investments in which the Company has the right, or potential right to convert the indenture into common stock shares of the investee and are classified as available-for-sale and are recorded at fair value. Unrealized gains and losses during the year, net of the related tax effect, are excluded from income and reflected in other comprehensive income (loss), and the cumulative effect is reported as a separate component of shareholders' equity until realized. We use judgement to assess convertible notes receivables for impairment at each measurement date. Convertible notes receivables are impaired when a decline in fair value is determined to be other-than-temporary. If the cost of an investment exceeds its fair value, we evaluate, among other factors, general market conditions, credit quality of debt instrument issuers, and the duration and extent to which the fair value is less than cost. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded in the statements of loss and comprehensive loss and a new cost basis for the investment is established. We also evaluate whether there is a plan to sell the security, or it is more likely than not that we will be required to sell the security before recovery. If neither of the conditions exist, then only the portion of the impairment loss attributable to credit loss is recorded in the statements of net loss and the remaining amount is recorded in other comprehensive income (loss).

(vii) Warrants

Warrants are accounted for in accordance with applicable accounting guidance provided in ASC Topic 815, Derivatives and Hedging – Contracts in Entity's Own Equity ("ASC 815"), as either liabilities or as equity instruments depending on the specific terms of the warrant agreement. Our warrants are classified as liabilities and are recorded at fair value. The warrants are subject to re-measurement at each settlement date and at each balance sheet date and any change in fair value is recognized as a component of change in fair value of warrant liability in the statements of net loss and comprehensive loss. Transaction costs allocated to warrants that are presented as a liability are expensed immediately within transaction costs in the statements of net loss and comprehensive loss.

We estimate the fair value of the warrant liability using a Black-Scholes pricing model. We are required to make assumptions and estimates in determining an appropriate risk-free interest rate, volatility, term, dividend yield, discount due to exercise restrictions, and the fair value of common stock. Any significant adjustments to the unobservable inputs would have a direct impact on the fair value of the warrant liability.

(viii)Convertible debentures

The Company accounts for its convertible debentures in accordance with ASC 470-20 *Debt with Conversion and Other Options*, whereby the convertible instrument is initially accounted for as a single unit of account, unless it contains a derivative that must be bifurcated from the host contract in accordance with ASC 815-15 *Derivatives and Hedging – Embedded Derivatives* or the substantial premium model in ASC 470-20 *Debt – Debt with Conversion and Other Options* applies. Where the substantial premium model applies, the premium is recorded in additional paid-in capital. The resulting debt discount is amortized over the period during which the convertible notes are expected to be outstanding as additional non-cash interest expenses.

Upon repurchase of convertible debt instruments, ASC 470-20 requires the issuer to allocate total settlement consideration, inclusive of transaction costs, amongst the liability and equity components of the instrument based on the fair value of the liability component immediately prior to repurchase. The difference between the settlement

consideration allocated to the liability component and the net carrying value of the liability component, including unamortized debt issuance costs, would be recognized as gain (loss) on extinguishment of debt in the statements of loss and comprehensive loss. The remaining settlement consideration allocated to the equity component would be recognized as a reduction of additional paid-in capital in the statements of financial position.

For convertible debentures with an embedded conversion feature that did not meet the equity scope exception from derivative accounting pursuant to ASC 815-15, the Company elected the fair value option under ASC 825 *Fair Value Measurements*. When the fair value option is elected, the convertible debenture is initially recognized at fair value on the statements of financial position and all subsequent changes in fair value, excluding the impact of the change in fair value related to instrument-specific credit risk are recorded in non-operating income (loss). The changes in fair value related to instrument-specific credit risk is recorded through other comprehensive income (loss). Transaction costs directly attributable to the issuance of the convertible debenture is immediately expensed in the statements of loss and comprehensive loss.

New Standards and Interpretations Applicable Effective June 1, 2022

Refer to Part II, Item 8, Note 3, *Significant Accounting Policies,* of this Form 10-K for additional information on changes in accounting policies. There have been no new standards or interpretations applicable to the Company during the year.

Liquidity and Capital Resources

We actively manage our cash and investments in order to internally fund operating needs, make scheduled interest and principal payments on our borrowings, and make acquisitions. On March 3, 2022, we entered into an at the market offering arrangement (the ''ATM Program'') pursuant to which we offered and sold our common stock having an aggregate offering price of up to $400 million. The ATM Program was intended to strengthen our balance sheet and improve our liquidity position and was utilized to offer and sell common stock having a total of $400 million. The Company fully completed its sales of shares under the ATM Program during the fiscal year. In addition, the Company issued additional convertible debentures payable (Note 17) to pay off certain existing convertible debentures. We believe that existing cash, cash equivalents, short-term investments and cash generated by operations, together with received proceeds from the ATM Program and access to external sources of funds, will be sufficient to meet our domestic and foreign capital needs for a short and long term outlook.

For the Company's short-term liquidity requirements, we are focused on generating positive cash flows from operations and being free cash flow positive. As a result of delays in legalization across multiple markets, management continues to reduce operations, headcount, as well as the elimination of other discretionary operational costs. Some of these actions may be less accretive to our Adjusted EBITDA in the short term, however we believe that they will be required for our liquidity aspirations in the near term future. Additionally, the Company continues to invest our excess cash in the short-term in marketable securities which are comprised of U.S. treasury bills and term deposits with major Canadian banks.

For the Company's long-term liquidity requirements, we will be focused on funding operations through profitable organic and inorganic growth through acquisitions. We may need to take on additional debt or equity financing arrangements in order to achieve these ambitions on a long-term basis.

The following table sets forth the major components of our statements of cash flows for the periods presented:

	For the Year ended May 31,			Change		Change	
	2023	2022	2021	2023 vs. 2022		2022 vs. 2021	
Net cash provided by (used in) operating activities	$ 7,906	$(177,262)	$ (44,717)	$ 185,168	(104)%	$(132,545)	296%
Net cash (used in) provided by investing activities	(285,111)	(21,533)	46,105	(263,578)	1,224%	(67,638)	(147)%
Net cash provided by financing activities	70,158	128,196	124,308	(58,038)	(45)%	3,888	3%
Effect on cash of foreign currency translation	(2,230)	(1,958)	2,124	(272)	14%	(4,082)	(192)%
Cash and cash equivalents, beginning of period	415,909	488,466	360,646	(72,557)	(15)%	127,820	(176)%
Cash and cash equivalents, end of period	$ 206,632	$ 415,909	$488,466	$(209,277)	-50%	$ (72,557)	35%
Marketable securities	241,897	—	—	241,897	NM	—	NM
Cash and marketable securities	$ 448,529	$ 415,909	$488,466	$ 32,620	8%	$ (72,557)	(222)%

Cash flows from operating activities

The improvement in net cash provided by operating activities of $7.9 million during the year ended May 31, 2023, compared to the net cash used in operating activities of $177.3 million in the prior year same period is primarily related to improved operating efficiencies realized through our synergy and cost optimization programs, improved management of our working capital requirements, the $18.3 million of the cash collected from the HTI Share Consideration's purchase price derivative and the $33.0 million of cash received from the SLC Settlement.

Cash flows from investing activities

The increase in net cash used in investing activities to $285.1 million from $21.5 million in 2023 compared to 2022 changed primarily due to the $243.1 million purchase of marketable securities and the $26.7 million for our acquisition of Montauk Brewing Company.

Cash flows from financing activities

The decrease in cash provided by financing activities to $70.2 million from $128.2 million in 2023 compared to 2022 is primarily due to less funds received from the ATM financing completed in fiscal year 2023, and the early payment on the Company's convertible debentures of $187.4 million in fiscal year 2023 compared to $88.0 million in fiscal year 2022, offset by the convertible debt financing for $145.1 million completed in fiscal year 2023 that did not occur in fiscal year 2022.

Cash resources and working capital requirements

The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. As of May 31, 2023, the Company maintained $448.5 million of cash and cash equivalents on hand and marketable securities, compared to $415.9 million in cash and cash equivalents at May 31, 2022.

Working capital provides funds for the Company to meet its operational and capital requirements. As of May 31, 2023, the Company maintained working capital of $340.1 million. We historically financed our operations through the issuance of common stock, sale of convertible notes and revenue generating activities. While we believe we have sufficient cash to meet existing working capital requirements in the short term, we may need additional sources of capital and/or financing, to meet our U.S. growth ambitions, expansion of our international operations and other strategic transactions.

Contractual obligations

We lease various facilities, under non-cancelable operating leases, which expire at various dates through September 2040:

	Operating leases
2024	$ 4,106
2025	3,295
2026	3,486
2027	3,412
Thereafter	4,012
Total minimum lease payments	$18,311
Imputed interest	(7,952)
Obligations recognized	$10,359

Purchase and other commitments

The Company has payments for long-term debt, convertible debentures, material purchase commitments and constructions commitments, as follows:

	Total	2024	2025	2026	2027	Thereafter
Long-term debt repayment	$161,707	$ 24,080	$ 14,208	$41,798	$10,522	$ 71,099
Convertible notes payable	464,070	177,330	136,740	—	—	150,000
Material purchase obligations	24,468	18,726	5,140	602	—	—
Construction commitments	8,410	8,410	—	—	—	—
Total	$658,655	$228,546	$156,088	$42,400	$10,522	$221,099

Except as disclosed elsewhere in this Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, there have been no material changes with respect to the contractual obligations of the Company during the year-to-date period except for those related to the Company's acquisitions.

Contingencies

In the normal course of business, we may receive inquiries or become involved in legal disputes regarding various litigation matters. In the opinion of management, any potential liabilities resulting from such claims would not have a material adverse effect on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company has exposure to the following risks from its use of financial instruments: credit; liquidity; currency rate; and, interest rate price.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at May 31, 2023, is the carrying amount of cash and cash equivalents, accounts receivable, prepaids and other current assets and convertible notes receivable. All cash and cash equivalents are placed with major financial institutions in Canada, Australia, Portugal, Germany, Colombia, Argentina and the United States. To date, the Company has not experienced any losses on its cash deposits. Accounts receivable are unsecured, and the Company does not require collateral from its customers.

(b) Liquidity risk

As at May 31, 2023, the Company's financial liabilities consist of bank indebtedness and accounts payable and accrued liabilities, which have contractual maturity dates within one-year, long-term debt, and convertible debentures which have contractual maturities over the next five years.

The Company maintains debt service charge and leverage covenants on certain loans secured by its Aphria Diamond facilities and 420 that are measured quarterly. The Company believes that it has sufficient operating room with respect to its financial covenants for the next fiscal year and does not anticipate being in breach of any of its financial covenants.

The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's working capital position at May 31, 2023, management regards liquidity risk to be low.

(c) Currency rate risk

As at May 31, 2023, a portion of the Company's financial assets and liabilities held in Canadian dollars and Euros consist of cash and cash equivalents, convertible notes receivable, and long-term investments. The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in the functional currency. The Company is exposed to currency rate risk in other comprehensive income, relating to foreign subsidiaries which operate in a foreign currency. The Company does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows as management has determined that this risk is not significant at this point in time.

(d) Interest rate price risk

The Company's exposure to changes in interest rates relates primarily to the Company's outstanding debt. The Company manages interest rate risk by restricting the type of investments and varying the terms of maturity and issuers of marketable securities. Varying the terms to maturity reduces the sensitivity of the portfolio to the impact of interest rate fluctuations.

Item 8. Financial Statements and Supplementary Data.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position as of May 31, 2023 and 2022 67

Consolidated Statements of Loss and Comprehensive Loss for the Years ended May 31, 2023, 2022, and 2021 68

Consolidated Statements of Changes in Equity for the Years ended May 31, 2023, 2022, and 2021. 69

Consolidated Statements of Cash Flows for the Years ended May 31, 2023, 2022, and 2021 70

Notes to Consolidated Financial Statements. 71

Report of Independent Registered Public Accounting Firm PCAOB ID 271 111

All financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and accompanying notes.

Tilray Brands, Inc.
Consolidated Statements of Financial Position
(In thousands of U.S. dollars)

	May 31, 2023	May 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 206,632	$ 415,909
Marketable securities	241,897	—
Accounts receivable, net	86,227	95,279
Inventory	200,551	245,529
Prepaids and other current assets	37,722	46,786
Total current assets	773,029	803,503
Capital assets	429,667	587,499
Right-of-use assets	5,941	12,996
Intangible assets	973,785	1,277,875
Goodwill	2,008,843	2,641,305
Interest in equity investees	4,576	4,952
Long-term investments	7,795	10,050
Convertible notes receivable	103,401	111,200
Other assets	222	314
Total assets	$ 4,307,259	$5,449,694
Liabilities		
Current liabilities		
Bank indebtedness	$ 23,381	$ 18,123
Accounts payable and accrued liabilities	190,682	157,431
Contingent consideration	16,218	16,007
Warrant liability	1,817	14,255
Current portion of lease liabilities	2,423	6,703
Current portion of long-term debt	24,080	67,823
Current portion of convertible debentures payable	174,378	—
Total current liabilities	432,979	280,342
Long - term liabilities		
Contingent consideration	10,889	—
Lease liabilities	7,936	11,329
Long-term debt	136,889	117,879
Convertible debentures payable	221,044	401,949
Deferred tax liabilities	167,364	196,638
Other liabilities	215	191
Total liabilities	977,316	1,008,328
Commitments and contingencies (see to Note 27)		
Stockholders' equity		
Common stock ($0.0001 par value; 990,000,000 shares authorized; 656,655,455 and 532,674,887 shares issued and outstanding, respectively)	66	53
Additional paid-in capital	5,777,743	5,382,367
Accumulated other comprehensive loss	(46,610)	(20,764)
Accumulated Deficit	(2,415,507)	(962,851)
Total Tilray Brands, Inc. stockholders' equity	3,315,692	4,398,805
Non-controlling interests	14,251	42,561
Total stockholders' equity	3,329,943	4,441,366
Total liabilities and stockholders' equity	$ 4,307,259	$5,449,694

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

Tilray Brands, Inc.
Consolidated Statements of Loss and Comprehensive Loss
(In thousands of U.S. dollars, except share and per share amounts)

	For the year ended May 31,		
	2023	2022	2021
Net revenue	$ 627,124	$ 628,372	$ 513,085
Cost of goods sold	480,164	511,555	389,903
Gross profit	146,960	116,817	123,182
Operating expenses:			
General and administrative	165,159	162,801	111,575
Selling	34,840	34,926	26,576
Amortization	93,489	115,191	35,221
Marketing and promotion	30,937	30,934	17,539
Research and development	682	1,518	830
Change in fair value of contingent consideration	855	(44,650)	—
Impairments	934,000	378,241	—
Other than temporary change in fair value of convertible notes receivable	246,330	—	—
Litigation (recovery) costs	(505)	16,518	3,251
Restructuring costs	9,245	795	—
Transaction costs	1,613	30,944	60,361
Total operating expenses	1,516,645	727,218	255,353
Operating loss	(1,369,685)	(610,401)	(132,171)
Interest expense, net	(13,587)	(27,944)	(27,977)
Non-operating income (expense), net	(66,909)	197,671	(184,838)
Loss before income taxes	(1,450,181)	(440,674)	(344,986)
Income tax benefits, net	(7,181)	(6,542)	(8,972)
Net loss	$ (1,443,000)	$ (434,132)	$ (336,014)
Total net income (loss) attributable to:			
Stockholders of Tilray Brands, Inc.	(1,452,656)	(476,801)	(367,421)
Non-controlling interests	9,656	42,669	31,407
Other comprehensive income (loss), net of tax			
Foreign currency translation gain (loss)	(83,533)	(125,306)	156,649
Unrealized gain (loss) on convertible notes receivable	75,177	(71,428)	(3,824)
Total other comprehensive income (loss), net of tax	(8,356)	(196,734)	152,825
Comprehensive loss	$ (1,451,356)	$ (630,866)	$ (183,189)
Total comprehensive income (loss) attributable to:			
Stockholders of Tilray Brands, Inc.	(1,478,502)	(650,233)	(214,596)
Non-controlling interests	27,146	19,367	31,407
Weighted average number of common shares - basic	617,982,589	481,219,130	269,549,852
Weighted average number of common shares - diluted	617,982,589	481,219,130	269,549,852
Net loss per share - basic	$ (2.35)	$ (0.99)	$ (1.36)
Net loss per share - diluted	$ (2.35)	$ (0.99)	$ (1.36)

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

Tilray Brands, Inc.
Consolidated Statements of Changes in Equity
(In thousands of U.S. dollars, except share amounts)

	Number of common shares	Common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated Deficit	Non-controlling interests	Total
Balance at May 31, 2020	240,132,635	$24	$1,366,736	$ (5,434)	$ (113,352)	$ 26,957	$ 1,274,931
Share issuance - legal settlement	1,893,858	—	10,454	—	—	—	10,454
Share issuance - equity financing	14,610,496	2	103,535	—	—	—	103,537
Share issuance - SweetWater acquisition	8,232,810	1	65,888	—	—		65,889
Share issuance - contract settlement	1,165,861	1	21,370	—	—	(40,266)	(18,895)
Share issuance - Arrangement	179,635,973	18	3,204,888	—	—	—	3,204,906
Share issuance - options exercised	318,299	—	144	—	—	—	144
Share issuance - RSUs exercised	450,709	—	—	—	—	—	—
Stock-based payments	—	—	19,391	—	—	—	19,391
Settlement of convertible notes receivable	—	—	—	5,277	(5,277)	—	—
Dividends paid to non-controlling interests	—	—	—	—	—	(11,855)	(11,855)
Comprehensive income (loss) for the year	—	—	—	152,825	(367,421)	31,407	(183,189)
Balance at May 31, 2021	446,440,641	$46	$4,792,406	$ 152,668	$ (486,050)	$ 6,243	$ 4,465,313
Third party contribution to Superhero Acquisition LP	—	—	—	—	—	52,995	52,995
Share issuance - Superhero Acquisition LP	9,817,061	—	117,804	—	—	—	117,804
Share issuance - Breckenridge Acquisition	12,540,479	2	114,066	—	—	—	114,068
Share issuance - equity financing	51,741,710	5	262,504	—	—	—	262,509
Share issuance - Double Diamond Holdings note	2,677,596	—	28,560	—	—	(36,044)	(7,484)
Share issuance - legal settlement	2,959,386	—	22,170	—	—	—	22,170
Share issuance - purchase of capital and intangible assets	1,289,628	—	12,146	—	—	—	12,146
Share issuance - options exercised	719,031	—	5,403	—	—	—	5,403
Share issuance - RSUs exercised	4,489,355	—	—	—	—	—	—
Shares effectively repurchased for employee withholding tax	—	—	(8,686)	—	—	—	(8,686)
Stock-based compensation	—	—	35,994	—	—	—	35,994
Comprehensive income (loss) for the year	—	—	—	(173,432)	(476,801)	19,367	(630,866)
Balance at May 31, 2022	532,674,887	$53	$5,382,367	$ (20,764)	$ (962,851)	$ 42,561	$ 4,441,366
Share issuance -Montauk Acquisition	1,708,521	—	6,422	—	—	—	6,422
Share issuance - equity financing	32,481,149	3	129,590	—	—	—	129,593
Share issuance- purchase of HEXO convertible note receivable	33,314,412	3	107,269	—	—	—	107,272
HTI Convertible Note - conversion feature	—	—	9,055	—	—	—	9,055
Share issuance - Double Diamond Holdings note	16,114,406	3	60,062	—	—	(47,598)	12,467
Share issuance - options exercised	7,960	—	—	—	—	—	—
Share issuance - RSUs exercised	1,854,120	—	—	—	—	—	—
Share issuance - convertible notes share lending agreement	38,500,000	4	26,157	—	—	—	26,161
Equity component related to issuance of convertible debt, net of issuance costs	—	—	18,415	—	—	—	18,415
Shares effectively repurchased for employee withholding tax	—	—	(1,189)	—	—	—	(1,189)
Stock-based compensation	—	—	39,595	—	—	—	39,595
Dividends declared to non-controlling interests	—	—	—	—	—	(7,858)	(7,858)
Comprehensive income (loss) for the year	—	—	—	(25,846)	(1,452,656)	27,146	(1,451,356)
Balance at May 31, 2023	656,655,455	$66	$5,777,743	$ (46,610)	$(2,415,507)	$ 14,251	$ 3,329,943

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

Tilray Brands, Inc.
Consolidated Statements of Cash Flows
(In thousands of U.S. dollars, except share amounts)

	For the year ended May 31,		
	2023	2022	2021
Cash provided by (used in) operating activities:			
Net loss	$(1,443,000)	$(434,132)	$(336,014)
Adjustments for:			
Deferred income tax recovery	(31,953)	(27,538)	(24,873)
Unrealized foreign exchange loss	17,768	18,001	49,342
Amortization	130,149	154,592	67,832
Gain on sale of capital assets	(48)	(682)	—
Inventory valuation write down	55,000	67,000	19,919
Impairments	934,001	378,240	—
Other than temporary change in fair value of convertible notes receivable	246,330	—	—
Other non-cash items	11,406	(9,647)	1,502
Stock-based compensation	39,595	35,994	17,351
Loss on long-term investments & equity investments	2,190	4,914	1,624
Loss (gain) on derivative instruments	31,213	(227,583)	169,537
Change in fair value of contingent consideration	855	(44,650)	—
Transaction costs associated with business acquisitions	—	—	59,917
Change in non-cash working capital:			
Accounts receivable	4,168	(5,842)	(23,512)
Prepaids and other current assets	3,122	4,472	(6,772)
Inventory	(12,934)	(45,749)	(55,205)
Accounts payable and accrued liabilities	20,044	(44,652)	14,635
Net cash provided by (used in) operating activities	7,906	(177,262)	(44,717)
Cash provided by (used in) investing activities:			
Investment in capital and intangible assets	(20,800)	(34,064)	(38,874)
Proceeds from disposal of capital and intangible assets	4,304	12,205	6,608
Promissory notes advances	—	—	(2,419)
Repayment of notes receivable	—	—	5,752
Change in marketable securities	(241,897)	—	—
Proceeds from disposal of long-term investments and equity investees	—	—	8,430
Net cash (paid for) acquired in business acquisition	(26,718)	326	66,608
Net cash (used in) provided by investing activities	(285,111)	(21,533)	46,105
Cash provided by (used in) financing activities:			
Share capital issued, net of cash issuance costs	129,593	262,509	102,550
Proceeds from warrants and options exercised	—	5,403	144
Shares effectively repurchased for employee withholding tax	(1,189)	(8,686)	—
Proceeds from convertible debentures issuance	145,052	—	—
Repayment of convertible debentures	(187,394)	(88,026)	—
Proceeds from long-term debt	1,288	—	102,798
Repayment of long-term debt	(21,336)	(40,254)	(64,559)
Repayment of lease liabilities	(1,114)	(4,672)	(1,058)
Net increase in bank indebtedness	5,258	9,406	8,328
Dividend paid to NCI	—	(7,484)	(23,895)
Net cash provided by financing activities	70,158	128,196	124,308
Effect of foreign exchange on cash and cash equivalents	(2,230)	(1,958)	2,124
Net (decrease) increase in cash and cash equivalents	(209,277)	(72,557)	127,820
Cash and cash equivalents, beginning of period	415,909	488,466	360,646
Cash and cash equivalents, end of period	$ 206,632	$ 415,909	$ 488,466

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

1. Description of business

Tilray Brands, Inc., and its wholly owned subsidiaries (collectively "Tilray", the "Company", "we", or "us") is a leading global cannabis-lifestyle and consumer packaged goods company headquartered in Leamington, Ontario, Canada, with operations in Canada, the United States, Europe, Australia, New Zealand and Latin America. Tilray's mission is to be the trusted partner for its patients and consumers by providing them with a cultivated experience and health and wellbeing through high-quality, differentiated brands and innovative products. A pioneer in cannabis research, cultivation and distribution, Tilray's production platform supports over 20 brands in over 20 countries, including comprehensive cannabis offerings, hemp-based foods, and alcoholic beverages.

On April 30, 2021, Tilray acquired all of the issued and outstanding common shares of Aphria Inc. ("Aphria"), an international organization focused on building a global cannabis-lifestyle consumer packaged goods company in addition to its businesses in the marketing and manufacturing beverage alcohol products in the United States, and in the distribution of (non-Cannabis) pharmaceutical products in Germany and Argentina, pursuant to a plan of arrangement (the "Arrangement") under the Business Corporations Act (Ontario).

On January 10, 2022, Tilray, Inc. changed its corporate name to Tilray Brands, Inc., pursuant to a second certificate of amendment of the amended and restated certificate of incorporation filed with the Delaware Secretary of State (the "Name Change"), and amended and restated its bylaws on that same date to reflect the Name Change.

2. Basis of preparation

The policies applied in these consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC").

Based on the determination that Aphria was the accounting acquirer in the Arrangement, Aphria's historical financial statements became the historical financial statements of the Company. The results of Tilray's operations and cash flows are included in the Company's consolidated statement of loss and comprehensive loss and cash flows for periods beginning after April 30, 2021. In conjunction with the reverse acquisition, the Company elected to adopt Aphria's fiscal year end of June 1 to May 31. Accordingly, comparisons between the Company's results for the years ended May 31, 2023 and May 31, 2022 with prior periods may not be meaningful, as the reported results do not include the operations of legacy-Tilray and its subsidiaries on and prior to April 30, 2021.

These consolidated financial statements have been prepared on the going concern basis which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due, under the historical cost convention except for certain financial instruments that are measured at fair value, as detailed in the Company's accounting policies.

Foreign currency

These consolidated financial statements are presented in U.S. dollars ("USD"), which is the Company's reporting currency; however, the functional currency of the entities in these financial statements are their respective local currencies, including Canadian dollar, USD, Euro, Australian dollar, and Great Britain pound.

Foreign currency transactions are remeasured to the respective functional currencies of the Company's entities at the exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are remeasured to the functional currency at the foreign exchange rate applicable at the statement of financial position date. Non-monetary items carried at historical cost denominated in foreign currencies are remeasured to the functional currency at the date of the transactions. Non-monetary items carried at fair value denominated in foreign currencies are remeasured to the functional currency at the date when the fair value was determined. Realized and unrealized exchange gains and losses are recognized through profit and loss.

On consolidation, the assets and liabilities of foreign operations reported in their functional currencies are translated into USD, the Group's presentation currency, at period-end exchange rates. Income and expenses, and cash flows of foreign operations are translated into USD using average exchange rates. Exchange differences resulting from translating foreign operations are recognized in other comprehensive income (loss) and accumulated in equity.

Basis of consolidation

The consolidated financial statements of the Company, include the accounts of the company, its wholly-owned subsidiaries and majority owned subsidiaries see Note 21 (Non-controlling interests). All significant intercompany transactions are eliminated.

Equity method investments

In accordance with ASC 323, *Investments – Equity Method and Joint Ventures,* investments in entities over which the Company does not have a controlling financial interest but has significant influence are accounted for using the equity method, with the Company's share of earnings or losses reported in earnings or losses from equity method investments on the statements of net loss and comprehensive loss. Equity method investments are recognized initially at cost, which includes transaction costs. After initial recognition, the consolidated financial statements include the Company's share of undistributed earnings or losses, and impairment, if any, until the date on which significant influence ceases.

If the Company's share of losses in an equity investment equals or exceeds its interest in the entity, including any net advances, the group does not recognize further losses, unless it has guaranteed obligations of the investee or is otherwise committed to provide further financial support for the investee.

Unrealized gains on transactions between the Company and its equity-method investees are eliminated only to the extent of the Company's interest in these entities. Unrealized losses are also eliminated, except to the extent that the underlying asset is impaired.

3. Significant accounting policies

The significant accounting policies used by the Company are as follows:

Cash and cash equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments that are both readily convertible into known amounts of cash with original maturities of three months or less. Cash and cash equivalents include amounts held in United States dollar, Canadian dollar, Euro, Australian dollar, Great Britain pound, Colombian peso, Argentine peso, and corporate bonds, commercial paper, treasury bills and money market funds.

Marketable Securities

The Company classifies term deposits and other investments that have maturities of greater than three months but less than one year as marketable securities. The fair value of marketable securities is based on quoted market prices for publicly traded securities. Marketable securities are carried at fair value with changes in fair value recorded in the statement of net loss and comprehensive loss, within the line, ''Non-operating income (expense)''.

Accounts receivable

The Company maintains an allowance for credit losses at an amount sufficient to absorb losses inherent in its accounts receivable portfolio as of the reporting dates based on the projection of expected credit losses. The Company applies the aging method to estimate the allowance for expected credit losses. The aging method is applied to accounts receivables at the business unit level to reflect shared risk characteristics, such as receivable type, customer type and geographical location. The aging method assigns accounts receivables to a level of delinquency and applies loss rates to each class based on historical loss experience. The Company also considers relevant qualitative and quantitative factors to assess whether historical loss experience should be adjusted to better reflect the risk characteristics of the current classes and the expected future loss. This assessment incorporates all available information relevant to considering the collectability of its current classes, including considering economic and business conditions, default trends, changes in its class composition, among other internal and external factors. The expected credit loss estimates are adjusted for current conditions and reasonable supportable forecasts.

As part of the Company's analysis of expected credit losses, it may analyze contracts on an individual basis in situations where such accounts receivables exhibit unique risk characteristics and are not expected to experience similar losses to the rest of their class.

Inventory

Inventory is valued at the lower of cost and net realizable value, determined using weighted average cost. All direct and indirect costs related to inventory are capitalized as they are incurred, and they are subsequently recorded in cost of goods sold on the statements of loss and comprehensive loss at the time inventory is sold. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. At the end of each reporting period, the Company performs an assessment of inventory and records write-downs for excess and obsolete inventories based on the Company's estimated forecast of product demand, production requirements, market conditions, regulatory environment, and spoilage. Actual inventory losses may differ from management's estimates and such differences could be material to the Company's statements of financial position, statements of loss and comprehensive loss and statements of cash flows.

Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over the estimated useful lives or lease term, whichever is shorter. The Company's capital assets are reviewed when impairment indicators are present by analyzing underlying cash flow projections. Maintenance and repairs are charged to expenses as incurred. The Company uses the following ranges of asset lives:

Asset type	Depreciation method	Depreciation term (estimated useful life)
Production facility	Straight-line	20 – 30 years
Equipment	Straight-line	3 – 25 years
Leasehold improvements	Straight-line	Lesser of estimated useful life or lease term
Finance lease right-of-use assets	Straight-line	Lesser of the lease term and the useful life of the leased asset

Intangible assets

Intangible assets are recorded at cost and amortized on a straight-line basis over the estimated useful lives. The Company uses the following ranges of asset lives:

Asset type	Amortization term
Customer relationships & distribution channel	14 – 16 years
Licences, permits & applications	90 months – indefinite
Intellectual property, trademarks & brands	15 months – 25 years
Non-compete agreements	Over term of non-compete
Know how	5 years

Impairment of long-lived assets

The Company reviews long-lived assets, including capital assets and definite life intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In order to determine if assets have been impaired, assets are grouped and tested at the lowest level for which identifiable independent cash flows are available (''asset group''). An impairment loss is recognized when the sum of projected undiscounted cash flows is less than the carrying value of the asset group. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the asset group. Fair value may be determined using a market approach or income approach.

Business combinations and goodwill

The Company accounts for business combinations using the acquisition method in accordance with Accounting Standards Codification, ASC 805,*Business Combinations* which requires recognition of assets acquired and liabilities assumed, including contingent assets and liabilities, at their respective fair values on the date of acquisition.

Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as a liability is remeasured at subsequent reporting dates, with the corresponding gain or loss recognized in profit or loss.

Non-controlling interests in the acquiree are measured at fair value on acquisition date. Acquisition-related costs are recognized as expenses in the periods in which the costs are incurred and the services are received (except for the costs to issue debt or equity securities which are recognized according to specific requirements).

Purchase price allocations may be preliminary and, during the measurement period not to exceed one year from the date of acquisition, changes in assumptions and estimates that result in adjustments to the fair value of assets acquired and liabilities assumed are recorded in the period the adjustments are determined.

Goodwill represents the excess of the consideration transferred for the acquisition of subsidiaries over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment of goodwill and indefinite-lived intangible assets

Goodwill is allocated to the reporting unit in which the business that created the goodwill resides. A reporting unit is an operating segment, or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. We operate in four operating segments which are our reporting units, and goodwill is allocated at the operating segment level. The Company reviews goodwill and indefinite-lived intangible assets annually for impairment in the fourth quarter, or more frequently, if events or circumstances indicate that the carrying amount of an asset may not be recoverable.

Leases

Arrangements containing leases are evaluated as an operating or finance lease at lease inception. For operating leases, the Company recognizes an operating lease right-of-use (''ROU'') asset and operating lease liability at lease commencement based on the present value of lease payments over the lease term. With the exception of certain finance leases, an implicit rate of return is not readily determinable for the Company's leases. For these leases, an incremental borrowing rate is used in determining the present value of lease payments and is calculated based on information available at the lease commencement date.

The incremental borrowing rate is determined using a portfolio approach based on the rate of interest the Company would have to pay to borrow funds on a collateralized basis over a similar term. The Company references market yield curves which are risk-adjusted to approximate a collateralized rate in the currency of the lease. These rates are updated on a quarterly basis for measurement of new lease obligations.

The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Leases with an initial term of 12 months or less are not recognized on the Company's consolidated statements of financial position. Operating lease assets are presented as right-of-use assets, and corresponding operating lease liabilities are presented within lease liabilities, on the Company's consolidated statements of financial position. Finance lease assets are included in capital assets, and corresponding finance lease liabilities are included within current lease liabilities, on the Company's consolidated statements of financial position.

Convertible notes receivable

Convertible notes receivables include various investments in which the Company has the right, or potential right see Note 11 (Convertible notes receivable) to convert the instrument into common stock shares of the investee are classified as available-for-sale (''AFS'') and are recorded at fair value. Unrealized gains and losses during the year, net of the related tax effect, are excluded from income and reflected in other comprehensive income (loss), and the cumulative effect is reported as a separate component of shareholders' equity until realized. The Company assesses its convertible notes receivables classified as AFS for impairment at each measurement date. Convertible notes receivables are impaired when a decline in fair value is determined to be other-than-temporary. If the cost of an investment exceeds its fair value, the Company evaluates, among other factors, general market conditions, credit quality of debt instrument issuers, and the duration and extent to which the fair value is less than cost. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded in the statements of loss and comprehensive loss and a new cost basis for the investment is established. The Company also evaluates whether there is a plan to sell the security or it is more likely than not that the Company will be required to sell the security before recovery. If neither of the conditions exist, then only the portion of the impairment loss attributable to credit loss is recorded in the statements of net loss and the remaining amount is recorded in other comprehensive income (loss).

Long-term investments

Long-term investments include investments in equity securities of entities over which the Company does not have a controlling financial interest, joint control or significant influence and are accounted for at fair value. Equity investments without readily determinable fair values are measured at cost with adjustments for observable changes in price or impairments (referred to as the ‘‘measurement alternative’’). In applying the measurement alternative, the Company performs a qualitative assessment on a quarterly basis and recognizes an impairment if there are sufficient indicators that the fair value of the equity investments is less than carrying values. Changes in value are recorded in non-operating income (loss).

Equity method investments

Investments in entities over which the Company does not have a controlling financial interest but has significant influence, are accounted for using the equity method, with the Company’s share of losses reported in loss from equity method investments on the statements of loss and comprehensive loss. Equity method investments are recorded at cost, plus the Company’s share of undistributed earnings or losses, and impairment, if any, within interest in equity investees on the statements of financial position.

Convertible debentures

The Company accounts for its convertible debentures in accordance with ASC 470-20 *Debt with Conversion and Other Options*, whereby the convertible instrument is initially accounted for as a single unit of account, unless it contains a derivative that must be bifurcated from the host contract in accordance with ASC 815-15 Derivatives and Hedging – Embedded Derivatives or the substantial premium model in ASC 470-20 Debt – Debt with Conversion and Other Options applies. Where the substantial premium model applies, the premium is recorded in additional paid-in capital. The resulting debt discount is amortized over the period during which the convertible notes are expected to be outstanding as additional non-cash interest expenses.

Upon repurchase of convertible debt instruments, ASC 470-20 requires the issuer to allocate total settlement consideration, inclusive of transaction costs, amongst the liability and equity components of the instrument based on the fair value of the liability component immediately prior to repurchase. The difference between the settlement consideration allocated to the liability component and the net carrying value of the liability component, including unamortized debt issuance costs, would be recognized as gain (loss) on extinguishment of debt in the statements of loss and comprehensive loss. The remaining settlement consideration allocated to the equity component would be recognized as a reduction of additional paid-in capital in the statements of financial position.

For convertible debentures with an embedded conversion feature that did not meet the equity scope exception from derivative accounting pursuant to ASC 815-15, the Company elected the fair value option under ASC *825 Fair Value Measurements*. When the fair value option is elected, the convertible debenture is initially recognized at fair value on the statements of financial position and all subsequent changes in fair value, excluding the impact of the change in fair value related to instrument-specific credit risk are recorded in non-operating income (loss). The changes in fair value related to instrument-specific credit risk is recorded through other comprehensive income (loss). Transaction costs directly attributable to the issuance of the convertible debenture is immediately expensed in the statements of loss and comprehensive loss.

Warrants

Warrants are accounted for in accordance with applicable accounting guidance provided in ASC *815 Derivatives and Hedging – Contracts in Entity’s Own Equity*, as either liabilities or as equity instruments depending on the specific terms of the warrant agreement. Warrants classified as liabilities are recorded at fair value and are remeasured at each reporting date until settlement. Changes in fair value is recognized as a component of change in fair value of warrant liability in the statements of loss and comprehensive loss. Transaction costs allocated to warrants that are presented as a liability are immediately expensed in the statements of loss and comprehensive loss. Warrants classified as equity instruments are initially recognized at fair value and are not subsequently remeasured.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of accounts receivable, prepaids and other current assets, bank indebtedness and accounts payable and accrued liabilities approximate their

fair values due to their short periods to maturity. The Company calculates the estimated fair value of financial instruments, including convertible notes receivable, long-term investments, warrant liability, contingent consideration, and convertible debentures, using quoted market prices when available. When quoted market prices are not available, fair value is determined based on valuation techniques using the best information available and may include quoted market prices, market comparables, and discounted cash flow projections.

Income taxes

Income taxes are recognized in the consolidated statements of loss and comprehensive loss and are comprised of current and deferred taxes. Current tax is recognized in connection with income for tax purposes, unrealized tax benefits and the recovery of tax paid in a prior period and measured using enacted tax rates and laws applicable to the taxation period during which the income for tax purposes arose. Deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Management makes an assessment of the likelihood that a deferred tax asset will be realized, and a valuation allowance is provided to the extent that it is more likely than not that all or a portion of a deferred tax asset will not be realized.

The Company recognizes uncertain income tax positions at the largest amount that is more likely than not to be sustained upon audit by the relevant tax authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. A change in the recognition or measurement of an unrealized tax benefit is reflected in the period during which the change occurs.

Revenue

Revenue is recognized when the control of the promised goods, through performance obligation, is transferred to the customer in an amount that reflects the consideration we expect to be entitled to in exchange for the performance obligations or as advisory services are provided. Payments received for the goods or services in advance of performance are recognized as a contract liability.

Excise taxes remitted to tax authorities are government-imposed excise taxes on cannabis and beer. Excise taxes are recorded as a reduction of sales in net revenue in the consolidated statements of operations and recognized as a current liability within accounts payable and other current liabilities on the consolidated balance sheets, with the liability subsequently reduced when the taxes are remitted to the tax authority.

In addition, amounts disclosed as net revenue are net of excise taxes, sales tax, duty tax, allowances, discounts and rebates.

In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration and the existence of significant financing components, if any.

Some contracts for the sale of goods may provide customers with a right of return, volume discount, bonuses for volume/quality achievement, or sales allowance. In addition, the Company may provide in certain circumstances, a retrospective price reduction to a customer based primarily on inventory movement. These items give rise to variable consideration. The Company uses the expected value method to estimate the variable consideration because this method best predicts the amount of variable consideration to which the Company will be entitled. The Company uses historical evidence, current information and forecasts to estimate the variable consideration. The Company reduces revenue and recognizes a contract liability equal to the amount expected to be refunded to the customer in the form of a future rebate or credit for a retrospective price reduction, representing its obligation to return the customer's consideration. The estimate is updated at each reporting period date.

Cost of goods sold

Cost of goods sold represents costs directly related to manufacturing and distribution of the Company's products. Primary costs include raw materials, packaging, direct labor, overhead, shipping and handling, the amortization of manufacturing equipment and production facilities and tariffs. Manufacturing overhead and related expenses include salaries, wages, employee benefits, utilities, maintenance and property taxes. Cost of goods sold also includes inventory valuation adjustments.

General and administrative

General and administrative expenses are comprised primarily of (i) personnel related costs such as salaries, benefits, annual employee bonus expense and stock-based 'compensation costs; (ii) legal, accounting, consulting and other professional fees; and (iii) corporate insurance and other facilities costs associated with our corporate and administrative locations.

Selling

Selling expenses are comprised of direct selling costs which primarily consist of (i) commissions paid to our third-party workforce, (ii) patient acquisition and maintenance fees, (iii) Health Canada's cannabis fees and (iv) freight.

Marketing and promotion

Marketing and promotion expenses are comprised primarily of marketing and advertising expenses.

Research and development

Research and development costs are expensed as incurred. Research and development are comprised primarily of costs for clinical study costs, contracted research, consulting services, materials, supplies and other expenses incurred to sustain our overall research and development programs.

Stock-based compensation

The Company has an omnibus plan which includes issuances of stock options, restricted stock units (''RSUs'') and stock appreciation rights (''SARs''). The Company estimates the fair value of stock options on the date of grant using the Black-Scholes option pricing model. The fair value of RSUs is based on the share price as at date of grant and no SARs were issued to date. The share-based compensation expense is based on the fair value of the stock-based awards at the grant date and the expense is recognized over the related service period following a straight-line vesting expense schedule. The Company estimates forfeitures at the time of grant and revises these estimates in subsequent periods if actual forfeitures differ from those estimates. Any revisions are recognized in the consolidated statements of loss and comprehensive loss such that the cumulative expense reflects the revised estimate.

For performance-based stock options and RSUs, the Company records compensation expense over the estimated service period adjusted for a probability factor of achieving the performance-based milestones. At each reporting date, the Company assesses the probability factor and records compensation expense accordingly, net of estimated forfeitures.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing reported net income (loss) by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is computed by dividing reported net income (loss) by the sum of the weighted average number of common shares and the number of dilutive potential common share equivalents outstanding during the period. Potential dilutive common share equivalents consist of the incremental common shares issuable upon the exercise of vested share options, warrants, and RSUs and the incremental shares issuable upon conversion of the convertible debentures and similar instruments. Shares of common stock outstanding under the share lending arrangement entered into in conjunction with the TLRY 27 notes, see Note 17 (Convertible debentures payable) are excluded from the calculation of basic and diluted earnings per share because the borrower of the shares is required under the share lending.

In computing diluted earnings (loss) per share, common share equivalents are not considered in periods in which a net loss is reported, as the inclusion of the common share equivalents would be anti-dilutive.

Critical accounting estimates and judgments

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. These estimates and judgements are subject to change based on experience and new information which could result

in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affecting future periods. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Financial statement areas that require significant judgement and estimates are as follows:

Long-term investments and convertible notes receivable –The determination of fair value of the Company's long-term investments and convertible notes receivable at other than initial cost is subject to certain limitations. Financial information for private companies in which the Company has investments may not be available and, even if available, that information may be limited and/or unreliable.

Use of the valuation approach described below may involve uncertainties and determinations based on the Company's judgment and any value estimated from these techniques may not be realized or realizable.

Company-specific information is considered when determining whether the fair value of a long-term investment or convertible notes receivable should be adjusted upward or downward at the end of each reporting period. In addition to company-specific information, the Company will consider trends in general market conditions and the share performance of comparable publicly traded companies when valuing long-term investments and convertible notes receivable.

The fair value of long-term investments and convertible notes receivable may need to be adjusted if:

- There has been a significant subsequent equity financing provided by outside investors at a valuation different than the current value of the investee company, in which case the fair value of the investment is set to the value at which that financing took place;
- There have been significant corporate, political, or operating events affecting the investee company that, in management's opinion, have a material impact on the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to the fair value of the investment will be based on management's judgment and any value estimated may not be realized or realizable;
- The investee company is placed into receivership or bankruptcy;
- Based on financial information received from the investee company, it is apparent to the Company that the investee company is unlikely to be able to continue as a going concern;
- Important positive or negative management changes by the investee company that the Company's management believes will have a positive or negative impact on the investee company's ability to achieve its objectives and build value for shareholders.

Adjustment to the fair value of a long-term investment and convertible notes receivable will be based upon management's judgment and any value estimated may not be realized or realizable. The resulting values for non-publicly traded investments may differ from values that would be realized if a ready market existed.

Estimated useful lives, impairment considerations and amortization of capital and intangible assets – Amortization of capital and intangible assets is dependent upon estimates of useful lives based on management's judgment.

Goodwill and indefinite-lived intangible asset impairment testing require management to make estimates in the impairment testing model. On at least an annual basis, the Company tests whether goodwill and indefinite-lived intangible assets are impaired. Impairment of definite long-lived assets is influenced by judgment in defining a reporting unit and determining the indicators of impairment, and estimates used to measure impairment losses

The reporting unit's fair value is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

Stock-based compensation – The fair value of stock-based compensation expenses are estimated using the Black-Scholes option pricing model and rely on a number of assumptions including the fair value of common shares on the grant date, risk-free rate, volatility rate, annual dividend yield, the expected term, and the estimated rate of forfeiture of options granted. Volatility is estimated by using the historical volatility of the Company.

Business combinations – Judgement is used in determining a) whether an acquisition is a business combination or an asset acquisition. We use judgement in applying the acquisition method of accounting for business combinations

and estimates to value identifiable assets and liabilities at the acquisition date. Estimates are used to determine cash flow projections, including the period of future benefit, and future growth and discount rates, among other factors. The values allocated to the acquired assets and liabilities assumed affect the amount of goodwill recorded on acquisition. Fair value of assets acquired and liabilities assumed is typically estimated using an income approach, which is based on the present value of future discounted cash flows. Significant estimates in the discounted cash flow model include the discount rate, rate of future revenue growth and profitability of the acquired business and working capital effects. The discount rate considers the relevant risk associated with the business-specific characteristics and the uncertainty related to the ability to achieve projected cash flows. These estimates and the resulting valuations require significant judgment. Management engages third party experts to assist in the valuation of material acquisitions.

Convertible debentures – The fair value of Convertible Debentures where the Company had elected the fair value option are determined using the Black-Scholes option pricing model. Assumptions and estimates are made in determining an appropriate conversion price, volatility, dividend yield, and the fair value of common stock. There is judgement in assessing what portion of the gain or loss, if any, relates to the change in the instrument-specific credit risk.

Warrant liability – The fair value of the warrant liability is measured using a Black Scholes pricing model. Assumptions and estimates are made in determining an appropriate risk-free interest rate, volatility, term, dividend yield, discount due to exercise restrictions, and the fair value of common stock. Any significant adjustments to the unobservable inputs would have a direct impact on the fair value of the warrant liability.

New accounting pronouncements not yet adopted

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Subtopic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"), which is intended to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency. ASU 2021-08 is effective for the Company beginning June 1, 2023. This update will be applied prospectively on or after the effective date of the amendments. The Company is currently evaluating the effect of adopting this ASU.

New accounting pronouncements recently adopted

In August 2020, the FASB issued ASU 2020-06,*Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06"), which amends and simplifies existing guidance in an effort to reduce the complexity of accounting for convertible instruments and to provide financial statement users with more meaningful information. The Company adopted ASU 2020-06 beginning June 1, 2022 and the adoption did not have material retrospective impacts on our consolidated financial statements.

In May 2021, the FASB issued ASU 2021-04, *Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)* ("ASU 2021-04"), which amends existing guidance for earnings per share (EPS) in accordance with Topic 260. The Company adopted the ASU beginning June 1, 2022 and the adoption of ASU 2021-04 did not have an impact on our consolidated financial statements.

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832), Disclosures by Business Entities about Government Assistance,* which is intended to increase the transparency of government assistance including the disclosure of (1) the types of assistance, (2) an entity's accounting for the assistance, and (3) the effect of the assistance on an entity's financial statements. The Company adopted the ASU beginning June 1, 2022 and the adoption of ASU 2021-04 did not have an impact on the disclosure in our consolidated financial statements.

4. Inventory

Inventory is comprised of:

	May 31, 2023,	May 31, 2022
Plants	$ 10,884	$ 14,521
Dried cannabis	89,801	116,739
Cannabis trim	322	592
Cannabis derivatives	9,229	24,685
Cannabis vapes	1,173	542
Packaging and other inventory items	19,997	21,691
Wellness inventory	11,164	13,275
Beverage alcohol inventory	27,837	27,840
Distribution inventory	30,144	25,644
Total	$200,551	$245,529

Inventory is written down for any obsolescence, spoilage and excess inventory or when the net realizable value of inventory is less than the carrying value. During the year ended May 31, 2023, the Company recorded charges for inventory and inventory-related write downs as a component of cost of sales. Cannabis inventory was written down by $55,000 for the year ended May 31, 2023, and by $59,500 for the year ended May 31, 2022. This charge was driven by the decision of management to repurpose a portion of our existing supply of dried cannabis inventory. There were no write downs for Distribution inventory for the year ended May 31, 2023, however in the year ended May 31, 2022 Distribution inventory was written down by $7,500. Included in cost of goods sold for the year ended May 31, 2023 is $4,482 fair value step up adjustment under purchase accounting (PPA) for beverage alcohol inventory sold in the year and $2,214 for the year ended May 31, 2022.

5. Related party transactions

In the normal course of business, the Company enters into related party transactions with certain entities under common control and joint ventures as detailed below.

RIKI Ventures, LLC

The Company entered into a strategic partnership on December 12, 2022, with RIKI Ventures, LLC in which the Company has a joint venture arrangement with a 50% ownership and voting interest. This venture is held by our craft beverage company Breckenridge. During the year there were no transactions with this entity.

Docklight LLC ("Docklight") royalty and management services

The Company previously paid Docklight a royalty fee pursuant to a brand licensing agreement which provided the Company with exclusive rights in Canada for the use of certain adult-use brands up until the Company returned the brand to Docklight. The Company has since terminated the agreement Docklight see Note 27 (Commitments and contingencies). During the year ended May 31, 2023, 2022 and 2021 royalty fees of $nil, $1,430 and $125, respectively were recorded within selling expenses in the statements of loss and comprehensive loss. While historically Docklight was considered a related party, as of May 31, 2023, Docklight is no longer a defined related party.

Cannfections Group Inc. ("Cannfections")

The Company has a joint venture arrangement with a 50% ownership and voting interest in Cannfections. During the year, the Company terminated the Supply Agreement with Cannfections and will not be transacting with them in future periods despite the joint venture arrangement remaining active. The Company is currently in arbitration with the other party that has an ownership interest in Cannfections in association with this termination. During the year ended May 31, 2023, 2022 and 2021, co-manufacturing fees on edible cannabis products were $1,377, $2,560, and $1,370 respectively and were recorded within cannabis costs of goods sold in the statements of loss and comprehensive loss.

6. Capital assets

Capital asset consisted of the following:

	May 31, 2023	May 31, 2022
Land	$ 30,635	$ 31,882
Production facility	344,627	453,412
Equipment	185,422	254,486
Leasehold improvement	7,753	7,455
Construction in progress	8,048	7,505
	$ 576,485	$ 754,740
Less: accumulated amortization	(146,818)	(167,241)
Total	$ 429,667	$ 587,499

The Company recorded non-cash impairments of $81,500 on its production facility in Canada and $22,500 on its equipment for the year ended May 31, 2023, which the Company has temporarily made idle in order to reduce cultivation costs and right-size the Company's production to align with current and projected demand. The impairment was calculated based on the excess of carrying value over fair value which was determined using a market approach. A reasonably possible change in any of the inputs within the determination of fair value would not result in a material change to the impairment recorded.

7. Leases

The Company has operating leases for facilities, office spaces, production equipment and vehicles.

Leases have varying terms with remaining lease terms of up to approximately 20 years. Certain of our lease arrangements provide us with the option to extend or to terminate the lease early.

The table below presents the lease-related assets and liabilities recorded on the balance sheet.

	Classification on Balance Sheet	May 31, 2023	May 31, 2022
Assets			
Total Operating right-of-use asset	Right of use assets	$ 5,941	$12,996
Liabilities			
Current:			
Operating lease liability	Accrued lease obligations - current	$ 2,423	$ 6,703
Non-current:			
Operating lease liability	Accrued lease obligations - non-current	7,936	11,329
Total lease liabilities		$10,359	$18,032

For the year ended May 31, 2023 the Company had $3,140 of operating lease expenses which included an offset of $662 for sublease income compared to $3,499 and $553 respectively for the year ended May 31, 2022.

The following table presents the future undiscounted payment associated with lease liabilities as of May 31, 2023:

	Operating leases
2024	$ 4,106
2025	3,295
2026	3,486
2027	3,412
Thereafter	4,012
Total minimum lease payments	$18,311
Imputed interest	(7,952)
Obligations recognized	$10,359

8. Intangible assets

Intangible assets are comprised of the following items

	May 31, 2023	May 31, 2022
Customer relationships & distribution channel	$ 614,062	$ 617,437
Licenses, permits & applications	366,793	377,897
Non-compete agreements	12,394	12,512
Intellectual property, trademarks, knowhow & brands	583,468	634,997
	1,576,717	1,642,843
Less: accumulated amortization	(187,088)	(154,124)
Less: impairments	(415,844)	(210,844)
Total	$ 973,785	$1,277,875

The Company recorded non-cash impairments of $110,000 of its customer relationships & distribution channel, $55,000 of its licenses, permits & applications, which were considered indefinite-lived intangible assets and $40,000 of its intellectual property, trademarks, knowhow & brands during the Company's third quarter ended February 28, 2023, as a result of the decline in market share in its Canadian cannabis with certain product lines and customers. For the year ended May 31, 2022, as a result of delays in product registrations in Latin America and changes in market opportunities, causing a shift in our strategic priorities, management recorded a non-cash impairment of $110,033 of licenses, permits and applications and $85,471 of intellectual property, trademarks, knowhow & brands, representing all of the intangible asset values related to those entities, and discounted cash flows.

As of May 31, 2023, included in licenses, permits & applications is $181,093 of indefinite-lived intangible assets. As of May 31, 2022, there was $248,411 of indefinite-lived intangible assets included in Licenses, permits & applications.

In calculating the 2023 impairment amount, using an income approach, the Company used a discount rate of 13.50%, increased from 11.21% used in the May 31, 2022 annual assessment, a terminal growth rate of 2%-5% consistent with the rate used in the May 31, 2022 annual assessment, and an average revenue growth rate of 0%-40% over 5 years to correlate with the cash flows anticipated with the individual intangible assets that were assessed, while these assets have not been assessed individually in the past the associated cash flows were included in the May 31, 2022 goodwill annual assessment which used an average growth rate of 46%. A reasonably possible change in any of the inputs within the determination of fair value would not result in a material change to the impairment recorded.

The Company performed the annual impairment test during the fourth quarter ended May 31, 2023, and determined there was no additional impairments. The Company used a discount rate of 13.50%, a terminal growth rate of 2%-5% and an average revenue growth rate of 0%-40% over 5 years. A reasonably possible change in any of the inputs within the determination of fair value would not result in a material change to the impairment recorded.

Estimated amortization expense for each of the five succeeding fiscal years and thereafter is as follows:

	Amortization
2024	$ 74,169
2025	72,502
2026	72,502
2027	72,502
2028	72,502
Thereafter	428,515
Total	$792,692

9. Business Acquisitions

Acquisition of Double Diamond Distillery LLC (d/b/a Breckenridge Distillery)

On December 7, 2021, the Company through its wholly-owned subsidiary Four Twenty Corporation, completed the purchase of all the membership interests of Double Diamond Distillery LLC (d/b/a Breckenridge Distillery), a Colorado limited liability company and distilled spirits brand located in Breckenridge, Colorado (the "Breckenridge

Acquisition''). As consideration for the Breckenridge Acquisition, the Company paid a purchase price in an aggregate amount equal to $114,068, which purchase price was satisfied through the issuance of 12,540,479 shares of Tilray's common shares.

The table below summarizes the fair value of the assets acquired and the liabilities assumed at the effective acquisition date.

	Amount
Consideration	
Shares	$114,068
Net assets acquired	
Current assets	
Cash and cash equivalents	326
Accounts receivable	2,128
Prepaids and other current assets	367
Inventory	20,351
Long-term assets	
Capital assets	11,179
Customer relationships (15 years)	9,800
Intellectual property, trademarks & brands (15 years)	69,950
Goodwill	2,797
Total Assets	116,898
Current liabilities	
Accounts payable and accrued liabilities	2,228
Long-term liabilities	
Deferred tax liability	602
Total liabilities	2,830
Total net assets acquired	$114,068

The goodwill of $2,797 is primarily related to factors such as synergies and market opportunities and is reported under the Company's Beverage alcohol segment. Revenue for the Company would have been higher by approximately $12,000 for the year ended May 31, 2022, if the acquisition had taken place on June 1, 2021. Net loss and comprehensive net loss would have increased by approximately $3,000 for the year ended May 31, 2022, if the acquisition had taken place on June 1, 2021, primarily as a result of amortization of the intangible assets acquired.

Acquisition of Montauk Brewing Company, Inc.

On November 7, 2022, Tilray acquired Montauk Brewing Company, Inc. (''Montauk''), a leading craft brewer company based in Montauk, New York. As consideration for the acquisition of Montauk, and after giving effect to post-closing adjustments, the Company paid an aggregate amount equal to $35,123. This purchase price was satisfied through payment of $28,701 in cash and $6,422 from the issuance of 1,708,521 shares of Tilray's common stock. In the event that Montauk achieves certain volume and/or EBITDA targets on or before December 31, 2025, the stockholders of Montauk shall be eligible to receive additional contingent cash consideration of up to $18,000. The Company determined that the closing date fair value of this contingent consideration was $10,245 based on the inputs disclosed in Note 28 (Financial risk management and financial instruments). In connection with this transaction, the Company is leveraging SweetWater's existing nationwide infrastructure and Montauk's northeast influence to significantly expand our distribution network and drive profitable growth in our beverage-alcohol segment. This distribution network is part of Tilray's strategy to leverage our growing portfolio of CPG brands and ultimately to launch THC-based product adjacencies upon federal legalization in the U.S.

The Company is in the process of assessing the fair value of the net assets acquired and, as a result, the fair value of the net assets acquired may be subject to adjustments pending completion of final valuations and post-closing adjustments. The table below summarizes preliminary estimated fair value of the assets acquired and the liabilities assumed at the effective acquisition date. During the six months ended May 31, 2023, the Company recorded measurement period adjustments to its initial allocation of purchase price as a result of ongoing valuation procedures on assets and liabilities assumed, included: (i) an increase in the cash consideration of $13, related to finalized

working capital calculations; (ii) an increase to customer relationships of $1,970; (iii) an increase to intellectual property, trademarks & brand of $1,220; (iii) a decrease to non-compete agreements of $1,240; (ii) an increase in other liabilities of $3,750, related to identified unfavorable contracts with third party production companies; (ii) a decrease in deferred tax liability of $1,617; and (iii) an increase to goodwill of $196 due to the incremental period adjustments. The impact of measurement period adjustments to the results of operations was immaterial.

	Amount
Consideration	
Cash	$28,701
Shares	6,422
Contingent consideration	10,245
Net assets acquired	
Current assets	
Cash and cash equivalents	1,983
Accounts receivable	1,116
Prepaids and other current assets	467
Inventory	1,570
Long-term assets	
Capital assets	420
Customer relationships (15 years)	18,540
Intellectual property, trademarks & brands (15 years)	13,650
Goodwill	17,803
Total Assets	55,549
Current liabilities	
Accounts payable and accrued liabilities	1,580
Long-term liabilities	
Deferred tax liability	4,851
Other liabilities	3,750
Total liabilities	10,181
Total net assets acquired	$45,368

The goodwill of $17,803 is primarily related to factors such as synergies and market opportunities and is reported under the Company's Beverage alcohol segment. Revenue for the Company would have been higher by approximately $9,000 and $15,000 for the years ended May 31, 2023 and 2022 respectively, if the acquisition had taken place on June 1, 2021. Net loss and comprehensive net loss would have increased by approximately $1,700 for the year ended May 31, 2023, and 2022 if the acquisition had taken place on June 1, 2021, primarily as a result of amortization of the intangible assets acquired. This unaudited pro forma financial information does not reflect the realization of any expected ongoing synergies relating to the integration of Montauk.

10. Goodwill

The following table shows the carrying amount of goodwill:

Reporting Unit	May 31, 2023	May 31, 2022
Cannabis	$2,640,669	$2,640,669
Distribution	4,458	4,458
Beverage alcohol	120,802	102,999
Wellness	77,470	77,470
Effect of foreign exchange	7,875	39,640
Impairments	(842,431)	(223,931)
Total	$2,008,843	$2,641,305

As of February 28, 2023, based upon a combination of factors including a sustained decline in the Company's market capitalization below the Company's carrying value, coupled with challenging macro-economic conditions,

most particularly the rising interest rate environment and slower than anticipated progress in global cannabis legalization, the Company concluded that it is more likely than not, that the fair value of our reporting units was less than their carrying amounts. Accordingly, the Company valued the fair value of each reporting segment by using the income approach, which estimates the fair value of each reporting unit based on the future discounted cash flows. Upon updating the Company's forecasted cash flows there were no impairments identified from changes in management's forecasts, however, due to the increased borrowing rates and the decline of the company's market capitalization, the Company adjusted the Company specific risk premium which resulted in the non-cash impairment charges of $603,500 of cannabis goodwill and $15,000 of wellness goodwill for the year ended May 31, 2023. The non-cash charge has no impact on the Company's compliance with debt covenants, its cash flows or available liquidity.

In the Company's cannabis goodwill assessment the Company used a discount rate of 13.50%, increased from 11.21% used in the May 31, 2022 annual assessment, a terminal growth rate of 5% consistent with the rate used in the May 31, 2022 annual assessment, and an average revenue growth rate of 40% over 5 years as a result of anticipated federal legalization in various countries, decreased from 46% used in the May 31, 2022 annual assessment. A 1% increase in the discount rate would result in an additional $300,000 in impairment, a 1% decrease in the terminal growth rate would result in an additional $250,000 in impairment and a 5% decrease in the average growth rate would result in an additional $200,000 in impairment.

In the Company's wellness goodwill assessment the Company used a discount rate of 11.80%, increased from 10% used in the May 31, 2022 annual assessment, a terminal growth rate of 3% consistent with the rate used in the May 31, 2022 annual assessment, and an average revenue growth rate of 10% over 5 years, consistent with the rate used in the May 31, 2022 annual assessment. A 1% increase in the discount rate would result in an additional $14,000 in impairment, a 1% decrease in the terminal growth rate would result in an additional $10,000 in impairment and a 5% decrease in the average growth rate would result in an additional $5,000 in impairment.

As of May 31, 2023, the Company completed its annual test for impairment, the Company used discount rates between 11.80% and 14.50%, terminal growth rates 2% and 5%, and average revenue growth rates between 2% and 40%. Based on the discounted cash flows there was no further impact from the February 28, 2023 assessment, and determined there were no additional impairments. A 1% increase in the discount rates would result in an additional $200,000 in impairment, a 1% decrease in the terminal growth rates would result in an additional $100,000 in impairment and a 5% decrease in the average growth rates would result in an additional $300,000 in impairment.

For the year ended May 31, 2022, the Company recognized impairment charges of $182,736 in cannabis goodwill. This impairment charge was related to changes in market opportunities, causing a shift in our strategic priorities, and market conditions inclusive of higher rates of borrowing and lower foreign exchange rates.

11. Convertible notes receivable

Convertible notes receivable is comprised of the following investments:

	May 31, 2023	May 31, 2022
HEXO Convertible Note	$ 28,720	$ —
MedMen Convertible Note	74,681	111,200
Total convertible notes receivable	103,401	111,200
Less - current portion	—	—
Total convertible notes receivable, non current portion	$103,401	$111,200

HEXO Corp. ("HEXO")

On July 12, 2022, the Company closed a strategic alliance with HEXO, pursuant to which the Company acquired the HEXO Convertible Note from HT Investments MA LLC ("HTI"). At the time of closing, the HEXO Convertible Note had a principal balance of $173,700, which is to be repaid and or redeemed at 110% of the outstanding principal balance. The purchase price paid to HTI for the HEXO Convertible Note was $157,272. The purchase price paid to HTI was satisfied by Tilray's issuance of (i) a newly-issued $50,000 convertible promissory note ("HTI Convertible Note"), see Note 17 (Convertible debentures payable) and (ii) the remaining balance was paid through the issuance of 33,314,412 shares of Tilray's common stock, par value $0.0001 (collectively, the "HTI Share Consideration"). The HEXO Convertible Note bears interest at a rate of 5.0% per annum, calculated daily, which is payable to Tilray

on a semi-annual basis. Interest payments made under the HEXO Convertible Note will be paid in cash until July 12, 2023 and, thereafter, such interest shall accrue but be added to the principal amount. The HEXO Convertible Note has a maturity date of May 1, 2026. Subject to certain limitations and adjustments, the HEXO Convertible Note was convertible into HEXO Common Shares at Tilray's option at any time prior to the second scheduled trading day prior to the maturity date, at a conversion price of CAD$5.60 per HEXO Common share as determined the day before exercise, including all capitalized interest. HEXO has the ability to force the conversion if the daily VWAP per common share is equal to or exceeds $42.00 per share for twenty consecutive trading days. The conversion price was updated on December 19, 2022, from CAD$0.40 to CAD$5.60 to reflect HEXO's 14:1 reverse stock split. Under the HEXO Convertible Note, the Company held a first-priority security interest on substantially all of HEXO's assets. In the event of a default on the HEXO Convertible Note, the Company would be entitled to exercise its rights as a secured creditor, and the Note would become redeemable at 115% of the outstanding principal balance.

All third-party transaction costs associated with the acquisition of these notes were reimbursed by HEXO. During year ended May 31, 2023, in connection with the HEXO Convertible Note, the Company recognized interest income of $7,720, and an other-than-temporary change in fair value of the HEXO Convertible Note, which resulted in a loss of $128,552 for the year ended May 31, 2023. Due to changes in HEXO's share price and operations, which culminated in HEXO's assessment of a going concern issue regarding HEXO's ability to meet their minimum liquidity covenant, resulting in the Company increasing the forfeiture rate to 75% on the HEXO Convertible Note.

The HTI Share Consideration included a purchase price derivative, where the consideration paid is adjusted based on the sum of the VWAP of the Company's common stock for the 44 trading days after the issuance of the shares. The purchase price derivative is settled through the issuance of additional shares of the Company if the share price declined, or a cash payment back to the Company if the share price increased over the applicable period. On issuance this was valued at $nil. The subsequent change in fair value resulted in a gain of $18,256 due to the share price increasing, which was recorded in Transaction (income) costs, and was collected in cash by the Company during the period ended May 31, 2023.

The fair value of the HEXO Convertible Note was determined using the Black-Scholes model using the following assumptions: the risk-free rate of 3.50%; expected life of the convertible note; volatility of 90% based on comparable companies; forfeiture rate of 75%; dividend yield of nil and the exercise price of the respective conversion feature.

Concurrent with the aforementioned purchase of the HEXO Convertible Note, the Company and HEXO also entered into various commercial transaction agreements as described in Note 29 (Segment reporting). On April 10, 2023, we entered into an Arrangement Agreement with HEXO to acquire all of the issued and outstanding common shares of HEXO, upon closing this transaction, these convertible notes receivable were converted into shares of HEXO, as described in Note 30 (Subsequent events).

MedMen Enterprises Inc. ("MedMen")

On August 31, 2021, the Company issued 9,817,061 shares valued at $117,804 to acquire 68% interest in Superhero Acquisition L.P. ("SH Acquisition"), which purchased a senior secured convertible note (the "MedMen Convertible Note"), together with certain associated warrants to acquire Class B subordinate voting shares of MedMen, in the principal amount of $165,799. The total purchase price including non-controlling interests contribution was $170,799, the MedMen Convertible Note bears interest at the Secured overnight financing rate ("SOFR") plus 6%, with a SOFR floor of 2.5% and, any accrued interest is added to the outstanding principal amount, and is to be paid at maturity of the MedMen Convertible Note. SH Acquisition was also granted "top-up" rights enabling it (and its limited partners) to maintain its percentage ownership (on an "as-converted" basis) in the event that MedMen issues equity securities upon conversion of convertible securities that may be issued by MedMen. The Company's ability to convert the MedMen Convertible Note and exercise the Warrants is dependent upon U.S. federal legalization of cannabis (a "Triggering Event") or Tilray's waiver of such requirement as well as any additional regulatory approvals. The MedMen Convertible Note has a maturity date of August 17, 2028.

During the year ended May 31, 2023, in connection with the MedMen Convertible Note, the Company recognized an other-than-temporary change in fair value, which resulted in a non-cash impairment expense of $117,778 which includes the reversal of the fair value adjustments which were previously recorded in accumulated

other comprehensive loss. As a result, of the deterioration of capital market conditions from increased interest rates and recent delays in US Federal cannabis legalization, the Company increased the forfeiture rate to 35% on the MedMen Convertible Note and recorded the aforementioned loss on the MedMen Convertible Notes through impairments.

The Company recognized interest income, which is included as part of the convertible debentures in the amount of $10,480 for the year ended May 31, 2023. The Company also recognized an unrealized gain (loss) on convertible notes receivable in other comprehensive income of $70,779 and ($70,779) for the year ended May 31, 2023 and May 31, 2022 respectively.

The fair value of the MedMen Convertible Note was determined using the Black-Scholes model using the following assumptions: the risk-free rate of 3.50%; expected life of the convertible note; volatility of 70% based on comparable companies; forfeiture rate of 35%; dividend yield of nil; probability of legalization between 0% and 60%; and, the exercise price of the respective conversion feature.

12. Long-term investments

Long-term investments are comprised of the following items:

	May 31, 2023	May 31, 2022
Equity investments measured at fair value	$2,144	$ 4,347
Equity investments under measurement alternative	5,651	5,703
Total	$7,795	$10,050

The Company's equity investments at fair value consist of publicly traded shares, equity interest in non-traded companies and warrants held by the Company. The Company's equity investments under measurement alternative include equity investments without readily determinable fair values. For the year ended May 31, 2023 the Company received proceeds of $nil on the sale of investments (2022-$nil, 2021-$8,430) and recognized $2,366 in unrealized losses due to the change in fair value of investments (2022-$6,731 2021-$1,567), the remaining change in long-term investments is a result of currency translation recognized in other comprehensive income.

13. Income taxes and deferred income taxes

Loss before income taxes includes the following components:

	For the year ended May 31,		
	2023	2022	2021
United States	$ (506,984)	$(233,697)	$ (7,814)
Canada	(912,717)	(81,772)	(323,964)
Other countries	(30,480)	(125,205)	(13,208)
	$(1,450,181)	$(440,674)	$(344,986)

The (recoveries) expense for income taxes consists of:

	For the year ended May 31,		
	2023	2022	2021
Current:			
United States	$ 226	262	$ —
Canada	26,290	23,268	15,227
Other countries	(62)	479	697
	$ 26,454	$ 24,009	$ 15,924
Deferred:			
United States	$ (4,055)	$ 520	$ 1,517
Canada	(24,364)	(17,154)	(30,111)
Other countries	(5,216)	(13,917)	3,698
	$(33,635)	$(30,551)	$(24,896)
Income tax benefits, net	$ (7,181)	$ (6,542)	$ (8,972)

A reconciliation of income taxes at the statutory rate with the reported taxes is as follows:

	For the year ended May 31,		
	2023	2022	2021
Loss before net income taxes:	$(1,450,181)	$(440,674)	$(344,986)
Income tax benefits at statutory rate	(304,538)	(92,542)	(72,408)
Tax impact of foreign operations	(25,857)	81,316	(19,016)
Foreign exchange and other	13,434	14,941	1,011
Non-deductible expenses	3,982	6,404	(1,347)
Non-deductible (taxable) losses	23,150	748	45,230
Changes in enacted rates	(816)	—	135
Change in fair value of warrant liability	(2,612)	(13,359)	(259)
Stock based and other compensation	—	994	2,902
Change in valuation allowance	285,698	17,255	46,007
Non deductible dividend	—	—	(755)
Impact on convertible debenture and other differences	378	(22,299)	—
Effect of transaction	—	—	(10,472)
Income tax benefits, net	$ (7,181)	$ (6,542)	$ (8,972)

The following table summarizes the components of deferred tax:

	May 31,	
	2023	2022
Deferred assets		
Operating loss carryforwards - United States	$ 85,259	$ 77,868
Operating loss carryforwards - Canada	145,111	132,293
Operating loss carryforwards - Other Countries	18,787	15,606
Capital loss carryforwards	34,355	38,087
Intangible assets	244,227	150,543
Property and equipment	46,400	20,592
Currently nondeductible interest	2,812	7,165
Investments and convertible notes receivable	66,718	19,055
Investment tax credits and related pool balance	22,054	21,590
Other	50,074	26,976
Total Deferred tax assets	715,797	509,775
Less valuation allowance	(625,368)	(354,071)
Net deferred tax assets	90,429	155,704
Deferred tax liabilities		
Property and equipment	(18,129)	(38,387)
Intangible assets	(225,460)	(305,577)
Convertible Senior Notes Due 2023	(14,204)	(8,378)
Total deferred tax liabilities	(257,793)	(352,342)
Net deferred tax liability	$(167,364)	$(196,638)

The Tax Cuts and Jobs Act (2017 Tax Act) was enacted on December 22, 2017 and reduced the U.S. statutory federal corporate tax rate from 35% to 21%. The Tax Act also contains additional provisions that are effective for the company in 2018, including a new tax on Global Intangible Low-Taxed Income (''GILTI''). Under GAAP, we are allowed to make an accounting policy choice to either (i) treat taxes due on future U.S. inclusions in taxable income related to GILTI as a current-period expense when incurred (the ''period cost method''); or (ii) factor in such amounts into the measurement of our deferred taxes (the ''deferred method''). The Company has made a policy decision to record GILTI tax as a current-period expense when incurred.

Deferred income taxes have not been recorded on the basis differences for investments in consolidated subsidiaries as these basis differences are indefinitely reinvested or will reverse in a non-taxable manner. Quantification of the deferred income tax liability, if any, associated with indefinitely reinvested basis differences is not practicable. Deferred income taxes have been recorded on the basis differences for investments in nonconsolidated entities.

At May 31, 2023, the Company had United States net operating loss carry-forwards of approximately $405,994 that can be carried forward indefinitely and generally limited in annual use to 80% of the current year taxable income starting 2021. The Company has Canadian net operating loss carry-forwards of approximately $545,712 that can be carried forward 20 years and begin to expire in 2028. Management believes that it is more-likely-than-not that the benefit from certain United States and foreign net operating loss carry-forwards will not be realized. In recognition of this risk, the Company has provided a valuation allowance on the deferred tax assets relating to these carry-forwards. The net change in the total valuation allowance was an increase of $271,297 and $88,131 for the years ended May 31, 2023 and 2022, respectively. The net change in the total valuation allowance was primarily a result of finalization of the purchase accounting related to the reverse acquisition transaction with Aphria Inc. during the prior year and certain current year losses.

The Company recognizes the financial statement impact of a tax position only after determining that the relevant tax authority would more-likely-than-not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest impact that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

The total amount of gross unrecognized tax benefits (''GUTB'') was $0, $0, and $0 as of May 31, 2023, 2022 and 2021 respectively. There is a reasonable possibility that the Company's unrecognized tax benefits will change within twelve months due to audit settlements or the expiration of statute of limitations, but the Company does not expect the change to be material to the financial statements.

The Company recognizes interest and, if applicable, penalties for any uncertain tax positions. Interest and penalties are recorded as a component of income tax expenses. In the years ended May 31, 2023, 2022 and 2021, the Company recorded approximately $0, $0 and $0, respectively, of interest and penalty expenses related to uncertain tax positions. As of May 31, 2023, and 2022, the Company had a cumulative balance of accrued interest and penalties on unrecognized tax positions of $0 and $0, respectively.

The Company and its subsidiaries are subject to United States federal income tax as well as the income tax of multiple state and foreign jurisdictions. The Company is not currently under audit in any jurisdiction for any period. Major jurisdictions where there are wholly owned subsidiaries of Tilray Brands, Inc. which require income tax filings include the Canada, Portugal, Germany, and Australia. The earliest periods open for review by local taxing authorities are fiscal years 2018 for Canada, 2019 for Portugal, 2018 for Germany, 2019 for Australia, and 2019 for United States.

14. Bank indebtedness

Aphria Inc., a subsidiary of the Company, has an operating line of credit in the amount of C$1,000 which bears interest at the lender's prime rate plus 75 basis points. As of May 31, 2023, the Company has not drawn on the line of credit. The operating line of credit is secured by a security interest on that certain real property at 265 Talbot St. West, Leamington, Ontario.

CC Pharma GmbH, a subsidiary of the Company, has three operating lines of credit for €5,000, €3,500, and €500 each, which bear interest at Euro Over Night Index Average plus 1.79% and Euro Interbank Offered Rate (''EURIBOR'') plus 3.682% respectively. As of May 31, 2023, a total of €7,833 ($8,381) was drawn down from the available credit of €9,000. The operating lines of credit for €5,000 and €3,500 are secured by an interest in the inventory of CC Pharma GmbH and the property where the Densborn facility is located as well as the building. The operating line of credit for €500 is unsecured.

Four Twenty Corporation (''420''), a subsidiary of the Company, has a revolving credit facility of $30,000 which bears interest at EURIBOR plus an applicable margin. As of May 31, 2023, the Company has drawn $15,000 on the revolving line of credit. The revolving credit facility is secured by all of 420's assets and includes a corporate guarantee by a subsidiary of the Company.

15. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprised of:

	May 31, 2023	May 31, 2022
Trade payables	$ 70,819	$ 68,604
Accrued liabilities	82,240	57,497
Accrued payroll and employment related taxes	18,772	17,736
Income taxes payable	14,934	6,150
Accrued interest	3,869	6,772
Other accruals	48	672
Total	$190,682	$157,431

16. Long-term debt

The following table sets forth the net carrying amount of long-term debt instruments:

	May 31, 2023	May 31, 2022
Credit facility - C$66,000 - Canadian prime interest rate plus an applicable margin, 3-year term, with a 10-year amortization, repayable in blended monthly payments, due in November 2025	$ 45,260	$ 53,720
Term loan - C$25,000 - Canadian prime plus 1.00%, compounded monthly, 5-year term, with a 15-year amortization, repayable in equal monthly installments of C$194 including interest, due in July 2023	10,959	12,750
Term loan - C$25,000 - Canadian prime plus 1.50%, compounded monthly, 5-year term with a 15-year amortization, repayable in equal monthly installments of C$190 including interest, due in April 2032	13,092	15,050
Term loan - C$1,250 - Canadian prime plus 1.50%, 5-year term, with a 10-year amortization, repayable in equal monthly installments of C$12 including interest, due in August 2026	346	462
Mortgage payable - C$3,750 - Canadian prime plus 1.50%, 5-year term, with a 20-year amortization, repayable in equal monthly installments of C$23 including interest, due in August 2026	2,104	2,327
Term loan - €5,000 - EURIBOR plus 1.79%, 5-year term, repayable in quarterly installments of €250 plus interest, due in December 2023	803	1,878
Term loan - €1,200 - EURIBOR plus 1.79%, 1-year term, repayable in monthly installments of €100 plus interest, due in December 2023	755	—
Term loan - €5,000 - EURIBOR plus 2.68%, 5-year term, repayable in quarterly installments of €250 plus interest, due in December 2023	803	1,878
Term loan - €1,500 - EURBIOR plus 2.00%, 5-year term, repayable in quarterly installments of €92 including interest, due in April 2025	819	1,219
Term loan - €1,500 - EURIBOR plus 2.00%, 5-year term, repayable in quarterly installments of €94 including interest, due in June 2025	903	1,307
Mortgage payable - $22,635 - EURIBOR rate plus 1.5%, 10-year term, with a 10-year amortization, repayable in monthly installments of $57 plus interest, due in October 2030	20,863	21,561
Term loan - $65,000 - SOFR rate plus an applicable margin, 5-year term, repayable in quarterly installments, due in June 2028	65,000	75,000
Carrying amount of long-term debt	161,707	187,152
Unamortized financing fees	(738)	(1,450)
Net carrying amount	160,969	185,702
Less principal portion included in current liabilities	(24,080)	(67,823)
Total noncurrent portion of long-term debt	$136,889	$117,879

On November 28, 2022, the Company, through its 51% owned subsidiary Aphria Diamond, entered into an Amended and Restated Credit Agreement (the "Amended and Restated Credit Agreement") amending and restating the existing credit facility in the aggregate principal amount of C$66,000. The Amended and Restated Credit Agreement extended the term of the existing credit facility to November 28, 2025. The principal amount of loans

outstanding at the time of the amendment was C$66,000 and is secured by the property at 620 Country Road 14, Leamington, Ontario, owned by Aphria Diamond and a guarantee from Aphria Inc.

The term loan of C$25,000 was entered into on July 27, 2018 and is secured by the property at 223, 231, 239, 265, 269, 271 and 275 Talbot Street West, Leamington Ontario, a first position on a general security agreement, and an assignment of fire insurance to the lender.

The term loan of C$25,000 was entered into on May 9, 2017 and is secured by the property at 265 Talbot Street West, Leamington Ontario, a first position on a general security agreement, and an assignment of fire insurance to the lender.

The term loan of C$1,250 and mortgage payable of C$3,750 were entered into on July 22, 2016 and are secured by the property at 265 Talbot Street West, Leamington, Ontario and a first position on a general security agreement.

The Company entered into term loans between December 2019 and November 2023 for €14,200 through wholly owned subsidiary CC Pharma. These term loans are secured against the distribution inventory held by CC Pharma and by the land where the facility is located and the building.

During the year ended May 31, 2022, the Company acquired all the membership interests in Cheese Grits, LLC, a Georgia limited liability company that owns the SweetWater Brewing Company brewery and taproom in Atlanta, Georgia, which facility was previously leased to the Company. Cheese Grits, LLC, was owned by certain former equity holders of SweetWater and current employees. As part of this purchase, the Company through subsidiary Cheese Grits, LLC, acquired the mortgage payable which is secured against the brewery and taproom.

The Company, entered into a secured credit agreement on March 31, 2021 for a term loan of $100,000 through wholly owned subsidiary Four Twenty Corporation ("420"). 420 provided all of its and its subsidiaries' assets as security for the loan and Aphria Inc. provided a corporate guarantee. Subsequent to year end, the Company refinanced this debt which amended the interest rates to lower the applicable margins, extended the maturity to June 2028, provided a new repayment schedule and amended the corporate guarantee from Aphria Inc. to Tilray Brands, Inc. See Note 30 (Subsequent Events) for additional details.

The Company maintains, certain financial covenants or minimum balances in certain Canadian cash operating accounts, as at May 31, 2023, the Company was in compliance with all the long-term debt covenants.

17. Convertible debentures payable

The following table sets forth the net carrying amount of the convertible debentures:

	May 31, 2023	May 31, 2022
5.20% Convertible Notes ("TLRY 27")	$100,476	$ —
HTI Convertible Note	47,834	—
5.25% Convertible Notes ("APHA 24")	120,568	216,753
5.00% Convertible Notes ("TLRY 23")	126,544	185,196
Total	395,422	401,949
Less - current portion	174,378	—
Total convertible debentures payable, non current portion	$221,044	$401,949

HTI Convertible Note

	May 31, 2023	May 31, 2022
4.00% Contractual debenture	$50,000	$—
Unamortized discount	(2,166)	—
Net carrying amount	$47,834	$—

On July 12, 2022, the Company issued a $50,000 convertible promissory note to HTI ("HTI Convertible Note"), bearing a 4% interest rate payable on a quarterly basis and having a maturity date of September 1, 2023. The fair value of the conversion feature was determined to be $9,055, recorded in additional paid in capital. Refer to Note 11 (Convertible notes receivable) for additional details on this transaction. HTI may convert the HTI Convertible Note,

in whole or in part, at any time prior to the second trading day immediately preceding the maturity date, into shares of Common Stock at a conversion price equal to $4.03, which is calculated as 125% of the closing sale price as of the closing date (July 12, 2022). In no event will HTI be allowed to effect a conversion of the HTI Convertible Note if such conversion, along with all other shares of Common Stock beneficially owned by HTI and its affiliates, would exceed 9.99% of the outstanding Common Stock (the ‘‘Beneficial Ownership Limitation’’) of the Company. If HTI does not elect or is unable to elect to convert under the Beneficial Ownership Limitation or if the share price on the immediately preceding Trading Day is not equal to or greater than $2.00, the Company will be responsible for repaying the HTI Convertible Note in cash.

TLRY 27

	May 31, 2023	May 31, 2022
5.20% Contractual debenture	$150,000	$—
Unamortized discount	(49,524)	—
Net carrying amount	$100,476	$—

The TLRY 27 convertible debentures, were entered into on May 30, 2023, in the principal amount of $150,000, bears interest at a rate of 5.20% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, and matures on June 15, 2027, unless earlier converted. The TLRY 27 is an unsecured obligation and ranks senior in right of payment to all indebtedness that is expressly subordinated in right of payment to TLRY 27. The TLRY 27 will rank equal in right of payment with all liabilities that are not subordinated. The TLRY 27 is effectively junior to any secured indebtedness to the extent of the value of the assets securing such indebtedness. Noteholders will have the right to convert their TLRY 27 Notes into shares of Tilray’s common stock at their option, at any time, until the close of business on the second scheduled trading day immediately before June 15, 2027. The initial conversion rate is 376.6478 shares per $1,000 principal amount of TLRY 27 Notes, which represents an initial conversion price of approximately $2.66 per share. The conversion rate and conversion price will be subject to adjustment upon the occurrence of certain events.

The TLRY 27 Notes will be redeemable, in whole and not in part, at Tilray’s option at any time on or after June 20, 2025 at a cash redemption price equal to the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, but only if the last reported sale price of Tilray’s common stock exceeds 130% of the conversion price for a specified period of time. If certain corporate events that constitute a fundamental change occur, then, subject to a limited exception, noteholders may require Tilray to repurchase their TLRY 27 Notes for cash. The repurchase price will be equal to the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the applicable repurchase date. In connection with the Company’s offering of the TLRY 27 Notes, the Company entered into a share lending agreement with an affiliate of Jefferies LLC (the ‘‘Share Borrower’’), under which it lent to the Share Borrower 38,500,000 shares of the Company’s common stock. The borrowed shares were newly-issued shares, issued in connection with the offering of the TLRY 27 Notes and will be held as treasury shares until the expiration or early termination of the share lending agreement. Purchasers of the TLRY 27 Notes may separately sell up to 38,500,000 shares of the Company’s common stock that they may borrow through the Share Borrower. The fair value of the share lending agreement has been recorded as part of the unamortized discount on the debenture. The Company expects that the selling stockholders will use their position created by such sales to establish their initial hedge with respect to their investments in the TLRY 27 Notes. The Company did not receive any proceeds from the sale of the borrowed shares from the Note purchasers. See Note 30 (Subsequent Events) for additional details of transactions related to this security that occurred after period end.

As at May 31, 2023, there was $150,000 principal outstanding (2022 - $nil).

APHA 24

	May 31, 2023	May 31, 2022
5.25% Contractual debenture	$ 350,000	$350,000
Principal amount paid	(213,260)	(90,760)
Fair value adjustment	(16,172)	(42,487)
Net carrying amount	$ 120,568	$216,753

The APHA 24 convertible debentures, were entered into in April 2019, in the principal amount of $350,000, bears interest at a rate of 5.25% per annum, payable semi-annually in arrears on June 1 and December 1 of each year, and matures on June 1, 2024, unless earlier converted. The APHA 24 is an unsecured obligation and ranks senior in right of payment to all indebtedness that is expressly subordinated in right of payment to APHA 24. The APHA 24 ranks equal in right of payment with all liabilities that are not subordinated. The APHA 24 is effectively junior to any secured indebtedness to the extent of the value of the assets securing such indebtedness.

Holders of the APHA 24 may convert all or any portion of their Notes, in multiples of one thousand dollars principal amount, at their option at any time between December 1, 2023 to the maturity date. The initial conversion rate for the APHA 24 will be 89.31162364 shares of common stock per one thousand dollars principal amount of Notes, which will be settled in cash, common shares of Aphria or a combination thereof, at Tilray's election. This is equivalent to an initial conversion price of approximately $11.20 per common share, subject to adjustments in certain events. In addition, holders of the APHA 24 may convert all or any portion of their Notes, in multiples of one thousand dollars principal amount, at their option at any time preceding December 1, 2023, if any of the following:

(a) the last reported sales price of the common shares for at least 20 trading days during a period of 30 consecutive trading days immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day;

(b) during the five-business day period after any five consecutive trading day period (the ''measurement period'') in which the trading price per one thousand dollars principal amount of the APHA 24 for each trading day of the measurement period is less than 98% of the product of the last reported sale price of the Company's common shares and the conversion rate on each such trading day;

(c) the Company calls any or all of the APHA 24 for redemption or;

(d) upon occurrence of specified corporate event.

The Company was not able to redeem the APHA 24 prior to June 6, 2022, except upon the occurrence of certain changes in tax laws. On or after June 6, 2022, the Company may redeem for cash all or part of the APHA 24, at its option, if the last reported sale price of the Company's common shares has been at least 130% of the conversion price then in effect for at least 20 trading days during any 30 consecutive trading day period ending on and including trading day immediately preceding the date on which the Company provides notice of redemption. The redemption of the APHA 24 will be equal to 100% of the principal amount plus accrued and unpaid interest to, but excluding, the redemption date.

The Company elected the fair value option under ASC 825 Fair Value Measurements for the APHA 24. The APHA 24 was initially recognized at fair value on the balance sheet. All subsequent changes in fair value, excluding the impact of the change in fair value related to instrument-specific credit risk are recorded in non-operating income. The changes in fair value related to instrument-specific credit risk is recorded through other comprehensive income (loss).

The Company may from time to time seek to retire or purchase its APHA 24, in open market purchases, privately negotiated transactions or otherwise. Such purchases or exchanges, if any, will depend on prevailing market conditions, the company's liquidity requirements, contractual restrictions and other factors. During the year, the Company purchased $122,500 principal of APHA 24.

The overall change in fair value of the APHA 24 during the year ended May 31, 2023 increased by $26,315, this was comprised of $43,733 of fair value changes which was offset by the decrease in foreign exchange of $17,418 (2022 – decrease of $163,670 and $19,021, 2021 – increase of $170,453 and $32,586).

The aggregate change in fair value of convertible debenture payable of $43,651 recorded in Note 24 (Other non-operating (expense) income) is comprised of the increase from APHA 24 of $43,733 less the decrease of $82 in fair value on the repurchased TLRY 23 debentures noted below.

As at May 31, 2023, there was $136,740 principal outstanding (2022 - $259,400).

During the year ended May 31, 2023, the Company recognized total interest expense of $13,610 (2022 – $13,600, 2021 – $13,600).

TLRY 23

	May 31, 2023	May 31, 2022
5.00% Contractual debenture	$ 277,856	$277,856
Principal amount paid	(150,526)	(88,026)
Unamortized discount	(786)	(4,634)
Net carrying amount	$ 126,544	$185,196

The TLRY 23 bears interest at a rate of 5.00% per annum, payable semi-annually in arrears on April 1 and October 1 of each year. Additional interest may accrue on the TLRY 23 in specified circumstances. The TLRY 23 will mature on October 1, 2023, unless earlier repurchased, redeemed or converted. There are no principal payments required over the five-year term of the TLRY 23, except in the case of redemption or events of defaults.

The TLRY 23 is an unsecured obligation and ranks senior in right of payment to all of the Company's indebtedness that is expressly subordinated in right of payment to the TLRY 23; equal in right of payment with any of the Company's unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables but excluding intercompany obligations) of the Company's current or future subsidiaries.

The TLRY 23 includes customary covenants and sets forth certain events of default after which the convertible notes may be declared immediately due and payable, including certain types of bankruptcy or insolvency involving the Company. To the extent the Company so elects, the sole remedy for an event of default relating to certain failures by the Company to comply with certain reporting covenants, for the first 365 days after such event of default, consist exclusively of the right to receive additional interest on the notes. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of the Company's common stock, at the Company's election (the "cash conversion option"). The initial conversion rate for the convertible notes is 5.9735 shares of common stock per one thousand dollar principal amount of notes, which is equivalent to an initial conversion price of approximately $167.41 per share of common stock, which represents approximately 760,588 shares of common stock, based on the $127,330 aggregate principal amount of convertible notes outstanding as of May 31, 2023 (2022 - shares of 1,133,923 based on principal of $189,830. Throughout the term of the TLRY 23, the conversion rate may be adjusted upon the occurrence of certain events.

Prior to the close of business on the business day immediately preceding April 1, 2023, the TLRY 23 will be convertible only under the specified circumstances. On or after April 1, 2023 until the close of business on the business day immediately preceding the maturity date, holders may convert all or any portion of their TLRY 23, in multiples of one thousand dollars principal amount, at the option of the holder regardless of the aforementioned circumstances.

The Company may from time to time seek to retire or purchase its TLRY 23, in open market purchases, privately negotiated transactions or otherwise. Such purchases or exchanges, if any, will depend on prevailing market conditions, the company's liquidity requirements, contractual restrictions and other factors. During the year, the Company purchased $62,500 of principal of its TLRY 23 reducing the carrying value to $126,544. This repurchase resulted in a loss of $82 which was recorded in change in fair value of convertible debentures payable Note 24 (Other non-operating (expense) income).

As of May 31, 2023, the TLRY 23 is not yet convertible. The convertible notes will become convertible upon the satisfaction of the above circumstances. The remaining unamortized debt discount related to the convertible notes as of May 31, 2023 will be accreted over the remaining term of the TLRY 23, which is approximately 4 months.

As of May 31, 2023, the Company was in compliance with all the covenants set forth under the TLRY 23.

During the year ended May 31, 2023, the Company recognized total interest expense on TLRY 23 of $12,120 (2022 – $18,860, 2021 – $1,585), which included contractual interest coupon of $9,303 (2022 - $14,684, 2021 – 1,158) and amortization of the discount of $2,817 (2022 - $4,176, 2021 – $427).

18. Warrants

During the year ended May 31, 2022, 5,994,651 warrants expired with exercise prices between $3.08 and $9.08. As of May 31, 2023, there are 6,209,000 warrants outstanding, with an original exercise price of $5.95 per warrant, expiring March 17, 2025. Each warrant is exercisable for one common share of the Company.

The warrants contain anti-dilution price protection features, which adjust the exercise price of the warrants if the Company subsequently issues common stock at a price lower than the exercise price of the warrants. In the event additional warrants or convertible debt are issued with a lower and/or variable exercise price, the exercise price of the warrants will be adjusted accordingly. During the year ended May 31, 2023, the Company issued shares which triggered the anti-dilution price protection feature lowering the exercise price to $2.66. These warrants are classified as liabilities as they are to be settled in registered shares, and the registration statement is required to be active, unless such shares may be subject to an applicable exemption from registration requirements. The holders, at their sole discretion, may elect to affect a cashless exercise, and be issued exempt securities in accordance with Section 3(a)(9) of the 1933 Act. In the event the Company does not maintain an effective registration statement, the Company may be required to pay a daily cash penalty equal to 1% of the number of shares of common stock due to be issued multiplied by any trading price of the common stock between the exercise date and the share delivery date, as selected by the holder. Alternatively, the Company may deliver registered common stock purchased by the Company in the open market. The Company may also be required to pay cash if it does not have sufficient authorized shares to deliver to the holders upon exercise.

The Company estimated the fair value of the warrant liability at May 31, 2023 at $0.49 per warrant using the Black Scholes pricing model (Level 3) with the following assumptions: Risk-free interest rate of 3.84%, expected volatility of 70%, expected term of 2.3 years, strike price of $2.66 and fair value of common stock of $1.67.

Expected volatility is based on both historical and implied volatility of the Company's common stock.

19. Stockholders' equity

On March 16, 2023, Tilray's stockholders formally approved a proposal to amend its certificate of incorporation (the "Charter Amendment"), which modified Tilray's existing certificate of incorporation by canceling its Class 1 Common Stock and re-allocating such authorized shares to Class 2 Common Stock. In addition, the Charter Amendment reclassified each issued and outstanding share of Class 2 Common Stock as one share of Common Stock of Tilray.

Issued and outstanding

At May 31, 2023, the Company had 990,000,000 shares authorized to be issued with 656,655,455 shares issued and outstanding, at May 31, 2022 – 743,333,333 and 532,674,887 respectively.

During the year-ended May 31, 2023, the Company issued the following shares:

a) 32,481,149 shares under its At-the-Market ("ATM") program for gross proceeds of $132,238. The Company paid $2,645 in commissions and other fees associated with these issuances for net proceeds of $129,593.

b) 33,314,412 shares to purchase the HEXO convertible notes receivable.

c) 16,114,406 shares to settle amounts owed to the non-controlling shareholders of Aphria Diamond in the amount of $60,062.

d) 1,862,080 shares for the exercise of various stock-based compensation awards.

e) 1,708,521 shares issued to acquire Montauk Brewing Company Inc.

e) 38,500,000 shares issued as part of a share lending agreement with an affiliate of Jefferies LLC in connection with the registered offering of $150 Million of unsecured convertible senior notes (TLRY 27).

Stock-based compensation

For the year ended May 31, 2023, the total stock-based compensation expense was $39,595 (2022 - $35,994 and 2021- $17,351). The Company operates multiple stock-based award plans as follows:

Tilray 2018 Equity Incentive Plan and Original Plan

The 2018 Equity Incentive Plan (EIP) authorizes the award of stock options, restricted stock units (''RSUs'') and stock appreciation rights (''SARs'') to employees, including officers, non-employee directors and consultants and the employees and consultants of our affiliates. Shares subject to awards granted under the EIP that expire or terminate without being exercised in full, or that are paid out in cash rather than in shares, do not reduce the number of shares available for issuance under the EIP. Additionally, shares become available for future grant under the EIP if they were issued under the EIP and if the Company repurchases them or they are forfeited. This includes shares used to pay the exercise price of an award or to satisfy the tax withholding obligations related to an award. The maximum number of shares of common stock subject to stock awards granted under the EIP or otherwise during any one calendar year to any non-employee director, taken together with any cash fees paid by the Company to such non-employee director during such calendar year for service on the Board of Directors, will not exceed five hundred thousand dollars in total value, calculating the value of any such stock awards based on the grant date fair value of such stock awards for financial reporting purposes, or, with respect to the calendar year in which a nonemployee director is first appointed or elected to our Board of Directors, one million dollars.

Stock options represent the right to purchase shares of our common stock on the date of exercise at a stated exercise price. The exercise price of a stock option generally must be at least equal to the fair market value of our shares of common stock on the date of grant. The Company's compensation committee may provide for stock options to be exercised only as they vest or to be immediately exercisable with any shares issued on exercise being subject to the Company's right of repurchase that lapses as the shares vest. The maximum term of stock options granted under the EIP is ten years.

RSUs represent a right to receive common stock or their cash equivalent for each RSU that vests, which vesting may be based on time or achievement of performance conditions. Unless otherwise determined by our compensation committee at the time of grant, vesting will cease on the date the participant no longer provides services to the Company and unvested shares will be forfeited. If an RSU has not been forfeited, then on the date specified in the RSUs, the Company will deliver to the holder a number of whole shares of common stock, cash or a combination of shares of our common stock and cash. Additionally, dividend equivalents may be credited in respect of shares covered by the RSUs. Any additional shares covered by the RSU credited by reason of such dividend equivalents will be subject to all of the same terms and conditions of the underlying RSU agreement to which they relate. The RSUs generally vest over a 3-or-4 year period. The fair value of RSUs are based on the share price as at date of grant.

SARs provide for a payment, or payments, in cash or shares of common stock to the holder based upon the difference between the fair market value of shares of our common stock on the date of exercise and the stated exercise price. The maximum term of SARs granted under the EIP is ten years. No SARs were issued to date.

The EIP permits the grant of performance-based stock and cash awards. The performance goals may be based on company-wide performance or performance of one or more business units, divisions, affiliates or business segments and may be either absolute or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. The length of any performance period, the performance goals to be achieved during the performance period, and the measure of whether and to what degree such performance goals have been attained will be conclusively determined by the Board of Directors.

As of April 30, 2021, 9,806,851 shares of common stock had been reserved for issuance under the EIP. The number of shares of common stock reserved for issuance under the 2018 EIP will automatically increase on January 1 of each calendar year, for a period of not more than ten years, starting on January 1, 2019 and ending on and including January 1, 2027, in an amount equal to 4% of the total number of shares of our common stock outstanding on December 31 of the prior calendar year, or a lesser number of shares determined by our Board of Directors. The shares reserved include only the outstanding shares related to stock options and RSUs and excludes stock options outstanding under the Original Plan.

Certain employees and other service providers of the Company participate in the equity-based compensation plan of Privateer Holdings, Inc (the ''Original Plan'') under the terms and valuation method detailed below. The expected life of the stock options represented the period of time stock options were expected to be outstanding and

was estimated considering vesting terms and employees' historical exercise and post-vesting employment termination behavior. Expected volatility was based on historical volatilities of public companies operating in a similar industry to Privateer Holdings. The risk-free rate is based on the United States Treasury yield curve in effect at the time of grant. The expected dividend yield was determined based on the stock option's exercise price and expected annual dividend rate at the time of grant.

No stock options were granted under the EIP during the year ended May 31, 2023 and 2022. For the year ended May 31, 2021, the fair value of each stock option granted is estimated on grant date using the Black-Scholes option pricing model using the following assumptions: risk-free rate for 2.10% on the date of grant; expected life of 8.97 years; volatility of 61.33% based on comparable companies; dividend yield of $nil; and, the exercise price of the respective option. The expected life of the award is estimated using the simplified method since the Company does not have adequate historical exercise data to estimate the expected term.

Stock-based activity under the EIP and Original Plan for the year ended May 31, 2023 is as follows:

EIP Time-based stock option activity

	Stock Options	Weighted-average exercise price	Weighted-average remaining contractual term (years)	Aggregate intrinsic value
Balance, May 31, 2022	2,881,749	$14.93	6.0	$—
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Cancelled	(72,551)	11.37	—	—
Balance, May 31, 2023	2,809,198	$14.88	5.0	$—

Original plan time-based stock option activity

	Stock Options	Weighted-average exercise price	Weighted-average remaining contractual term (years)	Aggregate intrinsic value
Balance, May 31, 2022	92,777	$3.52	3.8	$ 117
Exercised	(7,853)	3.27	—	—
Forfeited	—	—	—	—
Cancelled	(20,955)	4.80	—	—
Balance, May 31, 2023	63,969	$3.27	3.8	$7.68

EIP Time-based RSU activity

	Time-based RSUs	Weighted-average grant-date fair value per share	Weighted-average remaining contractual term (years)	Aggregate intrinsic value
Balance, May 31, 2022	6,710,780	$11.76	2.6	$25,894
Granted	8,639,739	3.39	—	—
Vested	(2,081,268)	11.15	—	—
Forfeited	(1,130,559)	5.43	—	—
Cancelled	—	—	—	—
Balance, May 31, 2023	12,138,692	$ 6.04	1.7	$24,857

Predecessor Plan - Aphria

Aphria had established the Aphria Omnibus Incentive Plan (the "Predecessor Plan"). Following stockholder approval of the EIP, no new awards have been granted under the Predecessor Plan. In connection with the reverse

acquisition Aphria stock options, Aphria RSUs and DSUs issued under the Predecessor Plan were exchanged for options, RSUs under the EIP. As a result of the modification, all grantees were affected, and the Company recognized nil incremental compensation cost.

The fair value of each stock option granted under the Predecessor Plan is estimated on grant date using the Black-Scholes option pricing model using the following assumptions: risk-free rate for 2021 of 0.39% and 2020 of 1.20 – 1.56% on the date of grant; expected life for 2021 of 5 years and 2020 of 5 years; volatility for 2021 of 70% and 2020 of 70%) based on comparable companies; forfeiture rate for 2021 of 35% and 2020 of 20%; dividend yield for 2021 of $nil and 2020 of $nil); and, the exercise price of the respective option. The expected life of the award is estimated using the simplified method since the Company does not have adequate historical exercise data to estimate the expected term.

Stock option, RSU and DSU activity for the Company under the Predecessor Plan is as follows:

Time-based stock option activity

	May 31, 2023				
	Number of options	Weighted-average exercise price	Weighted-average grant date fair value	Weighted average remaining contractual term (years)	Aggregate Intrinsic Amount
Balance, May 31, 2022	1,839,028	$11.29	$ 64.44	1.8	—
Exercised	—	—	—	N/A	N/A
Granted	—	—	—	N/A	N/A
Forfeited	(396)	8.95	112.24	N/A	N/A
Expired	(132,005)	13.07	41.93	N/A	N/A
Balance, May 31, 2023	1,706,627	$11.16	$ 60.75	1.0	—
Vested and exercisable, May 31, 2023	1,706,627	$11.16	$ 60.75	1.0	—

Time-based and Performance-based RSU activity

	May 31, 2023	
	Time- based RSUs	Weighted average grant - date fair value per share
Balance, May 31, 2022	777,112	$11.09
Granted	—	—
Vested	(390,419)	$14.55
Forfeited	(15,511)	$ 8.75
Balance, May 31, 2023	371,182	$11.37

20. Accumulated other comprehensive loss

Accumulated other comprehensive loss includes the following components:

	Foreign currency translation gain (loss)	Unrealized loss on convertible notes receivables	Total
Balance May 31, 2020	$ (232)	$ (5,202)	$ (5,434)
Settlement of convertible notes receivable	—	5,277	5,277
Other comprehensive loss	156,649	(3,824)	152,825
Balance May 31, 2021	156,417	(3,749)	152,668
Other comprehensive loss	(102,004)	(71,428)	(173,432)

	Foreign currency translation gain (loss)	Unrealized loss on convertible notes receivables	Total
Balance May 31, 2022	54,413	(75,177)	(20,764)
Other comprehensive (loss) reversal	(101,023)	75,177	(25,846)
Balance May 31, 2023	$ (46,610)	$ —	$(46,610)

21. Non-controlling interests

The following tables summarize the information relating to the Company's majority-owned subsidiaries, CC Pharma Nordic ApS (75%), Aphria Diamond (51%), ColCanna S.A.S. (90%), and SH Acquisition (68%) before intercompany eliminations.

Summarized balance sheet information of the entities in which there is a non-controlling interest as at May 31, 2023:

	SH Acquisition	CC Pharma Nordic ApS	Aphria Diamond	ColCanna S.A.S.	May 31, 2023
Current assets	$ —	$ 114	$ 127,689	$ 224	$ 128,027
Non-current assets	74,681	—	135,085	3,307	213,073
Current liabilities	—	(1,166)	(142,554)	(6,697)	(150,417)
Non-current liabilities	—	—	(53,197)	(1,428)	(54,625)
Net assets	$74,681	$(1,052)	$ 67,023	$(4,594)	$ 136,058

Summarized balance sheet information of the entities in which there is a non-controlling interest as at May 31, 2022:

	SH Acquisition	CC Pharma Nordic ApS	Aphria Diamond	ColCanna S.A.S.	May 31, 2022
Current assets	$ —	$ 485	$ 20,546	$ 193	$ 21,224
Non-current assets	111,200	158	152,786	93,738	357,882
Current liabilities	—	(642)	(63,196)	(53)	(63,891)
Non-current liabilities	—	(410)	(29,653)	(6,537)	(36,600)
Net assets	$111,200	$(409)	$ 80,483	$87,341	$278,615

Summarized income statement information of the entities in which there is a non-controlling interest for the year ended May 31, 2023:

	SH Acquisition	CC Pharma Nordic ApS	Aphria Diamond	ColCanna S.A.S.	May 31, 2023
Revenue	$ —	$ 126	$161,453	$ 1	$161,580
Total expenses	107,297	748	85,460	57,293	250,798
Net (loss) income	(107,297)	(622)	75,993	(57,292)	(89,218)
Other comprehensive (loss) income	70,778	(21)	(961)	(34,643)	35,153
Net comprehensive (loss) income	$ (36,519)	$(643)	$ 75,032	$(91,935)	$ (54,065)
Non-controlling interest %	32%	25%	49%	10%	NA
Comprehensive (loss) income attributable to NCI	(11,686)	(161)	36,766	(9,194)	15,725
Additional income attributable to NCI	—	—	11,421	—	11,421
Net comprehensive (loss) income attributable to NCI	$ (11,686)	$(161)	$ 48,187	$ (9,194)	$ 27,146

Summarized income statement information of the entities in which there is a non-controlling interest for the year ended May 31, 2022:

	SH Acquisition	CC Pharma Nordic ApS	Aphria Diamond	ColCanna S.A.S.	May 31, 2022
Revenue	$ —	$ 354	$148,323	$ —	$148,677
Total expenses	(11,180)	470	77,057	35	66,382
Net (loss) income	11,180	(116)	71,266	(35)	82,295
Other comprehensive (loss) income	(70,778)	47	(2,353)	(4,737)	(77,821)
Net comprehensive (loss) income	$(59,598)	$ (69)	$ 68,913	$(4,772)	$ 4,474
Non-controlling interest %	32%	25%	49%	10%	NA
Net comprehensive (loss) income	$(19,071)	$ (17)	$ 33,767	$ (477)	$ 14,202

Summarized income statement information of the entities in which there is a non-controlling interest for the year ended May 31, 2021:

	CC Pharma Nordic ApS	Aphria Diamond	ColCanna S.A.S.	May 31, 2021
Revenue	$ 827	$131,381	$ —	$132,208
Total expenses (recovery)	958	67,030	923	68,911
Net (loss) income	(131)	64,351	(923)	63,297
Other comprehensive (loss) income	—	—	—	—
Net comprehensive (loss) income	$(131)	$ 64,351	$(923)	$ 63,297
Non-controlling interest %	25%	49%	10%	*NA*
Net comprehensive (loss) income	$ (33)	$ 31,532	$ (92)	$ 31,407

22. Net revenue

Net revenue is comprised of:

	For the year ended May 31,		
	2023	2022	2021
Cannabis revenue	$284,314	$300,891	$264,334
Cannabis excise taxes	(63,884)	(63,369)	(62,942)
Net cannabis revenue	220,430	237,522	201,392
Beverage alcohol revenue	100,679	74,959	29,661
Beverage alcohol excise taxes	(5,586)	(3,467)	(1,062)
Net beverage alcohol revenue	95,093	71,492	28,599
Distribution revenue	258,770	259,747	277,300
Wellness revenue	52,831	59,611	5,794
Total	$627,124	$628,372	$513,085

23. Cost of goods sold

Cost of goods sold is comprised of:

	For the year ended May 31,		
	2023	2022	2021
Cannabis costs	$162,755	$194,834	$130,511
Beverage alcohol costs	48,770	32,033	12,687
Distribution costs	231,309	243,231	242,472
Wellness costs	37,330	41,457	4,233
Total	$480,164	$511,555	$389,903

24. General and administrative expenses

General and administrative expenses are comprised of the following items:

	For the year ended May 31,		
	2023	2022	2021
Executive compensation	$ 13,655	$ 14,128	$ 8,645
Office and general	27,845	27,153	19,503
Salaries and wages	57,228	51,693	37,126
Stock-based compensation	39,595	35,994	17,351
Insurance	12,033	17,536	12,257
Professional fees	7,166	13,047	11,779
Gain on sale of capital assets	(48)	(682)	—
Insurance proceeds	—	(4,032)	—
Travel and accommodation	4,530	4,203	2,711
Rent	3,155	3,761	2,203
Total	$165,159	$162,801	$111,575

25. Interest expense, net

Interest expense, net is comprised of:

	For the year ended May 31,		
	2023	2022	2021
Interest income	$ 33,025	$ 11,736	$ 2,926
Interest expense	(46,612)	(39,680)	(30,903)
	$(13,587)	$(27,944)	$(27,977)

26. Non-operating (expense) income

Non-operating (expense) income is comprised of:

	For the year ended May 31,		
	2023	2022	2021
Change in fair value of convertible debenture payable	$(43,651)	$163,670	$(170,453)
Change in fair value of warrant liability	12,438	63,913	1,234
Foreign exchange loss	(25,535)	(28,383)	(22,347)
Loss on long-term investments	(2,190)	(6,737)	(2,352)
Other non-operating (losses) gains, net	(7,971)	5,208	9,080
	$(66,909)	$197,671	$(184,838)

Other non-operating (losses) gains, net for the year ended *May 31, 2023,* includes amounts to settle outstanding notes with non-controlling interest shareholders.

27. Commitments and contingencies

Purchase and other commitments

The Company has payments on long-term debt (refer to Note 16 Long-term debt), convertible notes (refer to Note 17 Convertible Debentures), material purchase commitments and construction commitments as follows:

	Total	2024	2025	2026	2027	Thereafter
Long-term debt repayment	$161,707	$ 24,080	$ 14,208	$41,798	$10,522	$ 71,099
Convertible notes payable	464,070	177,330	136,740	—	—	150,000
Material purchase obligations	24,468	18,726	5,140	602	—	—
Construction commitments	8,410	8,410	—	—	—	—
Total	$658,655	$228,546	$156,088	$42,400	$10,522	$221,099

Legal proceedings

In the ordinary course of business, we are at times subject to various legal proceedings and disputes, including the proceedings specifically discussed below. We assess our liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. Where it is probable that we will incur a loss and the amount of the loss can be reasonably estimated, we record a liability in our consolidated financial statements. These legal reserves may be increased or decreased to reflect any relevant developments on a quarterly basis. Where a loss is not probable or the amount of loss is not estimable, we do not accrue legal reserves. While the outcome of legal proceedings is inherently uncertain, based on information currently available and available insurance coverage, our management believes that it has established appropriate legal reserves. Any incremental liabilities arising from pending legal proceedings are not expected to have a material adverse effect on our consolidated financial position, consolidated results of operations, or consolidated cash flows. However, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to our consolidated financial position, consolidated results of operations, or consolidated cash flows.

Class Action Suits and Stockholder Derivative Suits

Approved Settlement of Tilray Brands, Inc. Reorganization Litigation (Delaware, New York) – Special Litigation Committee

On February 27, 2020, Tilray stockholders Deborah Braun and Nader Noorian filed a class action and derivative complaint in the Delaware Court of Chancery styled Braun v. Kennedy, C.A. No.2020-0137-KSJM. On March 2, 2020, Tilray stockholders Catherine Bouvier, James Hawkins, and Stephanie Hawkins filed a class action and derivative complaint in the Delaware Court of Chancery styled Bouvier v. Kennedy, C.A. No. 2020-0154-KSJM.

On March 4, 2020, the Delaware Court of Chancery entered an order consolidating the two cases and designating the complaint in the Braun/Noorian action as the operative complaint. The operative complaint asserts claims for breach of fiduciary duty against Brendan Kennedy, Christian Groh, Michael Blue, and Privateer Evolution, LLC (the ''Privateer Defendants'') for alleged breaches of fiduciary duty in their alleged capacities as Tilray's controlling stockholders and against Kennedy, Maryscott Greenwood, and Michael Auerbach for alleged breaches of fiduciary duties in their capacities as directors and/or officers of Tilray in connection with the prior merger of Privateer Holdings, Inc. with and into a wholly owned subsidiary (the ''Downstream Merger''). The complaint alleges that the Privateer Defendants breached their fiduciary duties by causing Tilray to enter into the Downstream Merger and Tilray's Board to approve that Downstream Merger, and that Defendants Kennedy, Greenwood, and Auerbach breached their fiduciary duties as directors by approving the Downstream Merger. Plaintiffs allege that the Downstream Merger gave the Privateer Defendants hundreds of millions of dollars of tax savings without providing a corresponding benefit to Tilray and its minority stockholders and that the Downstream Merger unfairly transferred and extended Kennedy, Blue, and Groh's control over Tilray.

In August 2021, the Company's Board of Directors established a Special Litigation Committee (the ''SLC'') of independent directors to re-assert director control and investigate the derivative claims in this litigation matter. The SLC has appointed the law firm Wilson Sonsini to assist the SLC with an ongoing investigation of the underlying claim and determine whether continued prosecution of such claims was in the best interests of the Company.

On May 27, 2022, the SLC informed the Court that it had completed its investigation; determined not to seek dismissal of the Action; and confirmed its determination that the Company had suffered significant damages and that the SLC would pursue claims to recover appropriate amounts for the Company's benefit. Thereafter, the SLC, all of the Defendants, and certain non-parties participated in two mediation sessions before former Chancellor of the Delaware Court of Chancery Andre G. Bouchard.

On July 15, 2022, the SLC reached an agreement in principle with Defendants and certain of the non-parties, and their respective insurers, to resolve the claims asserted in the Action in exchange for an aggregate amount of $26,900 to be paid to Tilray plus mutual releases. The SLC subsequently reached further agreement with an additional non-party and plaintiffs to settle the entire Action. On December 20, 2022, the parties submitted a Stipulation and Agreement of Compromise, Settlement, and Release (''Settlement Stipulation'') to the Court for approval which provides for, among other things, an aggregate cash amount of $39,900 to be paid to Tilray and mutual releases. A hearing to approve the Settlement Stipulation was held on February 27, 2023, and was formally approved by the Court shortly thereafter. Tilray received the settlement proceeds following such approval. Plaintiffs' counsel was awarded fees equal to $6,500. Tilray stockholders did not receive any direct payment from the Settlement Stipulation.

Authentic Brands Group Related Class Action (New York, United States)

On May 4, 2020, Ganesh Kasilingam filed a lawsuit in the United States District Court for the Southern District of New York (''SDNY''), against Tilray Brands, Inc., Brendan Kennedy and Mark Castaneda, on behalf of himself and a putative class, seeking to recover damages for alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the ''Kasilingam litigation''). The complaint alleges that Tilray and the individual defendants overstated the anticipated advantages of the Company's revenue sharing agreement with Authentic Brands Group (''ABG''), announced on January 15, 2019, and that the plaintiff suffered losses when Tilray's stock price dropped after Tilray recognized an impairment with respect to the ABG deal on March 2, 2020. On August 6, 2020, SDNY entered an order appointing Saul Kassin as Lead Plaintiff and The Rosen Law Firm, P.A. as Lead Counsel. Lead Plaintiff filed an amended complaint on October 5, 2020, which asserts the same Sections 10(b) and 20(a) claims against the same defendants on largely the same theory, and includes new allegations that Tilray's reported inventory, cost of sales, and gross margins in its financial reports during the class period were false and misleading because Tilray improperly recorded unsellable ''trim'' as inventory and understated the cost of sales for its products.

On September 27, 2021, the U.S. District Court entered an Opinion & Order granting the Defendants' motion to dismiss the complaint in the Kasilingam litigation without prejudice. On December 3, 2021, the lead plaintiff filed a second amended complaint alleging similar claims against Tilray and Brendan Kennedy. The defendants moved to dismiss the amended complaint on February 2, 2022. On September 28, 2022, the Court granted in part and denied in part the defendants' motion to dismiss the second amended complaint. On October 12, 2022, the Company filed a motion for reconsideration and/or interlocutory appeal of this Court decision which remain pending.

Aphria Inc. Securities Litigation (New York, United States)

On December 5, 2018, a putative securities class action was commenced in SDNY against Aphria and certain current and former officers and directors. The action claims that the defendants misrepresented the value of three cannabis-producing properties Aphria acquired in Jamaica, Colombia, and Argentina (the ''LATAM Assets''). On December 3, 2018, two notorious short-sellers issued a report about the acquisitions, claiming the LATAM Assets were non-functional or non-existent, which allegedly caused Aphria's stock price to fall. On April 15, 2019, Aphria took impairment charges on the LATAM Assets, which also allegedly caused Aphria's stock price to decline. The putative class action claims that Aphria artificially inflated the price of its publicly-traded stock by making false statements about the LATAM Assets, and when the purported truth was revealed by a short-seller report and write-down, the stock price declined, harming investors.

On September 30, 2020, the Court denied the motion to dismiss the complaint as to Aphria, Vic Neufeld, and Carl Merton, and granted the motion as to Cole Cacciavillani, John Cervini, Andrew DeFrancesco, and SOL Global Investments. On October 1, 2020, Plaintiffs moved for reconsideration of the order dismissing DeFrancesco and SOL or, in the alternative, to amend their complaint. On October 14, 2020, Aphria, Neufeld, and Merton moved for reconsideration of the order denying their motion to dismiss.

On September 29, 2021, the U.S. District Court issued an Order that (i) permitted the plaintiffs to amend their lawsuit to revive the claims against Andy DeFrancecso; and (ii) declined to revisit his decision that claims could proceed against Aphria/Tilray, Vic Neufeld, and Carl Merton. Plaintiffs declined to amend their complaint, however, and so the action is proceeding solely against Aphria/Tilray, Neufeld, and Merton. On December 5, 2022, the parties engaged in a mediation session with an independent mediator. However, no settlement agreement was reached.

It is too early to determine any potential damages from this proceeding. The Company and the individual defendants believe the claims are without merit, and intend to vigorously defend against the claims, but there can be no assurances as to the outcome.

LATAM and Nuuvera Class Actions and Individual Actions (Canada)

On January 29, 2018, Aphria announced the acquisition of Nuuvera Inc. On July 17, 2018, Aphria announced a planned expansion into Latin America and the Caribbean with the acquisition of LATAM Holdings Inc. The following class actions and four individual proceedings have been commenced in Canada against Aphria and several current or former officers relating to the Nuuvera and LATAM transactions:

(i) a proposed class action (the ''Vecchio Action'') commenced in the Ontario Superior Court in February 2019, and amended thereafter, alleging statutory and common law misrepresentations and oppression relating to the Nuuvera and LATAM transactions. The Vecchio Action names Aphria, Merton, Neufeld, Cacciavillani and 5 underwriters as defendants;

(ii) four individual actions (the "Individual Actions") commenced by Wan, Bergerson, Landry, and Profinsys in the Ontario Superior Court alleging statutory and common law misrepresentations relating to the LATAM and Nuuvera transactions. The Individual Actions name Aphria, Merton, Neufeld, and Cacciavillani as defendants.

In the Vecchio Action a motion for certification and leave was heard. For Reasons for Decision released August 6, 2021, and with the consent of Aphria and the individually named Defendants, the Court granted leave to proceed with the secondary market statutory cause of action, and certified the Action on behalf of a defined class of purchasers. Also, on consent, the Court dismissed the claims of oppression and common law misrepresentation against Aphria and the individual defendants, as well as all claims against Carl Merton. The Court granted certification of the primary market statutory cause of action against all remaining Defendants but made it conditional on a successful motion by the Plaintiff to have the Court appoint a second Plaintiff for that aspect of the Claim. The defendant underwriters are appealing one term of that final aspect of the Court's decision. We continue to believe that these claims are without merit and plan to vigorously defend against this action.

Langevin Canada Class Action Regarding Alleged Mislabled Products (Alberta, Canada)

On June 16, 2020, Lisa Langevin commenced a purported class action against Tilray, Aphria, and Broken Coast Cannabis Ltd. (a subsidiary of Aphria) in the Alberta Court of Queen's Bench, on her behalf and on behalf of a proposed class of all medicinal and recreational users in Canada of the defendants' cannabis products who consumed the products before their expiry date. The plaintiff alleges that the defendants marketed medicinal and recreational cannabis products in circumstances where the defendants misrepresented the amount of Tetrahydrocannabinol or Cannabidiol in certain of their respective products. The plaintiff claims that as a result of the alleged mislabeling, the plaintiff and proposed class members did not receive and consume the product that they believed they had purchased causing them loss, risk of injury and actual injury. The plaintiff seeks $500,000 in damages and restitution and $5,000 in punitive damages plus interest and costs collectively from the defendants. On July 20, 2020, plaintiff filed an Amended Statement of Claim, and on December 4, 2020 filed a Third Amended Statement of Claim. The application by the defendants to be relieved from the obligation to file a Statement of Defense was argued before the case management justice on June 1, 2021, and a decision is under reserve. The Company believes the claims are without merit, and intends to vigorously defend against them, but there can be no assurances as to the outcome.

Legal Proceedings Related to Contractual Obligations

420 Investments Ltd. Litigation

On February 21, 2020, 420 Investments Ltd., as Plaintiff ("420 Investments"), filed a lawsuit against Tilray Brands, Inc. and High Park Shops Inc. ("High Park"), as Defendants, in Calgary, Alberta in the Court of Queen's Bench of Alberta. In August 2019, Tilray and High Park entered into an Arrangement Agreement with 420 Investments and others (the "Agreement"). Pursuant to the Agreement, High Park was to acquire the securities of 420 Investments. In February 2020, Tilray and High Park gave notice of termination of the Agreement. 420 Investments alleges that the termination was unlawful and without merit and further alleges that the Defendants had no legal basis to terminate. 420 Investments alleges that the Defendants did not meet their contractual and good faith obligations under the Agreement. 420 Investment seeks damages in the stated amount of C$110,000, plus C$20,000 in aggravated damages. The Tilray and High Park Statement of Defense and counterclaim were both filed on March 20, 2020. 420 Investment's Statement of Defense to our counterclaim was filed on April 20, 2020. Respectively, 420 Investments and Tilray / High Park served each other with their Affidavits of Records ("AOR") on August 25, 2020 and November 30, 2020. Tilray and High Park cross-examined the litigation representative of 420 Investments about its AOR with 420 Investments producing supplemental documents in August 2021 and 2022. Additional discovery may take place in the Fall of 2023. In February 2023, Tilray and High Park filed an Application for Summary Judgment to collect an unpaid C$7,000 bridge loan made to 420 Investments on August 28, 2019, relating to the subject transaction. That debt was repayable in March 2020, but was never repaid. The application is pending and a decision from the Court is expected in September or October 2023. No trial date has been set. The Company denies the Plaintiff's allegations and intends to vigorously defend this litigation matter, although there can be no assurance as to its outcome.

Docklight Litigation

On November 5, 2021 Docklight Brands, Inc. ("Docklight") filed a complaint against the Company and its wholly-owned subsidiary, High Park Holdings, Ltd. ("High Park") in Superior Court of the State of Washington, King County. Docklight claimed breach of contract against High Park arising from a 2018 license agreement pursuant

to which Docklight licensed certain Bob Marley-related brands to High Park (as amended in 2020 and 2021, the ‘‘High Park License’’). In addition, Docklight brought a negligent misrepresentation claim against Tilray, alleging that certain individuals at Tilray or Aphria had made false statements to Docklight in order to induce Docklight to waive Docklight's alleged right to terminate the High Park License for change-of-control on the basis of the 2021 Tilray-Aphria Arrangement Agreement. Docklight seeks injunctive relief as well as unspecified damages. On December 17, 2021, Defendants removed the case to the United States District Court, Federal District of Washington. Defendants' answer to the complaint was filed January 21, 2022, and discovery is ongoing. Mediation was held April 2023, but the parties were unable to reach a resolution. Tilray and High Park continue to believe that the claims are without merit and we intend to continue to vigorously defend the Docklight suit.

Cannfections Group Inc. / High Park Farms Ltd. and High Park Holdings Ltd. (Canada, Commercial Arbitration)

On December 2, 2022 Cannfections Group Inc., a JV that is 50% owned by High Park, (‘‘Cannfections’’) delivered a Request to Arbitrate along with a Statement of Claim to Tilray's subsidiaries High Park Farms Ltd. and High Park Holdings Ltd. for an arbitration to be held in Toronto, Ontario. Cannfections claims breach of contract against Tilray arising from a 2019 supply agreement pursuant to which Tilray retained Cannfections to manufacture cannabis-infused chocolates and gummies. Cannfections primarily alleges that Tilray failed to meet certain minimum order volumes of products from Cannfections resulting in claimed damages of C$27,500. Tilray has filed a Statement of Defense denying the allegations and the parties have completed document production and selected an arbitrator to hear this matter in November 2023. Tilray believes these claims are without merit intends to vigorously defend the claims during arbitration proceeding

Included in Litigation (recovery) costs is $33,400 relating to the SLC Settlement (net of costs) and expense accruals equaling $25,000 to cover various ongoing litigation matters that are probable and estimable, for the year ended May 31, 2023.

28. Financial risk management and financial instruments

Financial instruments

The Company has classified its financial instruments as described in Note 3 (Significant accounting policies).

The carrying values of accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximate their fair values due to their short periods to maturity.

The Company's long-term debt of $nil (2022 - $17,839) and the principal portion of convertible debentures payable of $464,070 are subject to fixed interest rates.

Fair value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. Cash and cash equivalents are Level 1. The hierarchy is summarized as follows:

Level 1	Quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2	Inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data
Level 3	Inputs for assets and liabilities not based upon observable market data

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of May 31, 2023 and 2022 and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value:

	Level 1	Level 2	Level 3	May 31, 2023
Financial assets				
Cash and cash equivalents	$206,632	$ —	$ —	$206,632
Marketable securities	241,897	—	—	241,897
Convertible notes receivable	—	—	103,401	103,401
Equity investments measured at fair value	1,056	1,088	5,651	7,795

	Level 1	Level 2	Level 3	May 31, 2023
Financial liabilities				
Warrant liability	—	—	(1,817)	(1,817)
Contingent consideration	—	—	(27,107)	(27,107)
APHA 24 Convertible debenture	—	—	(120,568)	(120,568)
Total recurring fair value measurements	$449,585	$1,088	$ (40,440)	$ 410,233

	Level 1	Level 2	Level 3	May31, 2022
Financial assets				
Cash and cash equivalents	$415,909	$ —	$ —	$ 415,909
Convertible notes receivable	—	—	111,200	111,200
Equity investments measured at fair value	1,878	2,469	5,703	10,050
Financial liabilities				
Warrant liability	—	—	(14,255)	(14,255)
Contingent consideration	—	—	(16,007)	(16,007)
APHA 24 Convertible debenture	—	—	(216,753)	(216,753)
Total recurring fair value measurements	$417,787	$2,469	$(130,112)	$ 290,144

The Company's financial assets and liabilities required to be measured on a recurring basis are its convertible notes receivable, equity investments measured at fair value, convertible debentures measured at fair value, acquisition-related contingent consideration, and warrant liability.

Convertible notes receivable and long-term investments are recorded at fair value. The estimated fair value is determined using the Black Scholes option pricing model, probability of legalization and is classified as Level 3.

Convertible debentures payable are recorded at fair value when elected or required under US GAAP. Specifically, the APHA 24 instrument's estimated fair value is determined using the Black-Scholes option pricing model and is classified as Level 3.

Certain equity investments recorded at fair value have quoted prices in active markets for identical assets and are classified as Level 1.The Company classified securities with observable inputs as level 2 and without a quoted market price as Level 3.

The warrants associated with the warrant liability are classified as Level 3 derivatives. Consequently, the estimated fair value of the warrant liability is determined using the Black-Scholes pricing model. Until the warrants are exercised, expire, or other facts and circumstances lead the warrant liability to be reclassified to stockholders' equity, the warrant liability (which relates to warrants to purchase shares of common stock) is marked-to-market each reporting period with the change in fair value recorded in change in fair value of warrant liability. Any significant adjustments to the unobservable inputs disclosed in the table below would have a direct impact on the fair value of the warrant liability.

The contingent consideration from the acquisitions of SweetWater and Montauk, due in December 2023 and December 2025, respectively and payable in cash, is determined by discounting future expected cash outflows at a discount rate of 5%, and 11.4%, respectively and probability of achievement of 25% and 80%. The unobservable inputs into the future expected cash outflows result in a fair value measurement classified as Level 3.

The balances of assets and liabilities categorized within Level 3 of the fair value hierarchy measured at fair value on a recurring basis are reconciled, as follows:

	Convertible notes receivable	Equity Investments	Warrant Liability	Contingent Consideration	APHA 24 Convertible Debt	Total
Balance, May 31, 2022	$ 111,200	$5,703	$(14,255)	$(16,007)	$(216,753)	$(130,112)
Additions / (repayments)	167,752	—	—	(10,245)	122,500	280,007
Unrealized gain (loss) on fair value	70,779	(52)	12,438	(855)	(26,315)	55,995
Impairments	(246,330)	—	—	—	—	(246,330)
Balance, May 31, 2023	$ 103,401	$5,651	$ (1,817)	$(27,107)	$(120,568)	$ (40,440)

The unrealized gain (loss) on fair value for the Convertible Debenture, warrant liability, contingent consideration and convertible notes payable are recognized in non-operating income (loss) and other comprehensive income for the convertible notes receivable using the following inputs:

Financial asset / financial liability	Valuation technique	Significant unobservable input	Inputs
APHA Convertible debentures	Black-Scholes	Volatility,	50%
		expected life (in years)	1.0
Warrant liability	Black-Scholes	Volatility,	50%
		expected life (in years)	1.8
Contingent consideration	Discounted cash flows	Discount rate,	5%-11%
		achievement	25%-80%
Convertible notes receivable	Black-Scholes	Effective interest rate,	17%-22%
		forfeiture rate,	35%-75%
		conversion	0%-60%

Items measured at fair value on a non-recurring basis

The Company's prepayments and other current assets, long lived assets, including property and equipment, goodwill and intangible assets are measured at fair value when there is an indicator of impairment and are recorded at fair value only when an impairment charge is recognized.

Financial risk management

The Company has exposure to the following risks from its use of financial instruments: credit; liquidity; currency rate; interest rate price; equity price risk; and capital management risk.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at May 31, 2023, is the carrying amount of cash and cash equivalents, accounts receivable, prepaids and other current assets and convertible notes receivable. All cash and cash equivalents are placed with major financial institutions in Canada, Australia, Portugal, Germany, Colombia, Argentina and the United States. To date, the Company has not experienced any losses on its cash deposits. Accounts receivable are unsecured, and the Company does not require collateral from its customers.

The Company evaluates the collectability of its accounts receivable and maintains an allowance for credit losses at an amount sufficient to absorb losses inherent in the existing accounts receivable portfolio as of the reporting dates based on the estimate of expected net credit losses.

Trade receivables included an allowance for doubtful accounts and credit loss provision of $6,641 at May 31, 2023 (2022-$5,404) are broken out below as follows:

	Balance at the beginning of period	Movement during the year[1]	Balance at end of period
Fiscal year ended May 31, 2023			
Allowance for doubtful accounts and credit loss provision	$5,404	$1,237	$6,641
Fiscal year ended May 31, 2022			
Allowance for doubtful accounts and credit loss provision	4,571	833	5,404
Fiscal year ended May 31, 2021			
Allowance for doubtful accounts and credit loss provision	2,313	2,258	4,571

(1) *Included in movements for the period is the total movements for foreign exchange, additions to the provisions and utilization of the credit loss provision and allowance for doubtful accounts.*

(b) Liquidity risk

As at May 31, 2023, the Company's financial liabilities consist of bank indebtedness and accounts payable and accrued liabilities, which have contractual maturity dates within one-year, long-term debt, and convertible debentures which have contractual maturities over the next five years.

The Company maintains a minimum deposit on certain Canadian cash operating accounts tied to loans secured by its Aphria One and SweetWater facilities. The Company maintains debt service charge and leverage covenants on certain loans secured by its Aphria Diamond facilities and 420 that are measured quarterly. The Company believes that it has sufficient operating room with respect to its financial covenants for the next fiscal year and does not anticipate being in breach of any of its financial covenants.

The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's working capital position at May 31, 2023, management regards liquidity risk to be low.

(c) Currency rate risk

As at May 31, 2023, a portion of the Company's financial assets and liabilities held in Canadian dollars and Euros consist of cash and cash equivalents, convertible notes receivable, and long-term investments. The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in the functional currency. The Company is exposed to currency rate risk in other comprehensive income, relating to foreign subsidiaries which operate in a foreign currency. The Company does not currently use foreign exchange contracts to hedge its exposure of its foreign currency cash flows as management has determined that this risk is not significant at this point in time.

(d) Interest rate price risk

The Company's exposure to changes in interest rates relates primarily to the Company's outstanding debt. The Company manages interest rate risk by restricting the type of investments and varying the terms of maturity and issuers of marketable securities. Varying the terms to maturity reduces the sensitivity of the portfolio to the impact of interest rate fluctuations.

(e) Capital management

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach in the year. The Company considers its cash and cash equivalents and marketable securities as capital.

29. Segment reporting

Information reported to the Chief Operating Decision Maker (''CODM'') for the purpose of resource allocation and assessment of segment performance focuses on the nature of the operations. The Company operates in four segments. 1) cannabis operations, which encompasses the production, distribution, sale, co-manufacturing and advisory services of both medical and adult-use cannabis, 2) beverage alcohol operations, which encompasses the production, marketing and sale of beverage alcohol products, 3) distribution operations, which encompasses the purchase and resale of pharmaceuticals products to customers, and 4) wellness products, which encompasses hemp foods and cannabidiol (''CBD'') products. This structure is in line with how our Chief Operating Decision Maker (''CODM'') assesses our performance and allocates resources.

Operating segments have not been aggregated and no asset information is provided for the segments because the Company's CODM does not receive asset information by segment on a regular basis.

Segment gross profit from external customers:

Cannabis	For the year ended May 31, 2023	2022	2021
Net revenue	$220,430	$237,522	$201,392
Cost of goods sold	162,755	194,834	130,511
Gross profit	57,675	42,688	70,881
Distribution			
Net revenue	$258,770	$259,747	$277,300
Cost of goods sold	231,309	243,231	242,472
Gross profit	27,461	16,516	34,828
Beverage alcohol			
Net revenue	95,093	71,492	28,599
Cost of goods sold	48,770	32,033	12,687
Gross profit	46,323	39,459	15,912
Wellness			
Net revenue	52,831	59,611	5,794
Cost of goods sold	37,330	41,457	4,233
Gross profit	15,501	18,154	1,561

Channels of cannabis revenue were as follows:

	For the year ended May 31, 2023	2022	2021
Revenue from Canadian medical cannabis	$ 25,000	$ 30,599	$ 25,539
Revenue from Canadian adult-use cannabis	214,319	209,501	222,930
Revenue from wholesale cannabis	1,436	6,904	6,615
Revenue from international cannabis	43,559	53,887	9,250
Less excise taxes	(63,884)	(63,369)	(62,942)
Total	$220,430	$237,522	$201,392

On July 12, 2022, Tilray acquired the HEXO Convertible Note from HTI and also entered into a strategic alliance with HEXO Corp. (''HEXO'') as discussed in Note 11 (Convertible notes receivable) and Note 17 (Convertible debentures payable). In addition, the Company and HEXO entered into various commercial transaction agreements, including (i) an advisory services agreement regarding Tilray's provision of advisory services to HEXO in exchange for an $18 million annual advisory fee payable to Tilray; (ii) a co-manufacturing agreement providing for third-party manufacturing services between the parties and setting forth the terms of Tilray's international bulk supply to HEXO; and (iii) a procurement and cost savings agreement for shared savings related to specified optimization activities, procurement, and other similar cost savings realized by the parties as a result of the foregoing commercial arrangements.

Included in revenue from Canadian adult-use cannabis is $40,377 of advisory services, as well as amendment fees related to modifications to the existing advisory services agreement and procurement services revenue for the year ended May 31, 2023 from the aforementioned HEXO commercial transaction agreements.

Geographic net revenue:

	For the year ended May 31, 2023	2022	2021
North America	$324,645	$314,132	$229,120
EMEA	284,567	296,911	279,062
Rest of World	17,912	17,329	4,903
Total	$627,124	$628,372	$513,085

Geographic capital assets:

	May 31, 2023	May 31, 2022
North America	$319,173	$464,370
EMEA	107,131	119,409
Rest of World	3,363	3,720
Total	$429,667	$587,499

Major customers are defined as customers that each individually account for greater than 10% of the Company's annual revenues. For the years ended May 31, 2023, 2022 and 2021 there were no major customers representing greater than 10% of our annual revenues.

30. Subsequent Events

On June 9, 2023, the Company issued $22,500 of additional convertible debentures payable under TLRY 27 by way of overallotment.

On June 22, 2023, the Company acquired all shares of HEXO Corp. (''HEXO''), by way of the Arrangement agreement filed on April 10, 2023. As consideration for the HEXO acquisition, the Company issued 39,705,962 of Tilray's common shares and the convertible note receivable due from HEXO was exercised the immediately preceding trading day prior to closing the transaction.

On June 30, 2023, the Company refinanced its term loan of $100,000 through wholly owned subsidiary Four Twenty Corporation (''420'') which amended the interest rates to lower the applicable margins, extended the maturity to June 2028, provided a new repayment schedule and amended the corporate guarantee from Aphria Inc. to Tilray Brands, Inc.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Tilray Brands, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial position of Tilray Brands, Inc. and its subsidiaries (together, the Company) as of May 31, 2023 and 2022, and the related consolidated statements of loss and comprehensive loss, of changes in equity and of cash flows for each of the three years in the period ended May 31, 2023, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of May 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of May 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended May 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of May 31, 2023, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Controls over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting appearing under Item 9A. based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Report on Internal Controls over Financial Reporting, management has excluded Montauk Brewing Company, Inc. from its assessment of internal control over financial reporting as of May 31, 2023 because it was acquired by the Company in a purchase business combination during the year ended May 31, 2023. Montauk Brewing Company, Inc. is a wholly-owned subsidiary whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent 1% and 1%, respectively, of the related consolidated financial statement amounts as of and for the year ended May 31, 2023.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable

assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Critical Audit Matters

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

Impairment Assessments of Goodwill and Indefinite-lived Intangible Assets

As described in Notes 3, 8 and 10 to the consolidated financial statements, the Company's consolidated goodwill and indefinite-lived intangible assets balances were $2,008.8 million and $181.1 million respectively at May 31, 2023. Management conducts an impairment assessment annually in the fourth quarter, or more frequently if events or changes in circumstances indicate that the carrying value of goodwill or indefinite-lived intangibles may not be recoverable. Any impairment charges are determined by comparing the fair value of the reporting unit to its carrying value. Fair value amounts are estimated by management using discounted cash flow models. As of February 28, 2023, management concluded that it was more likely than not, that the fair value of the reporting units was less than their carrying amounts. As a result, the Company performed impairment tests which resulted in impairment charges of $603.5 million of cannabis goodwill, $15 million of wellness goodwill and $55 million of cannabis indefinite-lived intangible assets. As at May 31, 2023, management performed the annual impairment tests which resulted in no further impairment to be recorded beyond the charges recorded from the February 28, 2023 assessment. Management's cash flow models included significant judgements and assumptions relating to future cash flows, growth rates and discount rates.

The principal considerations for our determination that performing procedures relating to the impairment assessments of goodwill and indefinite-lived intangible assets is a critical audit matter are (i) the significant judgement required by management when developing the fair values of the assets or reporting units; and (ii) a high degree of auditor judgement, subjectivity and effort in performing procedures to evaluate management's significant assumptions, including future cash flows, growth rates and discount rates.

Addressing the matter involved performing procedures and evaluating audit evidence, in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill and indefinite-lived intangible assets impairment assessments, including controls over the determination of the fair values of the assets or reporting units. These procedures also included, among others, (i) testing management's process for developing the fair value estimates of the assets or reporting units; (ii) evaluating the appropriateness of the underlying discounted cash flow models; (iii) testing the completeness and accuracy of underlying data used in the models; and (iv) evaluating the reasonableness of the significant assumptions used by management, including the future cash flows, growth rates and discount rates. Evaluating management's significant assumptions related to future cash flows, growth rates and the discount rates involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the assets or reporting units; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit, as applicable.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Oakville, Canada
July 26, 2023

We have served as the Company's auditor since 2017.

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

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) to ensure that material information relating to us, including our consolidated subsidiaries, is made known to the officers who certify our financial reports and to other members of senior management and the Board.

Our management, with the participation of our principal executive officer and principal financial officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures. Based on this evaluation, as of the end of the period covered by this Annual Report on Form 10-K, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures are effective to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and (2) accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with the authorization of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

It is important to understand that there are inherent limitations on effectiveness of internal controls as stated within COSO. Internal controls, no matter how well designed and operated, may not prevent or detect misstatements and can only provide reasonable assurance to management and the Board of Directors regarding achievement of an entity's objectives. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. These inherent limitations include the following:

- Judgments in decision-making can be faulty, and control and process breakdowns can occur because of simple errors or mistakes;
- Controls can be circumvented by individuals, acting alone or in collusion with each other, or by management override;
- The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; and
- Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of May 31, 2023, based on the criteria set forth by the Committee of Sponsoring Organizations of the

Treadway Commission (COSO) in Internal Control - Integrated Framework (2013) issued. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of May 31, 2023.

The effectiveness of the Company's internal control over financial reporting as of May 31, 2023 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which accompanies the consolidated financial statements.

In the second quarter of our fiscal year ended May 31, 2023, we completed the acquisition of Montauk. As a result of the acquisition, Montauk became a wholly-owned subsidiary of Tilray Brands, Inc. In accordance with guidance issued by the SEC, companies are permitted to exclude acquisitions from their final assessment of internal control over financial reporting for the first fiscal year in which the acquisition occurred. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has limited the evaluation of internal controls over our financial reporting to exclude controls, policies and procedures and internal controls over financial reporting of the recently acquired Montauk. The operations of Montauk represent approximately 1% of our total assets and 1% of our net revenue for the year ended May 31, 2023.

Changes in Internal Control Over Financial Reporting

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

Item 9B. Other Information.

On July 26, 2023, the Company's Compensation Committee (the "Committee") approved performance-based grants, allocated as 50% performance stock units ("PSUs") and 50% performance cash awards ("PCAs," and collectively with the PSUs, the "Performance Awards") to certain of the Company's named executive officers and other key employees under the Tilray, Inc. Amended and Restated 2018 Equity Incentive Plan (the "2018 Plan"). The percentage of the Performance Awards earned will be based on the Company's financial performance as measured against target goals for annual and cumulative Adjusted EBITDA, as defined in the Company's public filings (the "Performance Goals") over the period beginning on June 1, 2023 and ending on May 31, 2026 (the "Performance Period"). The Performance Awards will vest as of the end of the Performance Period (May 31, 2026) subject to the executive officer's Continuous Service (as defined in the 2018 Plan), but will not settle and payout until the percentage of the Performance Awards earned is determined by the Committee. The executive officer may earn between 0% and 100% of the Target Award Value based on the Company's achievement of the Performance Goals.

Each PSU represents a contingent right to receive one share of the Company's common stock. The number of PSUs issued to the Company's executive officers will be equivalent to 50% of the Target Award Value divided by the Company's closing common stock price on the grant date for the awards, which is July 26, 2023.

If the executive officer's Continuous Service terminates for any reason other than: (i) without Cause (as defined in the 2018 Plan) within 3 months of the end of the Performance Period; (ii) death; (iii) Disability (as defined in the 2018 Plan); or (iv) in connection with a Change in Control (as defined in the 2018 Plan), unless the Committee determines otherwise, the Performance Award shall be forfeited and canceled immediately without consideration.

If the executive officer's Continuous Service terminates without Cause within 3 months before the end of the Performance Period, a pro rata portion of the Performance Awards (calculated based on the days elapsed in a Performance Period prior to the termination of Continuous Service divided by the total days in the Performance Period) shall vest and become payable.

If the executive officer's Continuous Service terminates due to death or Disability prior to the end of the Performance Period, the Performance Awards will vest at 100% of the Target Award Value. If the executive officer's Continuous Service is terminated without Cause within following a Change in Control, the Performance Awards will vest at 100% of the Target Award Value.

The foregoing description is only a summary of the terms of the Performance Awards and is qualified in its entirety by reference to the full text of the Performance Awards which will be set forth in separate PSU and PCA notice and award agreements (the "Award Agreements"), forms of which will be filed as exhibits to the Company's Quarterly Report on Form 10-Q for the quarterly period ending August 31, 2023.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

None.

PART III

This Part III incorporates certain information by reference from the definitive proxy statement to be filed in connection with our 2023 Annual Meeting of Stockholders (the ''2023 Proxy Statement''). We will file the Proxy Statement with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the year ended May 31, 2023. If our Proxy Statement is not filed within 120 days of May 31, 2023, the omitted information will be included in an amendment to this Annual Report on Form 10-K filed not later than the end of such 120-day period.

Item 10. Directors, Executive Officers and Corporate Governance.

(1) The information required by this Item concerning our executive officers and our directors and nominees for director, including information with respect to our audit committee and audit committee financial expert, may be found under the section entitled ''Proposal No. 1 Election of Directors,'' ''Information Regarding the Board of Directors and Corporate Governance,'' and ''Executive Officers'' appearing in the 2023 Proxy Statement. Such information is incorporated herein by reference.

(2) The information required by this Item concerning our code of ethics may be found under the section entitled ''Information Regarding the Board of Directors and Corporate Governance'' appearing in the 2023 Proxy Statement. Such information is incorporated herein by reference.

(3) The information required by this Item concerning compliance with Section 16(a) of the Securities Exchange Act of 1934 may be found in the section entitled ''Delinquent Section 16(a) Reports'' appearing in the 2023 Proxy Statement. Such information is incorporated herein by reference.

Item 11. Executive Compensation.

The information required by this Item may be found under the sections entitled ''Director Compensation'', ''Executive Compensation'' and ''Equity Compensation Plan Information'' appearing in the 2023 Proxy Statement. Such information is incorporated herein by reference.

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

(1) The information required by this Item with respect to security ownership of certain beneficial owners and management may be found under the section entitled ''Security Ownership of Certain Beneficial Owners and Management'' appearing in the 2023 Proxy Statement. Such information is incorporated herein by reference.

(2) The information required by this Item with respect to securities authorized for issuance under our equity compensation plans may be found under the sections entitled ''Equity Compensation Plan Information'' appearing in the 2023 Proxy Statement. Such information is incorporated herein by reference.

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

(1) The information required by this Item concerning related party transactions may be found under the section entitled ''Transactions with Related Persons'' appearing in the 2023 Proxy Statement. Such information is incorporated herein by reference.

(2) The information required by this Item concerning director independence may be found under the sections entitled ''Information Regarding the Board of Directors and Corporate Governance—Independence of the Board of Directors'' and ''Information Regarding the Board of Directors and Corporate Governance—Information Regarding Committees of the Board of Directors'' appearing in the 2023 Proxy Statement. Such information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

The information required by this Item may be found under the section entitled ''Proposal No. 3 - Ratification of Appointment of Independent Registered Public Accounting Firm'' appearing in the 2023 Proxy Statement. Such information is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this report:

(1) Financial Statements and Report of Independent Registered Public Accounting Firm

(2) Financial Statement Schedules

Financial Statement Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

(3) Exhibits are incorporated herein by reference or are filed with this report as indicated below (numbered in accordance with Item 601 of Regulation S-K).

(b) Exhibits

The exhibits listed below on the Exhibit Index are filed herewith or are incorporated by reference to exhibits previously filed with the SEC.

Exhibit Index

		Incorporate by Reference				
Exhibit No.	Description of Document	Schedule Form	File Number	Exhibit	Filing Date	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation, as currently in effect	8-K	001-38594	3.1	12/17/2019	
3.2	Certificate of Amendment of the Amended and Restated Certificate of Incorporation of Tilray, Inc. as of September 10, 2021	8-K	001-38594	3.1	9/10/2021	
3.3	Second Certificate of Amendment of the Amended and Restated Certificate of Incorporation of Tilray, Inc. as of January 10, 2022	8-K	001-38594	3.1	1/10/2022	
3.4	Certificate of Retirement of Class 1 Common Stock	8-A/A	001-38594	3.1	10/1/2020	
3.5	Third Amended and Restated Certificate of Incorporation, dated as of March 16, 2023.	10-Q	001-38594	3.1	4/10/2023	
3.6	Certificate of Designation of Series A Preferred Stock, dated February 21, 2023.	8-K	001-38594	3.1	2/21/2023	
3.7	Amended and Restated Bylaws, as of January 10, 2022, as currently in effect	8-K	001-38594	3.2	1/10/2022	
4.1	Indenture dated as of October 10, 2018, between Tilray, Inc. and GLAS Trust Company LLC, relating to Tilray Inc.'s 5.00% Convertible Senior Notes due 2023	8-K	001-38594	4.1	10/10/2018	
4.2	Indenture dated as of April 23, 2019, between Aphria Inc. and GLAS Trust Company LLC, relating to Aphria Inc.'s 5.25% Convertible Senior Notes due 2024	8-K	001-38594	4.1	5/4/2021	
4.3	First Supplemental Indenture dated as of April 30, 2021, among Aphria Inc., the Registrant and GLAS Trust Company LLC.	8-K	001-38594	4.2	5/4/2021	
4.4	Description of Securities of the Registrant					X
4.5	Form of Pre-Funded Warrant	8-K	001-38594	4.1	03/17/2020	
4.6	Form of Warrant	8-K	001-38594	4.2	03/17/2020	
4.7	Agreement Of Resignation, Appointment and Acceptance, dated as of January 27, 2022, by and among Tilray Brands, Inc., Glas Trust Company LLC and Computershare Trust Company, N.A.	8-K	001-38594	4.1	1/28/2022	

Exhibit No.	Description of Document	Incorporate by Reference Schedule Form	File Number	Exhibit	Filing Date	Filed Herewith
4.8	Agreement Of Resignation, Appointment and Acceptance, dated as of January 27, 2022, by and among Tilray Brands, Inc., Glas Trust Company LLC and Computershare Trust Company, N.A.	8-K	001-38594	4.2	1/28/2022	
4.9	Agreement Of Resignation, Appointment and Acceptance, dated as of January 27, 2022, by and among Tilray Brands, Inc., Glas Trust Company LLC and Computershare Trust Company, N.A.	8-K	001-38594	4.3	1/28/2022	
10.1+	Amended and Restated 2018 Equity Incentive Plan	S-1	333-225741	10.2	7/9/2018	
10.2+	Form of Stock Option Agreement, Notice of Exercise and Stock Option Grant Notice under the Amended and Restated 2018 Equity Incentive Plan	S-1	333-225741	10.3	7/9/2018	
10.3+	Form of Restricted Stock Unit Award Agreement under the Amended and Restated 2018 Equity Incentive Plan	S-1	333-225741	10.4	7/9/2018	
10.4	Form of Indemnity Agreement by and between the Registrant and its directors and officers	8-K	001-38594	10.5	8/10/2020	
10.5	Product and Trademark License Terms & Conditions, between Docklight LLC, and High Park Holdings Ltd, dated December 17, 2018	10-K	001-38594	10.11	2/19/2021	
10.6	First Amendment to Product and Trademark Licensing Agreement between Docklight Brands, Inc., successor to Docklight, LLC, and High Park Holdings Ltd, dated December 3, 2020	10-K	001-38594	10.12	2/19/2021	
10.7	Common Share Purchase Warrant Agreement, between Aphria Inc. and Computershare Trust Company of Canada, dated January 30, 2020	10-K	001-38594	10.39	7/28/2021	
10.8	Amended and Restated Credit Agreement between 1974568 Ontario Limited, as borrower, certain of its subsidiaries as guarantors, Aphria Inc., as guarantor, and Bank of Montreal, as administrative agent, and Bank of Montreal, ATB Financial and Farm Credit Canada, as lenders, dated November 28, 2022	8-K	001-38594	10.1	11/29/2022	
10.9	Agreement of Merger and Acquisition, among Aphria Inc., Project Golf Merger Sub, LLC, SW Brewing Company, LLC, SWBC Craft Holdings LP, SWBC Craft Management, LLC, SWBC Blocker Seller, LP, and Chilly Water, LLC, dated November 4, 2020	10-K	001-38594	10.41	7/28/2021	
10.10	Employment Agreement by and between the Registrant and Irwin Simon, dated August 28, 2021	10-Q	001-38594	10.1	10/7/2021	
10.11	Employment Agreement by and between the Registrant and Denise Faltischek, dated August 28, 2021	10-Q	001-38594	10.2	10/7/2021	
10.12	Employment Agreement by and between the Registrant and Jim Meiers, dated August 28, 2021	10-Q	001-38594	10.3	10/7/2021	
10.13	Employment Agreement by and between the Registrant and Carl Merton, dated August 28, 2021	10-Q	001-38594	10.4	10/7/2021	
10.14	Employment Agreement by and between the Registrant and Mitchell Gendel, dated July 26, 2021	10-K	001-38594	10.14	7/28/2022	

Exhibit No.	Description of Document	Incorporate by Reference				Filed Herewith
		Schedule Form	File Number	Exhibit	Filing Date	
10.15	Assignment and Assumption Agreement with Gotham Green Partners, LLC dated August 17, 2021	10-Q	001-38594	10.5	10/7/2021	
10.16	Assignment and Assumption Agreement with Parallax Master Fund, L.P. dated August 17, 2021	10-Q	001-38594	10.6	10/7/2021	
10.17	Assignment and Assumption Agreement with Pura Vida Master Fund, LTD. dated August 17, 2021	10-Q	001-38594	10.7	10/7/2021	
10.18	Fourth Amended and Restated Securities Purchase Agreement by and among MedMen Enterprises Inc., MM CAN USA, Inc., Credit Parties, and Gotham Green Admin 1, LLC, dated August 17, 2021	10-Q	001-38594	10.8	10/7/2021	
10.19	MedMen Enterprises Inc., MM CAN USA, Inc., Fourth Amended and Restated Senior Secured Convertible Note, dated August 17, 2021	10-Q	001-38594	10.9	10/7/2021	
10.20	Amended and Restated Warrant Certificate, dated August 17, 2021	10-Q	001-38594	10.10	10/7/2021	
10.21	Limited Partnership Agreement of Superhero Acquisition L.P., dated August 17. 2021	10-Q	001-38594	10.11	10/7/2021	
10.22	Shareholders' Agreement among Superhero Acquisition Corp. and Tilray, Inc. and MOS Holdings Inc., dated August 17, 2021	10-Q	001-38594	10.12	10/7/2021	
10.23	Second Amendment to Credit Agreement with the Bank of Montreal, dated as of December 8, 2020, amended December 7, 2021	10-Q	001-38594	10.1	1/10/2022	
10.24	Form of Amended and Restated Senior Secured Convertible Note due 2026, issued and owing by HEXO Corp. to the Company	8-K	001-38594	10.3	7/12/2022	
10.25	Amending Agreement to Transaction Agreement, dated as of June 14, 2022, by and among the Company, HT Investments MA LLC and HEXO	8-K	001-38594	10.1	6/14/2022	
10.26	Amended and Restated Assignment and Assumption Agreement, dated as of June 14, 2022, by and among the Company, HT Investments MA LLC and HEXO	8-K	001-38594	10.2	6/14/2022	
10.27	Amending Agreement to Amended and Restated Assignment and Assumption Agreement, dated as of July 12, 2022, by and among the Company, HT Investments MA LLC and HEXO	8-K	001-38594	10.4	7/12/2022	
10.28	Form of Convertible Note due September 1, 2023, issued and owing by the Company to HTI	8-K	001-38594	10.5	7/12/2022	
10.29	Amended and Restated Senior Secured Convertible Note, due 2026, dated July 12, 2022, issued and owing to by the Company to HEXO	8-K	001-38594	10.6	7/12/2022	
10.30	Indenture dated as of May 27, 2021, by and between HEXO Corp. as issuer, and GLAS Trust Company LLC, as trustee	8-K	001-38594	10.7	7/12/2022	
10.31	Voting Agreement, dated as of February 21, 2023, by and between the Company and Double Diamond Holdings Ltd.	8-K	001-38594	10.1	2/21/2023	
10.32	Arrangement Agreement, dated as of April 10, 2023, by and between Tilray and HEXO.	8-K	001-38594	10.1	4/10/2023	

Exhibit No.	Description of Document	Incorporate by Reference				Filed Herewith
		Schedule Form	File Number	Exhibit	Filing Date	
10.33	Letter Agreement, dated as of April 10, 2023, by and between Tilray and HEXO	8-K	001-38594	10.2	4/10/2023	
21.1	Subsidiaries of Tilray Brands Inc.					X
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm					X
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101	The following financial statements from the Company's Annual Report on Form 10-K for the year ended May 31, 2023, formatted in Inline XBRL: (i) Consolidated Statements of Financial Position, (ii) Consolidated Statements of Loss and Comprehensive Loss, (iii) Consolidated Statements of Changes in Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.					
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					

+ Indicates management contract or compensatory plan.

* Schedules and certain other information have been omitted pursuant to Item 601(b)(2) of Regulations S-K. The registrant will furnish copies of any such schedules to the Securities and Exchange Commission upon request.

† Registrant has omitted portions of the referenced exhibit pursuant to a request for confidential treatment under Rule 406 promulgated under the Securities Act.

Item 16. Form 10-K Summary.

None.

SIGNATURES

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

Tilray Brands, Inc.

Date: July 26, 2023 By: /s/ Irwin D. Simon

Irwin D. Simon
Chief Executive Officer and Chairman

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

Name	Title	Date
/s/ Irwin D. Simon **Irwin D. Simon**	Chief Executive Officer and Chairman *(Principal Executive Officer)*	July 26, 2023
/s/ Carl Merton **Carl Merton**	Chief Financial Officer *(Principal Financial and Accounting Officer)*	July 26, 2023
/s/ Renah Persofsky **Renah Persofsky**	Director	July 26, 2023
/s/ Jodi Butts **Jodi Butts**	Director	July 26, 2023
/s/ David Clanachan **David Clanachan**	Director	July 26, 2023
/s/ John M. Herhalt **John M. Herhalt**	Director	July 26, 2023
/s/ David Hopkinson **David Hopkinson**	Director	July 26, 2023
/s/ Tom Looney **Tom Looney**	Director	July 26, 2023