

### Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q for the quarter ended February 29, 2024 (the "Form 10-Q") 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 or expectations regarding our cost savings initiatives; our strategic initiatives, business strategy, supply chain, brand portfolio, product performance and expansion efforts; current or future macroeconomic trends; our expectations regarding regulatory developments; our expectations regarding any future tax developments; 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-Q and other risks and matters described in our most recent Annual Report on Form 10-K for the fiscal year ended May 31, 2023 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.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).

**TILRAY BRANDS, INC.**  
**Consolidated Statements of Financial Position**  
(in thousands of United States dollars, unaudited)

	February 29, 2024	May 31, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 146,253	\$ 206,632
Marketable securities	79,605	241,897
Accounts receivable, net	89,542	86,227
Inventory	244,139	200,551
Prepays and other current assets	43,034	37,722
Assets held for sale	28,638	—
<b>Total current assets</b>	<b>631,211</b>	<b>773,029</b>
Capital assets	578,783	429,667
Operating lease, right-of-use assets	17,453	5,941
Intangible assets	930,105	973,785
Goodwill	2,009,632	2,008,843
Interest in equity investees	—	4,576
Long-term investments	8,058	7,795
Convertible notes receivable	32,000	103,401
Other assets	5,614	222
<b>Total assets</b>	<b>\$ 4,212,856</b>	<b>\$ 4,307,259</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness	\$ 15,029	\$ 23,381
Accounts payable and accrued liabilities	209,763	190,682
Contingent consideration	—	16,218
Warrant liability	3,182	1,817
Current portion of lease liabilities	5,424	2,423
Current portion of long-term debt	12,351	24,080
Current portion of convertible debentures payable	83,351	174,378
<b>Total current liabilities</b>	<b>329,100</b>	<b>432,979</b>
<b>Long - term liabilities</b>		
Contingent consideration	14,000	10,889
Lease liabilities	73,228	7,936
Long-term debt	165,648	136,889
Convertible debentures payable	126,587	221,044
Deferred tax liabilities, net	161,042	167,364
Other liabilities	210	215
<b>Total liabilities</b>	<b>869,815</b>	<b>977,316</b>
<b>Commitments and contingencies (refer to Note 19)</b>		
<b>Stockholders' equity</b>		
Common stock (\$0.0001 par value; 1,198,000,000 common shares authorized; 774,028,053 and 656,655,455 common shares issued and outstanding, respectively)	77	66
Preferred shares (\$0.0001 par value; 10,000,000 preferred shares authorized; nil and nil preferred shares issued and outstanding, respectively)	—	—
Additional paid-in capital	6,030,709	5,777,743
Accumulated other comprehensive loss	(43,187)	(46,610)
Accumulated Deficit	(2,628,741)	(2,415,507)
<b>Total Tilray Brands, Inc. stockholders' equity</b>	<b>3,358,858</b>	<b>3,315,692</b>
Non-controlling interests	(15,817)	14,251
<b>Total stockholders' equity</b>	<b>3,343,041</b>	<b>3,329,943</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,212,856</b>	<b>\$ 4,307,259</b>

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

**TILRAY BRANDS, INC.**  
**Consolidated Statements of Loss and Comprehensive Loss**  
(in thousands of United States dollars, except for share and per share data, unaudited)

	Three months ended		Nine months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Net revenue	\$ 188,340	\$ 145,589	\$ 559,060	\$ 442,936
Cost of goods sold	138,944	157,288	418,059	363,139
Gross profit (loss)	49,396	(11,699)	141,001	79,797
Operating expenses:				
General and administrative	39,940	38,999	123,769	117,385
Selling	9,995	6,452	24,437	25,792
Amortization	21,558	23,518	65,700	71,872
Marketing and promotion	11,191	7,354	28,934	23,137
Research and development	106	171	241	502
Change in fair value of contingent consideration	(5,983)	352	(16,790)	563
Impairments	—	934,000	—	934,000
Other than temporary change in fair value of convertible notes receivable	42,681	181,376	42,681	181,376
Litigation costs, net of recoveries	3,363	(5,230)	8,439	(1,970)
Restructuring costs	5,178	2,663	8,748	10,727
Transaction costs (income)	3,465	5,382	13,061	(3,882)
Total operating expenses	131,494	1,195,037	299,220	1,359,502
Operating loss	(82,098)	(1,206,736)	(158,219)	(1,279,705)
Interest expense, net	(8,517)	(1,040)	(26,977)	(8,560)
Non-operating income (expense), net	(17,239)	1,213	(20,820)	(50,229)
Loss before income taxes	(107,854)	(1,206,563)	(206,016)	(1,338,494)
Income tax (recovery) expense	(2,871)	(10,811)	1,013	(15,313)
Net loss	\$ (104,983)	\$ (1,195,752)	\$ (207,029)	\$ (1,323,181)
Total net income (loss) attributable to:				
Stockholders of Tilray Brands, Inc.	(92,701)	(1,170,998)	(213,234)	(1,313,943)
Non-controlling interests	(12,282)	(24,754)	6,205	(9,238)
Other comprehensive gain (loss), net of tax				
Foreign currency translation gain (loss)	(4,696)	6,390	3,716	(78,499)
Unrealized gain (loss) on convertible notes receivable	—	95,345	—	75,177
Total other comprehensive gain (loss), net of tax	(4,696)	101,735	3,716	(3,322)
Comprehensive loss	\$ (109,679)	\$ (1,094,017)	\$ (203,313)	\$ (1,326,503)
Total comprehensive income (loss) attributable to:				
Stockholders of Tilray Brands, Inc.	(97,521)	(1,092,491)	(209,811)	(1,336,127)
Non-controlling interests	(12,158)	(1,526)	6,498	9,624
Weighted average number of common shares - basic	754,439,331	615,534,670	725,346,952	597,829,714
Weighted average number of common shares - diluted	754,439,331	615,534,670	725,346,952	597,829,714
Net loss per share - basic	\$ (0.12)	\$ (1.90)	\$ (0.29)	\$ (2.20)
Net loss per share - diluted	\$ (0.12)	\$ (1.90)	\$ (0.29)	\$ (2.20)

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

**TILRAY BRANDS, INC.**  
**Consolidated Statements of Stockholders' Equity**  
(in thousands of United States dollars, except for share data, unaudited)

	Number of common shares	Common stock	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated Deficit	Non- controlling interests	Total
Balance at May 31, 2022	532,674,887	\$ 53	\$ 5,382,367	\$ (20,764)	\$ (962,851)	\$ 42,561	\$ 4,441,366
Share issuance - equity financing	32,481,149	3	129,590	—	—	—	129,593
Shares issued to purchase 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 dividend settlement	1,529,821	1	5,063	—	—	—	5,064
Share issuance - options exercised	3,777	—	—	—	—	—	—
Share issuance - RSUs exercised	950,893	—	—	—	—	—	—
Shares effectively repurchased for employee withholding tax	—	—	(1,189)	—	—	—	(1,189)
Stock-based compensation	—	—	9,193	—	—	—	9,193
Dividends declared to non-controlling interests	—	—	—	—	—	(8,561)	(8,561)
Comprehensive income (loss) for the period	—	—	—	(58,968)	(73,482)	3,839	(128,611)
Balance at August 31, 2022	600,954,939	60	5,641,348	(79,732)	(1,036,333)	37,839	4,563,182
Shares issued to purchase Montauk	1,708,521	—	6,422	—	—	—	6,422
Share issuance - options exercised	4,183	—	—	—	—	—	—
Share issuance - RSUs exercised	237,611	—	—	—	—	—	—
Stock-based compensation	—	—	10,943	—	—	—	10,943
Share issuance - Double Diamond Holdings dividend settlement	10,276,305	1	38,753	—	—	(32,280)	6,474
Comprehensive income (loss) for the period	—	—	—	(41,723)	(69,463)	7,311	(103,875)
Balance at November 30, 2022	613,181,559	61	5,697,466	(121,455)	(1,105,796)	12,870	4,483,146
Share issuance - RSUs exercised	487,192	—	—	—	—	—	—
Stock-based compensation	—	—	9,630	—	—	—	9,630
Share issuance - Double Diamond Holdings dividend settlement	4,188,280	1	15,912	—	—	(8,235)	7,678
Preferred share issuance	120,000	—	334	—	—	—	334
Comprehensive income (loss) for the period	—	—	—	78,507	(1,170,998)	(1,526)	(1,094,017)
Balance at February 28, 2023	617,977,031	62	5,723,342	(42,948)	(2,276,794)	3,109	3,406,771
Balance at May 31, 2023	656,655,455	66	5,777,743	(46,610)	(2,415,507)	14,251	3,329,943
Share issuance - HEXO acquisition	39,705,962	4	65,158	—	—	—	65,162
Share issuance - settlement of contractual change of control severance incurred from HEXO acquisition	865,426	—	1,500	—	—	—	1,500
Share issuance - Double Diamond Holdings dividend settlement	5,004,735	—	8,146	—	—	—	8,146
Share issuance - HTI convertible note	17,148,541	2	49,998	—	—	—	50,000
Share issuance - RSUs exercised	3,912,481	—	—	—	—	—	—
Shares effectively repurchased for employee withholding tax	—	—	(4,860)	—	—	—	(4,860)
Equity component related to issuance of convertible debt, net of issuance costs	—	—	3,953	—	—	—	3,953
Stock-based compensation	—	—	8,257	—	—	—	8,257
Dividends declared to non-controlling interests	—	—	—	—	—	(7,891)	(7,891)
Comprehensive income (loss) for the period	—	—	—	3,049	(71,525)	15,822	(52,654)
Balance at August 31, 2023	723,292,600	72	5,909,895	(43,561)	(2,487,032)	22,182	3,401,556
Share issuance - HTI convertible note	1,032,616	—	2,313	—	—	—	2,313
Share issuance - Settlement of litigation claims from MediPharm Labs Inc	1,573,152	—	3,477	—	—	—	3,477
Share issuance - Repurchase of TRLY 23 convertible note	7,000,000	1	20,457	—	—	—	20,458
Share issuance - Settlement of equity component of TRLY 23 convertible note	—	—	(1,672)	—	—	—	(1,672)
Share issuance - RSUs exercised	9,184	—	—	—	—	—	—
Stock-based compensation	—	—	8,201	—	—	—	8,201
Comprehensive income (loss) for the period	—	—	—	5,194	(49,008)	2,834	(40,980)
Balance at November 30, 2023	732,907,552	73	5,942,671	(38,367)	(2,536,040)	25,016	3,393,353
Share issuance - Repurchase of APHA 24 convertible note	27,228,252	3	51,380	—	—	—	51,383
Share issuance - Double Diamond Holdings dividend settlement	13,627,391	1	28,599	—	—	(26,217)	2,383
Share issuance - RSUs exercised	260,567	—	—	—	—	—	—
Share issuance - options exercised	4,291	—	—	—	—	—	—
Stock-based compensation	—	—	8,059	—	—	—	8,059
Dividends declared to non-controlling interests	—	—	—	—	—	(2,458)	(2,458)
Comprehensive income (loss) for the period	—	—	—	(4,820)	(92,701)	(12,158)	(109,679)
Balance at February 29, 2024	774,028,053	77	6,030,709	(43,187)	(2,628,741)	(15,817)	3,343,041

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

**TILRAY BRANDS, INC.**  
**Consolidated Statements of Cash Flows**  
(in thousands of United States dollars, unaudited)

	For the nine months ended	
	February 29, 2024	February 28, 2023
<b>Cash used in operating activities:</b>		
Net loss	\$ (207,029)	\$ (1,323,181)
Adjustments for:		
Deferred income tax recovery	(7,399)	(29,537)
Unrealized foreign exchange (gain) loss	(6,622)	13,711
Amortization	95,183	101,156
Accretion of convertible debt discount	11,463	7,941
Inventory valuation write down	—	55,000
Impairments	—	934,000
Other than temporary change in fair value of convertible notes receivable	42,681	181,376
Other non-cash items	13,297	4,990
Stock-based compensation	24,517	29,766
(Gain) loss on long-term investments & equity investments	4,255	2,843
Loss on derivative instruments	13,717	13,534
Change in fair value of contingent consideration	(16,790)	563
Change in non-cash working capital:		
Accounts receivable	5,578	18,053
Prepays and other current assets	1,148	(32,680)
Inventory	(4,629)	(11,808)
Accounts payable and accrued liabilities	(30,982)	(1,419)
Net cash used in operating activities	<u>(61,612)</u>	<u>(35,692)</u>
<b>Cash provided by (used in) investing activities:</b>		
Investment in capital and intangible assets	(19,539)	(8,394)
Proceeds from disposal of capital and intangible assets	1,166	2,175
Disposal (purchase) of marketable securities, net	162,292	(243,186)
Business acquisitions, net of cash acquired	(60,626)	(28,122)
Net cash provided by (used in) investing activities	<u>83,293</u>	<u>(277,527)</u>
<b>Cash provided by (used in) financing activities:</b>		
Share capital issued, net of cash issuance costs	—	129,593
Shares effectively repurchased for employee withholding tax	—	(1,189)
Proceeds from long-term debt	32,621	1,288
Repayment of long-term debt	(17,978)	(64,658)
Proceeds from convertible debt	21,553	—
Repayment of convertible debt	(107,330)	—
Repayment of lease liabilities	(2,771)	(1,114)
Net increase (decrease) in bank indebtedness	(8,352)	2
Net cash provided by (used in) financing activities	<u>(82,257)</u>	<u>63,922</u>
Effect of foreign exchange on cash and cash equivalents	197	(1,615)
Net decrease in cash and cash equivalents	<u>(60,379)</u>	<u>(250,912)</u>
Cash and cash equivalents, beginning of period	206,632	415,909
<b>Cash and cash equivalents, end of period</b>	<u><u>\$ 146,253</u></u>	<u><u>\$ 164,997</u></u>

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

**TILRAY BRANDS, INC.**  
**Notes to Consolidated Financial Statements**

**Note 1. Basis of presentation and summary of significant accounting policies**

The accompanying unaudited condensed interim consolidated financial statements (the “financial statements”) reflect the accounts of the Company for the quarterly period ended February 29, 2024. The financial statements were prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) for interim financial information and pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, they do not include all of the information and notes required by U.S. GAAP and should be read in conjunction with the audited consolidated financial statements (the “Annual Financial Statements”) included in the Company’s Annual Report on Form 10-K for the fiscal year ended May 31, 2023 (the “Annual Report”). These unaudited condensed interim consolidated financial statements reflect all adjustments, which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full year.

These condensed interim 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.

All amounts in the unaudited condensed interim consolidated financial statements, notes and tables have been rounded to the nearest thousand, except par values and per share amounts, and unless otherwise indicated.

Certain items of the comparative figures have been changed to conform to the presentation adopted in the current period.

*Basis of consolidation*

Subsidiaries are entities controlled by the Company. Control exists when the Company either has a controlling voting interest or is the primary beneficiary of a variable interest entity. The financial statements of all subsidiaries are included in the condensed interim consolidated financial statements from the date that control commences until the date that control ceases. All intercompany balances and transactions have been eliminated on consolidation. A complete list of our subsidiaries that existed as of our most recent fiscal year end is included in the Annual Report, except for the entities acquired within Note 7 (Business acquisitions) during the nine months ended February 29, 2024.

*Marketable securities*

We classify 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), net”.

*Restricted cash*

We classify cash that is legally or contractually restricted as to withdrawal or usage as restricted cash. As of February 29, 2024, and May 31, 2023, the Company reported \$nil restricted cash. During the six months ended November 31, 2023, the Company acquired \$1,656 of restricted cash related to letters of credit and collateral from the acquisition of HEXO Corp. as described in Note 7 (Business acquisitions). During the three months ended February 29, 2024, all of the restricted cash was released and transferred to cash and cash equivalents.

*Assets held for sale*

We classify capital assets that are available for immediate sale in their present condition, which the Company has approved the action or plan to sell, and the sales is probable within one year, as assets held for sale. As of February 29, 2024, the Company reported \$28,638 assets held for sale related to the Kirkland lake property, the Quebec cultivation facility and the Fort Collins facility, see Note 3 (Capital assets). Assets held for sale are to be measured at the lower of carrying amount and the fair value less costs to sell. Disposition of assets held for sale are recorded in the statement of net loss and comprehensive loss, within the line, “Non-operating income (expense)”.

When there are changes in circumstances that were previously considered unlikely to occur, and it is decided not to proceed with a sale, an asset that was previously classified as assets held for sale is reclassified as held and used. The asset is then remeasured at the lower of its carrying amount before being classified as held for sale less the amortization that would have occurred and the fair value on the date the decision not to proceed with a sale was made. Changes in the carrying amount are recorded in the statement of net loss and comprehensive loss.

*Long-term investments*

Investments in equity securities of entities over which the Company does not have a controlling financial interest or significant influence are classified as an equity investment and 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 an individual equity investment is less than its carrying value. Changes in value are recorded in the statement of net loss and comprehensive loss, within the line, “Non-operating income (expense), net”.

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 consolidated statements of loss and comprehensive loss. Equity method investments are recorded at cost, adjusted for the Company's share of undistributed earnings or losses, and impairment, if any, within "Interest in equity investees" on the balance sheets. The Company assesses investments in equity method investments when events or circumstances indicate that the carrying amount of the investment may be impaired. If it is determined that the current fair value of an equity method investment is less than the carrying value of the investment, the Company will assess if the shortfall is other than temporary (OTTI). Evidence of a loss in value might include, but would not necessarily be limited to, the absence of an ability to recover the carrying amount of the investment or inability of the equity investee to sustain an earnings capacity that would justify the carrying amount of the investment. Once a determination is made that an OTTI exists, the investment is written down to its fair value in accordance with ASC 820 *Fair Value Measurement* at the reporting date, which establishes a new cost basis.

#### *Convertible notes receivable*

Convertible notes receivable includes various investments in which the Company has the right, or potential right to convert the indenture into common stock 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, an impairment charge is recorded in the consolidated 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 loss and the remaining amount is recorded in other comprehensive income (loss).

#### *Revenue*

Revenue is recognized when the control of the promised goods or services, through performance obligation, is transferred or provided to the customer in an amount that reflects the consideration we expect to be entitled to in exchange for the performance obligations.

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 loss and comprehensive loss and recognized as a current liability within accounts payable and accrued 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 or services, the Company considers the effects of variable consideration and the existence of significant financing components, if any.

We may enter into certain contracts for the sale of goods or services, which provide customers with rights of return, volume discounts, bonuses for volume/quality achievement, and/or sales allowances. In addition, the Company may provide in certain circumstances, a retrospective price reduction to a customer based primarily on inventory movement. The inclusion of these items may give rise to variable consideration. The Company uses the expected value method to estimate the variable consideration because this method provides the most accurate estimation of 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, recorded in accounts receivable, net, 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.

On July 12, 2022, the Company and HEXO Corp. ("HEXO") entered into various commercial transaction agreements, as described in Note 26 (Segment reporting), which included an advisory services arrangement. The fees associated with the advisory services arrangement were recognized as revenue when such services were provided to HEXO. Any payments that were received for such services in advance of performance were recognized as a contract liability. On June 22, 2023, the Company completed the acquisition of HEXO, as described in Note 7 (Business acquisitions), simultaneously terminating the advisory services arrangement and other commercial transactions.

#### *Transaction (income) costs*

The Company expenses costs net of any gains directly attributable to business acquisitions and classifies these items as transaction (income) costs. These items include among other things, legal fees to complete the acquisition, financial advisor and due diligence costs, and transaction related compensation. These items are recognized as incurred.

#### *Earnings (loss) per share*

Basic earnings (loss) per share is computed by dividing reported net income (loss) attributable to stockholders of Tilray Brands, Inc. 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) attributable to stockholders of Tilray Brands, Inc. 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 13 (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 arrangement to refund any dividends paid on the shares lent.

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. For the three and nine months ended February 29, 2024 and February 28, 2023, the dilutive potential common share equivalents outstanding consisted of the following: 20,652,315 and 16,431,876 common shares from RSUs, 5,744,302 and 4,660,046 common shares from share options, 6,209,000 and 6,209,000 common shares for warrants and 72,653,364 and 36,388,651 common shares for convertible debentures, respectively.

#### *New accounting pronouncements not yet adopted*

In August 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-05, *Business Combination - Joint Venture Formations* (Subtopic 805-60) Recognition and Initial Measurement ("ASU 2023-05"), which is intended to address the accounting for contributions made to a joint venture. ASU 2023-05 is effective for the Company beginning June 1, 2026. 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.

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*, which amends the disclosure or presentation requirements related to various subtopics in the FASB Accounting Standards Codification (the "Codification"). The effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. If by June 30, 2027, the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will be removed from the Codification and will not become effective for any entity. The Company is currently evaluating the effect of adopting this ASU.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280) Improvements to Reportable Segment Disclosures*, which requires public entities to disclose information about their reportable segments' significant expenses on an interim and annual basis. ASU 2023-07 is effective for the Company beginning the year ended May 31, 2025. The Company is currently evaluating the effect of adopting this ASU.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740) Improvements to Income Tax Disclosures*, which requires public entities to disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold on an annual basis. ASU 2023-09 is effective for the Company beginning the year ended June 01, 2024. The Company is currently evaluating the effect of adopting this ASU.

#### *New accounting pronouncements recently 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. The Company adopted the ASU 2021-08 beginning June 1, 2023, however, it did not have any impact on our condensed interim consolidated financial statements.

**Note 2. Inventory**

Inventory consisted of the following:

	February 29, 2024	May 31, 2023
Beverage alcohol inventory	\$ 47,606	\$ 27,837
Plants	18,623	10,884
Dried cannabis	102,043	89,801
Cannabis trim	—	322
Cannabis derivatives	4,385	9,229
Cannabis vapes	5,250	1,173
Packaging and other inventory items	21,782	19,997
Distribution inventory	33,466	30,144
Wellness inventory	10,984	11,164
Total	<u>\$ 244,139</u>	<u>\$ 200,551</u>

**Note 3. Capital assets**

Capital assets consisted of the following:

	February 29, 2024	May 31, 2023
Land	\$ 45,681	\$ 30,635
Production facility	388,234	344,627
Equipment	253,422	185,422
Leasehold improvement	9,379	7,753
Finance lease, right-of-use assets	56,225	—
Construction in progress	10,907	8,048
	<u>\$ 763,848</u>	<u>\$ 576,485</u>
Less: accumulated amortization	(185,065)	(146,818)
Total	<u>\$ 578,783</u>	<u>\$ 429,667</u>

Assets held for sale consisted of the following:

	February 29, 2024	May 31, 2023
Land	\$ 1,380	\$ —
Production facility	20,821	—
Equipment	6,437	—
	<u>\$ 28,638</u>	<u>\$ —</u>

On June 22, 2023, the Company acquired HEXO and recognized the Kirkland lake property as held for sale on the acquisition date, see Note 7 (Business combinations). It is expected that the sale of the property will close during the fiscal year ended May 31, 2024.

During the three months ended February 29, 2024, the Company classified its Quebec cultivation facility and the Fort Collins extraction facility as held for sale. Through the assessment of facility capacity utilization, it was determined that these facilities would be exited and held for sale. It is expected that the sale of these assets will be completed within twelve months from the period ended February 29, 2024.

#### Note 4. Leases

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

	Classification on Balance Sheet	February 29, 2024	May 31, 2023
<b>Assets</b>			
Finance lease, right-of-use assets	Capital assets	\$ 56,225	\$ —
Operating lease, right-of-use assets	Operating lease, right-of-use assets	17,453	5,941
<b>Total right-of-use asset</b>		<b>\$ 73,678</b>	<b>\$ 5,941</b>
<b>Liabilities</b>			
Current:			
Current portion of finance lease liabilities	Current portion of lease liabilities	\$ 1,370	\$ —
Current portion of operating lease liabilities	Current portion of lease liabilities	4,054	2,423
Non-current:			
Finance lease liabilities	Lease liabilities	55,674	—
Operating lease liabilities	Lease liabilities	17,554	7,936
<b>Total lease liabilities</b>		<b>\$ 78,652</b>	<b>\$ 10,359</b>

The following table presents the future undiscounted payment associated with lease liabilities as of February 29, 2024:

	Operating leases	Finance leases
2024	\$ 1,635	\$ 1,261
2025	5,715	5,043
2026	5,361	5,043
2027	4,768	5,043
Thereafter	10,161	85,336
Total minimum lease payments	\$ 27,640	\$ 101,726
Imputed interest	(6,032)	(44,682)
Obligations recognized	<b>\$ 21,608</b>	<b>\$ 57,044</b>

#### Note 5. Intangible Assets

Intangible assets consisted of the following items:

	February 29, 2024	May 31, 2023
Customer relationships & distribution channel	\$ 617,143	\$ 614,062
Licenses, permits & applications	368,649	366,793
Non-compete agreements	12,422	12,394
Intellectual property, trademarks, knowhow & brands	594,441	583,468
	1,592,655	\$ 1,576,717
Less: accumulated amortization	(246,706)	(187,088)
Less: impairments	(415,844)	(415,844)
<b>Total</b>	<b>\$ 930,105</b>	<b>\$ 973,785</b>

Included in licenses, permits & applications was \$182,851 of indefinite-lived intangible assets as of February 29, 2024, compared to \$181,093 as of May 31, 2023.

Expected future amortization expense for intangible assets as of February 29, 2024 are as follows:

	Amortization
2024 (remaining three months)	\$ 18,359
2025	73,439
2026	73,439
2027	73,439
2028	73,439
Thereafter	435,139
<b>Total</b>	<b>\$ 747,254</b>

**Note 6. Goodwill**

The following table shows the carrying amount of goodwill by reporting units:

<b>Reporting Unit</b>	<b>February 29, 2024</b>	<b>May 31, 2023</b>
Cannabis	\$ 2,640,669	\$ 2,640,669
Distribution	4,458	4,458
Beverage alcohol	120,802	120,802
Wellness	77,470	77,470
Effect of foreign exchange	8,664	7,875
Impairments	(842,431)	(842,431)
<b>Total</b>	<b>\$ 2,009,632</b>	<b>\$ 2,008,843</b>

## Note 7. Business acquisitions

### Acquisition of Montauk Brewing Company, Inc.

On November 7, 2022, Tilray acquired Montauk Brewing Company, Inc. (“Montauk”), a leading craft brewer based in Montauk, New York, which expanded our distribution network with a strong brand in the tri-state region of the U.S. In consideration for the acquisition of Montauk, and after giving effect to post-closing adjustments, the Company paid an aggregate purchase price equal to \$35,123, which was comprised of \$ 28,701 in cash and the remainder through the issuance of 1,708,521 shares of Tilray’s common stock (having a value of \$6,422 at closing). 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 25 (Fair value measurements).

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

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

In the event that the Montauk acquisition had occurred on June 1, 2022, the Company would have had additional net revenue of approximately \$3,100 and \$12,100 for the three and nine months ended February 28, 2023, respectively, and its consolidated net loss and comprehensive net loss would have increased by approximately \$600 and \$1,100 for the three and nine months ended February 28, 2023, respectively, 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.

### Acquisition of HEXO Corp.

On June 22, 2023, Tilray acquired HEXO, a cannabis company in Canada (the "HEXO Acquisition") for the purpose of expanding the Company's revenue base, production capabilities around certain form factors and growth opportunities with the Redecan brand. In consideration for the HEXO Acquisition, the Company paid a total purchase price equivalent of \$93,882, which consisted of stock consideration of \$63,927, settlement of convertible notes receivable of \$28,720, the fair value of HEXO stock-based compensation of \$1,188 and the assumption of warrants of \$47. In connection with the HEXO Acquisition, each outstanding HEXO common share was exchanged for 0.4352 of a share of Tilray common stock and each outstanding HEXO preferred share was exchanged for 0.7805 of a share of Tilray common stock. In the aggregate, the Company issued 39,705,962 shares of Tilray common stock, at a share price of \$1.61 per share, in connection with the HEXO Acquisition. The Company intends to sell HEXO's Kirkland lake property and the Quebec cultivation facility, and has recorded the value of the associated capital assets as assets held for sale, see Note 3 (Capital assets).

The Company is in the process of assessing the fair value of the net assets acquired and, as a result, the fair value may be subject to adjustments pending completion of final valuations and post-closing adjustments. The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed for the HEXO Acquisition at the acquisition date as follows:

	<b>Amount</b>
<b>Consideration</b>	
Shares	\$ 63,927
Settlement of convertible notes receivable	28,720
Warrants assumed	47
Estimated fair value of HEXO stock-based compensation	1,188
<b>Net assets acquired</b>	
<b>Current assets</b>	
Cash and cash equivalents	14,634
Restricted cash	1,656
Accounts receivable	7,855
Asset held for sale	755
Prepays and other current assets	2,709
Inventory	25,947
<b>Long-term assets</b>	
Prepaid expenses	8,384
Capital assets	70,634
Intellectual property, trademarks & brands (15 years)	2,680
Interest in equity investee	3,145
<b>Total assets</b>	<u>138,399</u>
<b>Current liabilities</b>	
Accounts payable and accrued liabilities	44,517
<b>Total liabilities</b>	<u>44,517</u>
<b>Total net assets acquired</b>	<u>\$ 93,882</u>

Included in accounts payable and accrued liabilities was \$12,253 of litigation settlement accruals as of June 22, 2023.

In the event the HEXO Acquisition had occurred on June 1, 2022, the Company would have had, on an unaudited proforma basis, additional net revenue of approximately \$nil and \$7,000 for the three and nine months ended February 29, 2024, respectively, and \$15,000 and \$55,000 for the three and nine months ended February 28, 2023, respectively, and its net loss and comprehensive net loss would have increased by approximately \$nil and \$1,800 for the three and nine months period ended February 29, 2024, respectively, and \$25,000 and \$85,000 for the three and nine months period ended February 28, 2023, respectively. This unaudited pro forma financial information does not reflect the realization of any expected ongoing synergies relating to the integration of HEXO.

### Acquisition of Truss Beverage Co.

On August 3, 2023, Tilray acquired the remaining 57.5% equity interest in Truss Beverage Co. ("Truss"), a cannabis beverage company, from Molson Coors Canada ("Molson"). This purchase represents the equity portion of Truss that had not been previously acquired as part of the HEXO Acquisition. The consideration paid by Tilray consisted of \$74 (CAD\$100) in cash and contingent consideration fair valued at \$4,181. During the three months ended February 29, 2024, the contingent consideration liability was settled in exchange for a final payment equal to \$760 with the resultant gain of \$3,683 recorded in change in fair value of contingent consideration, offset by \$262 of foreign exchange. Tilray initially planned to divest Truss' assets and recorded the value of the associated capital assets and lease obligations as an asset held for sale. During the quarter ended November 30, 2023, due to a change in circumstance in the Company's ability to sell these assets, they were subsequently reclassified as capital assets as the Company has made alternative plans for their utilization. The asset was then remeasured at the lower of its carrying amount before being classified as held for sale less the amortization that would have occurred and the fair value on the date the decision not to proceed with a sale was made. Changes in the carrying amount were recorded in the consolidated statement of net loss and comprehensive loss as amortization in cost of goods sold.

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 acquisition date as follows:

	<b>Amount</b>
<b>Consideration</b>	
Cash consideration	\$ 74
Investment in equity investees	3,145
Contingent consideration	4,181
<b>Net assets acquired</b>	
<b>Current assets</b>	
Cash and cash equivalents	6,739
Accounts receivable	1,038
Prepays and other current assets	78
Inventory	2,573
Asset held for sale	2,960
<b>Long-term assets</b>	
Intangible assets	<u>296</u>

<b>Total assets</b>	13,684
<b>Current liabilities</b>	
Accounts payable and accrued liabilities	5,408
Other liabilities	876
<b>Total liabilities</b>	6,284
<b>Total net assets acquired</b>	<u>7,400</u>

In the event that the Truss acquisition had occurred on June 1, 2022 the Company would have had, on an unaudited proforma basis, additional net revenue of approximately \$nil and \$3,000 for the three and nine months ended February 29, 2024, respectively, and \$4,600 and \$10,900 for the three and nine months period ended February 28, 2023, respectively, and its consolidated net loss and comprehensive net loss would have increased by approximately \$nil and \$700 for the three and nine months ended February 29, 2024, respectively, and \$600 and \$1,800 for the three and nine months period ended February 28, 2023, respectively. This unaudited pro forma financial information does not reflect the realization of any expected ongoing synergies relating to the integration of Truss.

#### Acquisition of Craft Beverage Business Portfolio

On September 29, 2023, Tilray acquired a portfolio of craft brands, assets and businesses comprising eight beer and beverage brands from Anheuser-Busch Companies, LLC, ("AB") including breweries and brewpubs associated with them (the "Craft Acquisition"). The acquired businesses/brands include Shock Top, Breckenridge Brewery, Blue Point Brewing Company, 10 Barrel Brewing Company, Redhook Brewery, Widmer Brothers Brewing, Square Mile Cider Company, and HiBall Energy. The Company paid a total purchase price equivalent of \$83,658 in cash, net of a preliminary working capital adjustment at closing of \$1,342, which is subject to a final working capital adjustment. As described in Note 12 (Long-term debt), \$20,000 was borrowed under the ABC Group Delayed Draw Term Loan Agreement to fund part of the purchase price paid for the Craft Acquisition.

The Company is in the process of assessing the fair value of the net assets acquired and, as a result, the fair value may be subject to adjustments pending completion of final valuations and post-closing adjustments. The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed for the Craft Acquisition at the effective acquisition date as follows:

	<u>Amount</u>
<b>Consideration</b>	
Cash consideration	\$ 83,658
<b>Net assets acquired</b>	
<b>Current assets</b>	
Cash and cash equivalents	77
Inventory	22,493
Prepays and other current assets	573
<b>Long-term assets</b>	
Capital assets	62,614
Finance lease, right-of-use assets	45,496
Operating lease, right-of-use assets	7,677
Other assets	108
<b>Total assets</b>	<u>139,038</u>
<b>Current liabilities</b>	
Accounts payable and accrued liabilities	2,206
Current portion of finance lease liabilities	1,031
Current portion of operating lease liabilities	1,408
Long - term liabilities	
Finance lease liabilities	44,465
Operating lease liabilities	6,270
<b>Total liabilities</b>	<u>55,380</u>
<b>Total net assets acquired</b>	<u>83,658</u>

In the event that the Craft Acquisition had occurred on June 1, 2022, the Company would have had, on an unaudited proforma basis, additional revenue of approximately \$nil and \$55,000 for the three and nine months ended February 29, 2024, respectively, and \$33,000 and \$118,000 for the three and nine months period ended February 28, 2023, respectively, and its net loss and comprehensive net loss would have increased by approximately \$nil and \$5,000 for the three and nine months ended February 29, 2024, respectively, and \$3,500 and \$4,400 for the three and nine months period ended February 28, 2023, respectively. This unaudited pro forma financial information does not reflect the realization of any expected ongoing synergies relating to the integration of the Craft Acquisition.

#### **Note 8. Convertible notes receivable**

Convertible notes receivable is comprised of the following:

	<u>February 29, 2024</u>	<u>May 31, 2023</u>
HEXO Convertible Note	\$ —	\$ 28,720
MedMen Convertible Note	32,000	74,681
<b>Total convertible notes receivable</b>	<u>32,000</u>	<u>103,401</u>
Deduct - current portion	—	—
<b>Total convertible notes receivable, non current portion</b>	<u>\$ 32,000</u>	<u>\$ 103,401</u>

#### **HEXO Convertible Note**

On June 22, 2023, the Company completed the HEXO Acquisition as described in Note 7 (Business acquisitions). Concurrently with the closing of the HEXO Acquisition, the HEXO convertible note was converted into shares of HEXO.

## MedMen Convertible Note

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 issued by MedMen (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 MedMen Convertible Note bears interest at the Secured Overnight Financing Rate ("SOFR") plus 6%, with a SOFR floor of 2.5% with any accrued interest being added to the outstanding principal amount. The outstanding principal amount, together with accrued interest is to be paid on August 17, 2028, the maturity date 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. SH Acquisition's ability to convert the MedMen Convertible Note and exercise the Warrants is dependent upon U.S. federal legalization of cannabis or Tilray's waiver of such requirement as well as any additional regulatory approvals.

During the three months ended February 29, 2024, the Company recognized an other-than-temporary change in fair value, which resulted in a non-cash expense of \$42,681. The MedMen Convertible Note was valued based upon the fair value of the collateral assets net of disposal costs and has been reduced to reflect recent events, including the appointment of a chief restructuring officer on January 23, 2024 and pending asset sales. In the prior year, the Company used 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 nil; dividend yield of nil; probability of legalization between 0% and 60%; and, the exercise price of the respective conversion feature.

The Company did not derive any revenue or cash from MedMen's operations, and fully complies with all limitations imposed by applicable U.S. law and regulations in connection with its ownership of the MedMen Convertible Note. In addition, the Company did not recognize any interest income on the MedMen Convertible Note for the three and nine months ended February 29, 2024, which would have increased its value.

## Note 9. Long term investments

Long term investments consisted of the following:

	February 29, 2024	May 31, 2023
Equity investments measured at fair value	\$ 2,558	\$ 2,144
Equity investments under measurement alternative	5,500	5,651
Total	\$ 8,058	\$ 7,795

**Note 10. 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 February 29, 2024, the Company has not drawn on the line of credit. The operating line of credit is secured by a security interest on certain real property located at 265 Talbot St. West, Leamington, Ontario.

CC Pharma GmbH, a subsidiary of the Company, has two operating lines of credit for €7,000 and €500 each, which bear interest at Euro Short-Term Rate ("ESTR") plus 2.50% and Euro Interbank Offered Rate ("EURIBOR") plus 4.00%, respectively. As of February 29, 2024, a total of €7,434 (\$8,029) was drawn down from the available credit of €7,500. The operating line of credit for €7,000 is secured by an interest in the inventory of CC Pharma GmbH as well as the Densborn facility and underlying real property. The operating line of credit for €500 is unsecured.

American Beverage Crafts Group Inc. ("ABC Group"), formerly known as Four Twenty Corporation, a subsidiary of the Company, has a revolving credit facility of \$30,000, which bears interest at SOFR plus an applicable margin. As of February 29, 2024, the Company has drawn \$7,000 on the revolving line of credit. The revolving credit facility is secured by ABC Group's assets and includes a corporate guarantee by a subsidiary of the Company.

**Note 11. Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities are comprised of:

	<b>February 29, 2024</b>	<b>May 31, 2023</b>
Trade payables	\$ 90,163	\$ 70,819
Accrued liabilities	70,744	48,394
Litigation accrual	25,153	25,000
Accrued payroll and employment related taxes	14,993	18,772
Income taxes payable	1,438	14,934
Accrued interest	3,202	8,102
Sales taxes payable	4,070	4,661
Total	<u>\$ 209,763</u>	<u>\$ 190,682</u>

## Note 12. Long-term debt

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

	February 29, 2024	May 31, 2023
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	\$ 41,440	\$ 45,260
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\$181 including interest, due in July 2033	10,541	10,959
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\$196 including interest, due in July 2033	12,765	13,092
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	288	346
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	2,122	2,104
Term loan - €5,000 - EURIBOR plus 2.15%, 5-year term, repayable in quarterly installments of €250 plus interest, due in December 2023	—	803
Term loan - €1,200 - at 4.26%, 1-year term, repayable in monthly installments of €100 plus interest, due in December 2023	—	755
Term loan - €1,500 - at 2.00%, 5-year term, repayable in quarterly installments of €94 plus interest, due in April 2025	520	819
Term loan - €3,500 - at 4.59%, 5-year term, repayable in monthly installments of €52 plus interest, due in August 2028	3,326	1,706
Mortgage payable - \$22,635 - EURIBOR rate plus 1.5%, 10-year term, repayable in monthly installments of \$57 including interest, due in October 2030	20,225	20,863
Term loan - \$90,000 - SOFR plus an applicable margin, 5-year term, repayable in quarterly installments of \$875 to \$1,750 due in June 2028	87,750	65,000
Carrying amount of long-term debt	178,977	161,707
Unamortized financing fees	(978)	(738)
Net carrying amount	177,999	160,969
Less principal portion included in current liabilities	(12,351)	(24,080)
Total noncurrent portion of long-term debt	<u>\$ 165,648</u>	<u>\$ 136,889</u>

During the quarter ended August 31, 2023, ABC Group, repaid its \$100,000 term loan and entered into a new secured credit agreement, which is comprised of: (i) a \$70,000 term loan facility, bearing interest at SOFR plus an applicable margin and having a maturity date of June 30, 2028 (the "ABC Group Term Loan"), and (ii) a \$20,000 delayed draw term loan facility, issued on the same terms as the \$70,000 term loan facility (the "ABC Group Delayed Draw Term Loan" and, together with the ABC Group Term Loan the "ABC Group Secured Credit Agreement"). The ABC Group Term Loan was fully drawn on June 30, 2023. The ABC Group Delayed Draw Term Loan was fully drawn on September 29, 2023 to fund part of the purchase price for the Craft Acquisition as described in Note 7 (Business acquisitions). Under the terms of the ABC Group Secured Credit Agreement, the Company pledged all of ABC Group and its subsidiaries' assets and the related equity interests, and Tilray Brands, Inc. provided a limited guarantee, as well as requiring the lenders approval to transfer assets to Tilray Brands, Inc.

### Note 13. Convertible debentures payable

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

	February 29, 2024	May 31, 2023
5.20% Convertible Notes ("TLRY 27")	\$ 126,587	\$ 100,476
HTI Convertible Note	—	47,834
5.25% Convertible Notes ("APHA 24")	83,351	120,568
5.00% Convertible Notes ("TLRY 23")	—	126,544
Total	209,938	395,422
Deduct - current portion	83,351	174,378
Total convertible debentures payable, non current portion	\$ 126,587	\$ 221,044

#### TLRY 27 Notes

	February 29, 2024	May 31, 2023
5.20% Contractual debenture	\$ 172,500	\$ 150,000
Unamortized discount	(45,913)	(49,524)
Net carrying amount	\$ 126,587	\$ 100,476

The TLRY 27 convertible debentures were issued on May 30, 2023 and on June 9, 2023 by way of overallotment, in the principal amount of \$172,500 (the "TLRY 27 Notes"). The TLRY 27 Notes bear interest at a rate of 5.20% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, and mature on June 15, 2027, unless earlier converted. The TLRY 27 Notes are Tilray's general unsecured obligations and rank senior in right of payment to all of Tilray's indebtedness that is expressly subordinated in right of payment to the notes; equal in right of payment with any of Tilray's unsecured indebtedness that is not so subordinated, including TLRY 23 and APHA 24, effectively junior in right of payment to any of Tilray'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 Tilray's current or future subsidiaries. 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 a 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"), pursuant to which it lent to the Share Borrower 38,500,000 shares of the Company's common stock (the "Borrowed Shares"). The Borrowed Shares were newly-issued shares, will be held as treasury shares until the expiration or early termination of the share lending agreement and may be used by purchasers of the TLRY 27 Notes to sell up to 38,500,000 shares of the Company's common stock. 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.

During the three and nine months ended February 29, 2024, the Company recognized interest expense of \$2,243 and \$6,728 and accretion of amortized discount interest of \$2,896 and \$8,520. For the same periods in the prior year there was no interest or accretion of amortized discount.

#### HTI Convertible Note

	February 29, 2024	May 31, 2023
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. On August 31, 2023, the Company settled in full the HTI Convertible Note through the issuance of shares as described in Note 15 (Stockholders' equity).

#### APHA 24 Notes

	February 29, 2024	May 31, 2023
5.25% Contractual debenture	\$ 350,000	\$ 350,000
Debt settlement	(263,970)	(213,260)
Fair value adjustment	(2,679)	(16,172)
Net carrying amount	\$ 83,351	\$ 120,568

The APHA 24 convertible debentures, were entered into in April 2019, in the principal amount of \$350,000, bear interest at a rate of 5.25% per annum, payable semi-annually in arrears on June 1 and December 1 of each year, and mature on June 1, 2024, unless earlier converted (the APHA 24 Notes). The APHA 24 Notes are Tilray's general unsecured obligations and rank senior in right of payment to all of Tilray's indebtedness that is expressly subordinated in right of payment to the notes; equal in right of payment with any of Tilray's unsecured indebtedness that is not so subordinated, including TLRY 27 effectively junior in right of payment to any of Tilray'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 Tilray's current or future subsidiaries.

Holders of the APHA 24 Notes may convert all or any portion of such note, in multiples of \$1 principal amount, at their option at any time between December 1,

2023 to the maturity date of June 1, 2024. The initial conversion which the Company may settle in cash, or common shares of Tilray, or a combination thereof, at Tilray's election, is equivalent to an initial conversion price of approximately \$11.20 per common share, subject to adjustments in certain events.

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 *Financial Instruments* 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).

During the three months ended February 29, 2024, the Company exchanged the aggregate principal of \$50,710 of APHA 24 Notes for cancellation by issuing 27,228,252 shares.

The overall change in fair value of APHA 24 during the nine months ended February 29, 2024 decreased by \$13,493, this was comprised of \$12,352 of fair value changes and a foreign exchange loss of \$1,141.

There was \$86,030 principal outstanding as at February 29, 2024 compared to \$136,740 as at May 31, 2023. See Note 27 (Subsequent events) for additional details.

During the three and nine months ended February 29, 2024, the Company recognized interest expense of \$1,483 and \$5,072, respectively and interest expense of \$3,319 and \$10,105, respectively for the same period in the prior year.

*TLRY 23 Notes*

	February 29, 2024	May 31, 2023
5.00% Contractual debenture	\$ —	\$ 277,856
Principal amount paid	—	(150,526)
Unamortized discount	—	(786)
Net carrying amount	<u>\$ —</u>	<u>\$ 126,544</u>

The TLRY 23 Notes bore interest at a rate of 5.00% per annum, payable semi-annually in arrears on April 1 and October 1 of each year. On September 12, 2023, the Company repurchased \$20,000 of its TLRY 23 Notes for cancellation by issuing 7,000,000 shares and paying \$610 of cash to settle both principal and accrued interest. Upon repurchase of the TLRY 23 Notes, a portion of the settlement consideration was allocated to the equity component of the instrument and was recognized as a \$1,672 reduction of additional paid-in capital in the Consolidated Statements of Changes in Equity. Additionally, this repurchase resulted in a loss of \$1,062 which was recorded in other non-operating (losses) gains, net as shown in Note 24 (Non-operating income (expense)).

After cancellation, the outstanding principal balance of the TLRY 23 Notes was \$107,330. On October 2, 2023, the Company repaid the remaining principal of the TLRY 23 Notes in cash upon maturity.

During the three and nine months ended February 29, 2024, the Company recognized interest expense of \$nil and \$2,122, respectively and interest expense of \$1,748 and \$6,077, respectively for the same period in the prior year.

#### Note 14. Warrant liability

As of February 29, 2024 and May 31, 2023, there were 6,209,000 warrants outstanding, with an original exercise price of \$5.95 per warrant, expiring September 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 nine months ended February 29, 2024, the Company issued shares which triggered the anti-dilution price protection feature lowering the exercise price to \$1.61. 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 warrants outstanding at February 29, 2024 at \$0.512 per warrant using the Black Scholes pricing model (Level 3) with the following assumptions: Risk-free interest rate of 3.9%, expected volatility of 50%, expected term of 1.55 years, strike price of \$1.61 and fair value of common stock of \$1.73.

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

#### Note 15. Stockholders' equity

##### *Issued and outstanding*

As of February 29, 2024, the Company had 1,198,000,000 common shares and 10,000,000 preferred shares authorized to be issued, with 774,028,053 common shares and nil preferred shares issued and outstanding. Historically, the Company has issued shares of its common stock as consideration for business acquisitions, settlement of convertible notes, settlement of litigation claims, in connection with public offerings and as payment of dividends to non-controlling interests for profit distributions.

During the nine months ended February 29, 2024, the Company issued the following common shares:

- a) 39,705,962 shares in connection with the HEXO Acquisition, see Note 7 (Business acquisitions).
- b) 865,426 shares to settle a contractual change of control severance obligations in the aggregate amount of \$1,500 incurred in connection with the HEXO Acquisition.
- c) 18,632,126 shares to settle dividends payable to the non-controlling shareholders of 1974568 Ontario Limited ("Aphria Diamond").
- d) 1,032,616 shares for the settlement of the HTI Convertible Note payable see Note 13 (Convertible debentures payable).
- e) 17,148,541 shares to HTI Investments MA LLC pursuant to the terms of a \$50.0 million convertible promissory note originally issued by Tilray to HTI on July 12, 2022 and which was settled at maturity as previously disclosed.
- f) 1,573,152 shares to settle HEXO-based litigation judgement obtained by MediPharm Labs Inc. in 2022.
- g) 7,000,000 shares to repurchase \$20,000 of its TLRY 23 Notes for cancellation.
- h) 27,228,252 shares to repurchase \$50,710 of its APHA 24 Notes for cancellation.
- i) 4,186,523 shares in connection with the exercise of previously awarded stock-based compensation awards.

The Company maintains stock-based compensation plans as disclosed in our Annual Financial Statements. For the three and nine months ended February 29, 2024, the total stock-based compensation was \$ 8,059 and \$ 24,517. For the three and nine months ended February 28, 2023, total stock based compensation was \$ 9,630 and \$ 29,766 respectively.

During the nine months ended February 29, 2024 the Company granted 11,559,549 time-based RSUs, and 7,566,146 performance-based RSUs (February 28, 2023 - 6,004,995 time-based RSUs and 2,634,744 performance based RSUs). The 7,566,146 performance based RSUs issued during the quarter contains certain performance conditions that will only be set a future date, and therefore for accounting purposes the grant date has not been met. The Company's total stock-based compensation expense recognized is as follows:

	For the three months ended		For the nine months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Stock options	\$ —	\$ 20	\$ —	\$ 644
RSUs	8,059	9,610	24,517	29,122
Total	<u>\$ 8,059</u>	<u>\$ 9,630</u>	<u>\$ 24,517</u>	<u>\$ 29,766</u>

**Note 16. Accumulated other comprehensive income (loss)**

Accumulated other comprehensive loss includes the following components:

	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	(56,443)	(2,525)	(58,968)
Balance August 31, 2022	\$ (2,030)	\$ (77,702)	\$ (79,732)
Other comprehensive loss	(24,080)	(17,643)	(41,723)
Balance November 30, 2022	\$ (26,110)	\$ (95,345)	\$ (121,455)
Other comprehensive (loss) reversal	(16,838)	95,345	78,507
Balance February 28, 2023	<u>\$ (42,948)</u>	<u>\$ —</u>	<u>\$ (42,948)</u>
Balance May 31, 2023	\$ (46,610)	\$ —	\$ (46,610)
Other comprehensive loss	3,049	—	3,049
Balance August 31, 2023	\$ (43,561)	\$ —	\$ (43,561)
Other comprehensive loss	5,194	—	5,194
Balance November 30, 2023	\$ (38,367)	\$ —	\$ (38,367)
Other comprehensive loss	(4,820)	—	(4,820)
Balance February 29, 2024	<u>\$ (43,187)</u>	<u>\$ —</u>	<u>\$ (43,187)</u>

**Note 17. Non-controlling interests**

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

Summary of balance sheet information of the entities in which there is a non-controlling interest as of February 29, 2024:

	SH Acquisition	CC Pharma Nordic ApS	Aphria Diamond	ColCanna S.A.S.	February 29, 2024
Current assets	\$ —	\$ 31	\$ 81,541	\$ 191	\$ 81,763
Non-current assets	32,000	—	129,067	3,719	164,786
Current liabilities	—	(14)	(129,422)	(6,786)	(136,222)
Non-current liabilities	—	—	(48,218)	(1,458)	(49,676)
Net assets	<u>\$ 32,000</u>	<u>\$ 17</u>	<u>\$ 32,968</u>	<u>\$ (4,334)</u>	<u>\$ 60,651</u>

Summary of balance sheet information of the entities there is a non-controlling interest as of 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	<u>\$ 74,681</u>	<u>\$ (1,052)</u>	<u>\$ 67,023</u>	<u>\$ (4,594)</u>	<u>\$ 136,058</u>

Summary of income statement information of the entities in which there is a non-controlling interest for the nine months ended February 29, 2024:

	SH Acquisition	CC Pharma Nordic ApS	Aphria Diamond	ColCanna S.A.S.	February 29, 2024
Revenue	\$ —	\$ —	\$ 76,541	\$ —	\$ 76,541
Total expenses	42,681	(1,078)	47,541	(594)	88,550
Net (loss) income	(42,681)	1,078	29,000	594	(12,009)
Other comprehensive (loss) income	—	(9)	646	(334)	303
Net comprehensive (loss) income	\$ (42,681)	\$ 1,069	\$ 29,646	\$ 260	\$ (11,706)
Non-controlling interest %	32%	25%	49%	10%	NA
Comprehensive (loss) income attributable to NCI	(13,658)	267	14,527	26	1,162
Additional income attributable to NCI	—	—	5,336	—	5,336
Net comprehensive (loss) income attributable to NCI	\$ (13,658)	\$ 267	\$ 19,863	\$ 26	\$ 6,498

Summary of income statement information of the entities in which there is a non-controlling interest for the nine months ended February 28, 2023:

	SH Acquisition	CC Pharma Nordic ApS	Aphria Diamond	ColCanna S.A.S.	February 28, 2023
Revenue	\$ —	\$ 126	\$ 98,960	\$ —	\$ 99,086
Total expenses	107,297	659	54,285	91,026	253,267
Net (loss) income	(107,297)	(533)	44,675	(91,026)	(154,181)
Other comprehensive (loss) income	70,778	(13)	(707)	373	70,431
Net comprehensive (loss) income	\$ (36,519)	\$ (546)	\$ 43,968	\$ (90,653)	\$ (83,750)
Non-controlling interest %	32%	25%	49%	10%	NA
Comprehensive (loss) income attributable to NCI	(11,686)	(137)	21,544	(9,065)	656
Additional income attributable to NCI	—	—	8,968	—	8,968
Net comprehensive (loss) income attributable to NCI	\$ (11,686)	\$ (137)	\$ 30,512	\$ (9,065)	\$ 9,624

On January 5, 2024, Aphria Inc. (“Aphria”), a wholly-owned subsidiary of the Company, entered into an Amended and Restated Wholesale Cannabis Supply Agreement (the “Supply Agreement”) with 1974568 Ontario Limited (“Aphria Diamond”), Aphria’s joint venture with Double Diamond Holdings Ltd. The Supply Agreement amended and restated the existing supply agreement, effective as of September 1, 2023, and amended certain terms relating to pricing and product classes. Due to the terms stipulated in the Supply Agreement, the reduced transfer price will lead to a decrease in income attributable to non-controlling interest over the duration of the agreement. If this agreement had been effective June 1, 2023, the Company would have recognized approximately \$15,000 in additional net income attributed to the Stockholders of Tilray Brands, Inc.

#### Note 18. Income taxes

The determination of the Company’s overall effective tax rate requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. The effective tax rate reflects the income earned and taxed in various United States federal, state, and foreign jurisdictions. Tax law changes, increases, and decreases in temporary and permanent differences between book and tax items, valuation allowances against the deferred tax assets, stock compensation, and the Company’s change in income in each jurisdiction all affect the overall effective tax rate. It is the Company’s practice to recognize interest and penalties related to uncertain tax positions in income tax expense.

The Company reported income tax (recovery) expense of \$(2,871) and \$1,013 for the three and nine months ended February 29, 2024, and income tax recovery of \$(10,811) and \$ (15,313) for the three and nine months ended February 28, 2023. The income tax benefit in the current period varies from the US statutory income tax rate and prior period primarily due to the geographical mix of earnings and losses with no tax benefit resulting from valuation allowances in certain jurisdictions.

## Note 19. Commitments and contingencies

### *Purchase and other commitments*

The Company has payments on long-term debt, refer to Note 12 (Long-term debt), convertible notes, refer to Note 13 (Convertible debentures payable), material purchase commitments and construction commitments as follows:

	<u>Total</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>Thereafter</u>
Long-term debt repayment	\$ 178,977	\$ 12,535	\$ 44,319	\$ 8,973	\$ 10,335	\$ 102,815
Convertible debentures payable	258,530	86,030	—	—	172,500	—
Material purchase obligations	49,159	21,587	27,572	—	—	—
Construction commitments	822	822	—	—	—	—
<b>Total</b>	<b>\$ 487,488</b>	<b>\$ 120,974</b>	<b>\$ 71,891</b>	<b>\$ 8,973</b>	<b>\$ 182,835</b>	<b>\$ 102,815</b>

### *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.

There have been no material changes from the legal proceedings since our Annual Report on Form 10-K for the fiscal year ended May 31, 2023, except with respect to certain aspects of the legal proceedings disclosed below:

#### **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. 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 “420 Arrangement Agreement”). Pursuant to the 420 Arrangement Agreement, High Park was to acquire the securities of 420 Investments. In February 2020, Tilray and High Park gave notice of termination of the 420 Agreement due to 420 Investment’s breach and failure to satisfy certain conditions precedent. 420 Investments alleges that the termination was unlawful and without merit and further alleges that the Defendants had no legal basis to terminate. 420 Investment seeks damages in the stated amount of C\$110,000, plus C\$20,000 in aggravated damages. Discoveries are continuing in this litigation proceeding. Tilray and High Park deny the Plaintiff’s allegations and intend to continue to vigorously defend this litigation matter, although there can be no assurance as to its outcome.

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. That debt was repayable in March 2020, but was never repaid by 420 Investments. On February 8, 2024, the Court granted Tilray and High Park’s summary judgment application, holding that Tilray and High Park were entitled to be paid the full amount of the C\$7,000 bridge loan, see Note 22 (General and administrative expenses), plus on-going interest C\$2,800 and costs. Tilray intends to pursue full collection of this judgment as it continues to defend the main proceedings regarding termination of the 420 Arrangement Agreement.

#### **Cannfections Group Inc. / High Park Farms Ltd. (Canada, Commercial Arbitration).**

On December 2, 2022 Cannfections Group Inc. (“Cannfections”), a joint venture that is 50% owned by High Park Farms, Ltd., delivered a Request to Arbitrate along with a Statement of Claim to Tilray’s subsidiaries High Park Farms Ltd. (“HP Farms”) and High Park Holdings Ltd. (“HP Holdings”) for an arbitration to be held in Toronto, Ontario. Cannfections claimed breach of contract against HP Farms and HP Holdings arising from a 2019 supply agreement pursuant to which Cannfections manufactured cannabis-infused chocolates and gummies. Cannfections primarily alleged that HP Farms failed to meet certain minimum order volumes of products from Cannfections resulting in claimed damages of C\$27,500. HP Farms filed a Statement of Defense denying the allegations as part of an Arbitration proceeding held in November 2023. HP Farms believed these claims were without merit and vigorously defended the claims during arbitration proceeding. However, on March 5, 2024, the Arbitrator issued a Decision awarding Cannfections damages in the amount of C\$19,950 plus interest. The Arbitrator also determined that HP Holdings was not a proper party to the Arbitration and dismissed all claims against HP Holdings.

On April 5, 2024, HP Farms commenced a voluntary assignment in bankruptcy, naming B. Riley Farber as its licensed insolvency trustee. HP Farms’ bankruptcy filing is limited solely to HP Farms, and neither Tilray nor any of its affiliates are petitioners or parties to the HP Farms bankruptcy filing. As a result of this bankruptcy filing, the Company recognized \$4,638 for a decrease in value of the equity investee during the three months ended February 29, 2024. The Company does not expect that there will be any further impact to the Company’s financial statements. HP Farms determined to commence bankruptcy proceedings given it ceased all active operations following closure of the Enniskillen facility and the termination of its supply agreement with Cannfections. The purpose of the bankruptcy filing is to ensure the orderly liquidation and wind-up of HP Farms’ remaining assets and liabilities. See Note 24 (Non-operating income (expense)).

#### **Summary of litigation accruals**

As described in Note 11 (Accounts payable and accrued liabilities), the total litigation expense accrual included in accrued liabilities as of February 29, 2024 was \$25,153 to cover various ongoing litigation matters that are probable and estimable (May 31, 2023 - \$25,000). During the nine months ended February 29, 2024, the Company assumed \$12,253 of litigation accruals from the acquisition of HEXO, several of which were settled during the nine months ended February 29, 2024. The Company did not assume any litigation accruals from the Craft Acquisition.

**Note 20. Net revenue**

The Company reports its net revenue in four reporting segments: beverage alcohol, cannabis, distribution, and wellness.

Net revenue is comprised of:

	For the three months ended		For the nine months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Beverage alcohol revenue	\$ 58,247	\$ 21,941	\$ 133,237	\$ 67,209
Beverage alcohol excise taxes	(3,559)	(1,301)	(7,882)	(4,520)
Net beverage alcohol revenue	54,688	20,640	125,355	62,689
Cannabis revenue	85,236	61,118	276,676	203,503
Cannabis excise taxes	(21,804)	(13,569)	(75,797)	(47,486)
Net cannabis revenue	63,432	47,549	200,879	156,017
Distribution revenue	56,794	65,385	193,174	186,158
Wellness revenue	13,426	12,015	39,652	38,072
Total	<u>\$ 188,340</u>	<u>\$ 145,589</u>	<u>\$ 559,060</u>	<u>\$ 442,936</u>

**Note 21. Cost of goods sold**

Cost of goods sold is comprised of:

	For the three months ended		For the nine months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Beverage alcohol costs	\$ 35,836	\$ 10,663	\$ 77,615	\$ 32,932
Cannabis costs	42,518	80,362	139,507	137,800
Distribution costs	51,231	57,964	172,846	165,443
Wellness costs	9,359	8,299	28,091	26,964
Total	<u>\$ 138,944</u>	<u>\$ 157,288</u>	<u>\$ 418,059</u>	<u>\$ 363,139</u>

**Note 22. General and administrative expenses**

General and administrative expenses are comprised of:

	For the three months ended		For the nine months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Executive compensation	\$ 1,585	\$ 2,754	\$ 4,757	\$ 9,359
Office and general	4,190	6,799	20,423	20,011
Salaries and wages	19,588	13,621	52,310	38,407
Stock-based compensation	8,059	9,630	24,517	29,766
Insurance	3,569	3,159	9,917	8,588
Professional fees	656	1,165	4,658	5,385
(Gain) loss on sale of capital assets	23	(15)	3	(2)
Travel and accommodation	1,246	1,104	3,727	3,484
Rent	1,024	782	3,457	2,387
Total	<u>\$ 39,940</u>	<u>\$ 38,999</u>	<u>\$ 123,769</u>	<u>\$ 117,385</u>

Included in office and general is \$4,440 (C\$6,000) of bad debt recoveries on a previously recognized credit loss provision, see Note 19 (Commitments and contingencies), 420 Investments Ltd. Litigation.

## Note 23. Restructuring charges

In connection with the execution of our acquisition strategy and strategic transactions, the Company has incurred restructuring and exit costs associated with the integration efforts of these non-recurring transactions. The Company recognized \$5,178 and \$8,748 of restructuring charges for the three and nine months ended February 29, 2024, respectively, compared to \$2,663 and \$10,727 for prior year comparative periods. The Company approves detailed restructuring initiative plans at the executive level and recognizes these expenses in the period in which the plan has been committed to. All amounts incurred as of February 29, 2024, have been paid.

Within the Cannabis reporting unit, three restructuring plans have been initiated as follows; HEXO acquisition related charges which is expected to take place within 24 months from the acquisition date, Truss acquisition related charges which is expected to take place within 18 months from the acquisition date and the Canadian business cost reduction plan, which concluded during the last quarter. In the nine months ended February 29, 2024, the following expenses were recognized, \$3,987 of employee termination benefits and other restructuring charges for the HEXO acquisition plan, \$3,454 of restructuring charges related to the costs of exiting the Truss facility until the new business has resumed for the Truss acquisition plan and \$475 of employee termination benefits for the Canadian business cost reduction plan.

Within the distribution reporting unit, the Company continued to execute on a cost optimization plan during the three months ended February 29, 2024. It is expected that this plan will be completed within the current fiscal year. During the nine months ended February 29, 2024, the Company recognized \$832 related to employee termination benefits in connection with the execution of this plan.

For the three and nine months ended February 28, 2023, the Company recognized \$2,663 and \$10,727 which was comprised of \$2,663 of severance costs required to right size the Company's production, \$1,599 of exit costs, and \$2,758 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 of \$1,512 million were incurred. The Company also incurred \$2,195 million of write-offs from the exit of our medical device reprocessing business in our distribution reporting segment. These exit costs were completed in the prior year quarter ended February 28, 2023, and did not have any impacts in the nine months ended February 29, 2024.

## Note 24. Non-operating income (expense)

Non-operating income (expense) is comprised of:

	For the three months ended		For the nine months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Change in fair value of convertible debenture payable	\$ (6,311)	\$ 207	\$ (12,352)	\$ (20,375)
Change in fair value of warrant liability	586	5,256	(1,365)	6,841
Foreign exchange loss (gain)	(3,302)	(1,955)	1,941	(26,621)
Loss on long-term investments	33	(925)	383	(2,529)
Other non-operating (losses) gains, net	(8,245)	(1,370)	(9,427)	(7,545)
Total	<u>\$ (17,239)</u>	<u>\$ 1,213</u>	<u>\$ (20,820)</u>	<u>\$ (50,229)</u>

Included in other non-operating (losses) gains, net for the three and nine months ended February 29, 2024, are losses of \$(8,245) and \$(9,427) which is comprised of \$2,313 from the downside protection share issuance relating to the HTI note, as described in Note 15 (Stockholders' equity), \$2,458 of amounts to settle outstanding notes with non-controlling interest shareholders, and \$4,638 for a decrease in value of equity investee, as described in Note 19 (Commitments and contingencies), Cannfections.

## Note 25. Fair value measurements

### Financial instruments

The Company has classified its financial instruments as described in Note 3 Significant accounting policies in our Annual Financial Statements.

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

At February 29, 2024 and May 31, 2023 the Company had long-term debt of \$3,846 and \$3,280, respectively, and the principal portion of convertible debentures payable of \$258,530 and \$464,070, respectively, subject to fixed interest rates. The Company's long-term debt is valued based on discounting the future cash outflows associated with the long-term debt. The discount rate is based on the incremental premium above market rates for the U.S. Department of the Treasury securities of similar duration. In each period thereafter, the incremental premium is held constant while the U.S. Department of the Treasury security is based on the then current market value to derive the discount rate.

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of February 29, 2024 and May 31, 2023 and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value:

	Level 1	Level 2	Level 3	February 29, 2024
<b>Financial assets</b>				
Cash and cash equivalents	\$ 146,253	\$ —	\$ —	\$ 146,253
Marketable securities	79,605	—	—	79,605
Convertible notes receivable	—	—	32,000	32,000
Equity investments measured at fair value	1,104	1,454	5,500	8,058
<b>Financial liabilities</b>				
Warrant liability	—	—	(3,182)	(3,182)
Contingent consideration	—	—	(14,000)	(14,000)
APHA 24 Convertible debenture	—	—	(83,351)	(83,351)
Total recurring fair value measurements	<u>\$ 226,962</u>	<u>\$ 1,454</u>	<u>\$ (63,033)</u>	<u>\$ 165,383</u>
	Level 1	Level 2	Level 3	May 31, 2023
<b>Financial assets</b>				
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
<b>Financial liabilities</b>				
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	<u>\$ 449,585</u>	<u>\$ 1,088</u>	<u>\$ (40,440)</u>	<u>\$ 410,233</u>

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 acquisition of Montauk due in December 2025, and upon the triggering event if met, and are payable in cash, was determined by discounting future expected cash outflows at a discount rate of 11%, and probability of achievement of 95%. The unobservable inputs into the future expected cash outflows result in a fair value measurement classified as Level 3. During the nine months ended February 29, 2024, a decrease in fair value of \$13,493, inclusive of changes in foreign exchange, was recognized and was comprised of a decrease of fair value of \$16,218 for the contingent consideration from the Sweetwater acquisition as a result of not achieving the incentive targets which was offset by an increase in fair value of \$3,111 for the contingent consideration from the Montauk acquisition as a result of a higher probability of achieving the incentive targets. During the quarter end, \$4,181 of contingent consideration liability from the Truss acquisition has been settled in cash for \$760 (CAD \$1,041)

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
Balance, May 31, 2023	\$ 103,401	\$ 5,651	\$ (1,817)	\$ (27,107)	\$ (120,568)
Additions/(Repayments)	—	—	—	(4,181)	50,710
Redemption	(28,720)	—	—	760	—
Unrealized gain (loss) on fair value	—	(151)	(1,365)	16,528	(13,493)
Impairments	(42,681)	—	—	—	—
Balance, February 29, 2024	<u>\$ 32,000</u>	<u>\$ 5,500</u>	<u>\$ (3,182)</u>	<u>\$ (14,000)</u>	<u>\$ (83,351)</u>

The unrealized gain (loss) on fair value for the convertible debenture, the warrant liability, contingent consideration, and debt securities classified under available-for-sale method is recognized in the consolidated statements of loss and comprehensive loss using the following inputs:

Financial asset / financial liability	Valuation technique	Significant unobservable input	Inputs
APHA Convertible debentures	Black-Scholes	Volatility, expected life (in years)	50% 0.3
Warrant liability	Black-Scholes	Volatility, expected life (in years)	50% 1.6
Contingent consideration	Discounted cash flows	Discount rate, achievement	11 95%

*Items measured at fair value on a non-recurring basis*

The Company's prepaids 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.

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 period. The Company considers its cash and cash equivalents and marketable securities as capital.

**Note 26. 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 reportable segments: (1) beverage alcohol operations, which encompasses the production, marketing and sale of beverage and beverage alcohol products, (2) cannabis operations, which encompasses the production, distribution, sale, co-manufacturing and advisory services of both medical and adult-use cannabis, (3) distribution operations, which encompasses the purchase and resale of pharmaceuticals products to wholesale and pharmacy customers, and (4) wellness products, which encompasses hemp foods and hemp-based cannabidiol ("CBD") consumer 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:

	For the three months ended		For the nine months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
<b>Beverage alcohol</b>				
Net beverage alcohol revenue	\$ 54,688	\$ 20,640	\$ 125,355	\$ 62,689
Beverage alcohol costs	35,836	10,663	77,615	32,932
Beverage alcohol gross profit	<u>18,852</u>	<u>9,977</u>	<u>47,740</u>	<u>29,757</u>
<b>Cannabis</b>				
Net cannabis revenue	63,432	47,549	200,879	156,017
Cannabis costs	42,518	80,362	139,507	137,800
Cannabis gross profit (loss)	<u>20,914</u>	<u>(32,813)</u>	<u>61,372</u>	<u>18,217</u>
<b>Distribution</b>				
Distribution revenue	56,794	65,385	193,174	186,158
Distribution costs	51,231	57,964	172,846	165,443
Distribution gross profit	<u>5,563</u>	<u>7,421</u>	<u>20,328</u>	<u>20,715</u>
<b>Wellness</b>				
Wellness revenue	13,426	12,015	39,652	38,072
Wellness costs	9,359	8,299	28,091	26,964
Wellness gross profit	<u>\$ 4,067</u>	<u>\$ 3,716</u>	<u>\$ 11,561</u>	<u>\$ 11,108</u>

Channels of Cannabis revenue were as follows:

	For the three months ended		For the nine months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Revenue from Canadian medical cannabis	\$ 6,363	\$ 6,035	\$ 18,793	\$ 18,920
Revenue from Canadian adult-use cannabis	62,107	45,318	205,350	156,063
Revenue from wholesale cannabis	2,764	58	12,348	686
Revenue from international cannabis	14,002	9,707	40,185	27,834
Less excise taxes	(21,804)	(13,569)	(75,797)	(47,486)
Total	<u>\$ 63,432</u>	<u>\$ 47,549</u>	<u>\$ 200,879</u>	<u>\$ 156,017</u>

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 8 (Convertible notes receivable) and Note 13 (Convertible debentures payable). In addition, the Company and HEXO entered into various commercial transaction agreements. On June 22, 2023, the Company completed the HEXO Acquisition as described in Note 7 (Business acquisitions), and thus these commercial arrangements were terminated and HEXO's financial results were consolidated in the current period results.

Included in revenue from Canadian adult-use cannabis is \$nil and \$1,500 of advisory services revenue for the three and nine months ended February 29, 2024, from the aforementioned HEXO commercial transaction agreements, compared to \$8,667 and \$24,302 of advisory services revenue in the prior comparative period.

Geographic net revenue:

	For the three months ended		For the nine months ended	
	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
North America	\$ 117,524	\$ 70,463	\$ 325,664	\$ 228,866
EMEA	67,143	71,111	222,139	199,867
Rest of World	3,673	4,015	11,257	14,203
Total	<u>\$ 188,340</u>	<u>\$ 145,589</u>	<u>\$ 559,060</u>	<u>\$ 442,936</u>

Geographic capital assets:

	February 29, 2024	May 31, 2023
North America	\$ 473,779	\$ 319,173
EMEA	101,271	107,131
Rest of World	3,733	3,363
Total	<u>\$ 578,783</u>	<u>\$ 429,667</u>

Major customers are defined as customers that are materially significant to the Company's annual revenues. For the three and nine months ended February 29, 2024 and 2023, there were no major customers representing a material contribution to our quarterly revenues.

**Note 27. Subsequent Events**

On April 9, 2024, the Company entered into an agreement to exchange \$41,900 principal amount of its APHA 24 Notes for cancellation by issuing up to 25,000,000 shares.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

*This Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Condensed Interim Consolidated Financial Statements and the related Notes thereto for the period ended February 29, 2024 contained in this Quarterly Report on Form 10-Q and the Audited Consolidated Financial Statements and the related Notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended May 31, 2023, as well as in conjunction with the sections entitled “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended May 31, 2023 and in the section entitled “Item 1A. Risk Factors” in this Quarterly Report on Form 10-Q. Forward looking statements in this Form 10-Q are qualified by the cautionary statement included in this Form 10-Q under the sub-heading “Cautionary Note Regarding Forward-Looking Statements” in the introduction of this Form 10-Q.*

### **Company Overview**

We are a leading global cannabis-lifestyle and consumer products 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 and 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.