

Item 8. Financial Statements and Supplementary Data.

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

Tilray Brands, Inc.

Consolidated Statements of Financial Position
(In thousands of U.S. dollars)

	May 31, 2025	May 31, 2024
Assets		
Current assets		
Cash and cash equivalents	\$ 221,666	\$ 228,340
Marketable securities	34,697	32,182
Accounts receivable, net	121,489	101,695
Inventory	270,882	252,087
Prepays and other current assets	34,092	31,332
Assets held for sale	5,800	32,074
Total current assets	688,626	677,710
Capital assets	568,433	558,247
Operating lease, right-of-use assets	22,279	16,101
Intangible assets	21,423	915,469
Goodwill	752,350	2,008,884
Long-term investments	10,132	7,859
Convertible notes receivable	—	32,000
Other assets	11,084	5,395
Total assets	\$ 2,074,327	\$ 4,221,665
Liabilities		
Current liabilities		
Bank indebtedness	\$ 7,181	\$ 18,033
Accounts payable and accrued liabilities	235,322	241,957
Contingent consideration	15,000	15,000
Warrant liability	1,092	3,253
Current portion of lease liabilities	6,941	5,091
Current portion of long-term debt	14,767	15,506
Current portion of convertible debentures payable	—	330
Total current liabilities	280,303	299,170
Long - term liabilities		
Lease liabilities	64,925	60,422
Long-term debt	148,493	158,352
Convertible debentures payable	86,428	129,583
Deferred tax liabilities, net	3,748	130,870
Other liabilities	855	90
Total liabilities	584,752	778,487
Commitments and contingencies (refer to Note 28)		
Stockholders' equity		
Common stock (\$0.0001 par value; 1,416,000,000 common shares authorized; 1,060,678,745 and 831,925,373 common shares issued and outstanding, respectively)	106	83
Treasury Stock (2,004,218 and nil treasury shares issued and outstanding, respectively)	—	—
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	6,401,657	6,146,810
Accumulated other comprehensive loss	(43,063)	(43,499)
Accumulated Deficit	(4,847,226)	(2,660,488)
Total Tilray Brands, Inc. stockholders' equity	1,511,474	3,442,906
Non-controlling interests	(21,899)	272
Total stockholders' equity	1,489,575	3,443,178
Total liabilities and stockholders' equity	\$ 2,074,327	\$ 4,221,665

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

Tilray Brands, Inc.

Consolidated Statements of Loss and Comprehensive Loss

(In thousands of U.S. dollars, except share and per share amounts)

	For the year ended May 31,		
	2025	2024	2023
Net revenue	\$ 821,309	\$ 788,942	\$ 627,124
Cost of goods sold	580,739	565,591	480,164
Gross profit	240,570	223,351	146,960
Operating expenses:			
General and administrative	167,324	167,358	165,159
Selling	56,039	37,233	34,840
Amortization	88,616	84,752	93,489
Marketing and promotion	37,048	41,933	30,937
Research and development	284	635	682
Change in fair value of contingent consideration	—	(15,790)	855
Impairment of intangible assets and goodwill	2,096,139	—	934,000
Other than temporary change in fair value of convertible notes receivable	21,661	42,681	246,330
Litigation costs, net of recoveries	17,347	8,251	(505)
Restructuring costs	34,283	15,581	9,245
Transaction costs (income), net	4,534	15,462	1,613
Total operating expenses	2,523,275	398,096	1,516,645
Operating loss	(2,282,705)	(174,745)	(1,369,685)
Interest expense, net	(29,952)	(36,433)	(13,587)
Non-operating income (expense), net	10,284	(37,842)	(66,909)
Loss before income taxes	(2,302,373)	(249,020)	(1,450,181)
Income tax (recovery) expense	(121,017)	(26,616)	(7,181)
Net loss	\$ (2,181,356)	\$ (222,404)	\$ (1,443,000)
Total net income (loss) attributable to:			
Stockholders of Tilray Brands, Inc.	(2,186,738)	(244,981)	(1,452,656)
Non-controlling interests	5,382	22,577	9,656
Other comprehensive gain (loss), net of tax			
Foreign currency translation gain (loss)	430	3,121	(83,533)
Unrealized gain (loss) on convertible notes receivable	—	—	75,177
Total other comprehensive gain (loss), net of tax	430	3,121	(8,356)
Comprehensive loss	\$ (2,180,926)	\$ (219,283)	\$ (1,451,356)
Total comprehensive income (loss) attributable to:			
Stockholders of Tilray Brands, Inc.	(2,186,302)	(241,870)	(1,478,502)
Non-controlling interests	5,376	22,587	27,146
Weighted average number of common shares - basic	890,326,017	742,649,477	617,982,589
Weighted average number of common shares - diluted	890,326,017	742,649,477	617,982,589
Net loss per share - basic	\$ (2.46)	\$ (0.33)	\$ (2.35)
Net loss per share - diluted	\$ (2.46)	\$ (0.33)	\$ (2.35)

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

TLRY 27 convertible note	—	—	—	(19,028)	—	—	—	(19,028)
Share issuance - Double Diamond								
Holdings dividend settlement	13,217,588	1	—	23,823	—	—	(25,368)	(1,544)
Share issuance - RSUs exercised	7,826,513	1	—	(1)	—	—	—	—
Share issuance - options exercised	15,476	—	—	—	—	—	—	—
Shares effectively repurchased for employee withholding tax	—	—	—	(2,661)	—	—	—	(2,661)
Stock-based compensation	—	—	—	24,289	—	—	—	24,289
Disposal of SH Acquisition non-controlling interests	—	—	—	—	—	—	(2,179)	(2,179)
Comprehensive income (loss) for the period	—	—	—	—	436	(2,186,738)	5,376	(2,180,926)
Balance at year ended May 31, 2025	<u>1,060,678,745</u>	<u>\$ 106</u>	<u>(2,004,218)</u>	<u>\$ 6,401,657</u>	<u>\$ (43,063)</u>	<u>\$ (4,847,226)</u>	<u>\$ (21,899)</u>	<u>\$ 1,489,575</u>

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

Tilray Brands, Inc.

Consolidated Statements of Cash Flows

(In thousands of U.S. dollars, except share amounts)

	For the year ended May 31,		
	2025	2024	2023
Cash provided by (used in) operating activities:			
Net loss	\$ (2,181,356)	\$ (222,404)	\$ (1,443,000)
Adjustments for:			
Deferred income tax recovery	(121,017)	(38,872)	(31,953)
Unrealized foreign exchange (gain) loss	(18,218)	3,756	17,768
Amortization	133,490	126,913	130,149
Loss (gain) on sale of capital assets	928	(4,198)	(48)
Accretion of convertible debt discount	10,863	14,459	3,848
Inventory valuation write down	—	—	55,000
Impairment of intangible assets and goodwill	2,096,139	—	934,001
Other than temporary change in fair value of convertible notes receivable	21,661	42,681	246,330
Other non-cash items	(2,203)	13,626	11,406
Stock-based compensation	24,289	31,769	39,595
Loss on long-term investments & equity investments	5,550	4,855	2,190
(Gain) loss on derivative instruments	(2,161)	21,172	27,365
Change in fair value of contingent consideration	—	(15,790)	855
Change in non-cash working capital:			
Accounts receivable	(17,801)	(6,575)	4,168
Prepays and other current assets	(8,264)	13,069	3,122
Inventory	(13,561)	(15,578)	(12,934)
Accounts payable and accrued liabilities	(22,938)	212	20,044
Net cash provided by (used in) operating activities	<u>(94,599)</u>	<u>(30,905)</u>	<u>7,906</u>
Cash provided by (used in) investing activities:			
Investment in capital and intangible assets	(32,917)	(29,249)	(20,800)
Proceeds from disposal of capital and intangible assets	6,824	8,509	4,304
Disposal (purchase) of marketable securities, net	(2,515)	209,715	(241,897)
Business acquisitions, net of cash acquired	(18,110)	(60,626)	(26,718)
Net cash provided by (used in) investing activities	<u>(46,718)</u>	<u>128,349</u>	<u>(285,111)</u>
Cash provided by (used in) financing activities:			
Share capital issued, net of cash issuance costs	161,188	8,619	129,593
Shares effectively repurchased for employee withholding tax	—	—	(1,189)
Proceeds from long-term debt	3,450	32,621	1,288
Repayment of long-term debt	(15,506)	(22,402)	(21,336)
Proceeds from convertible debt	—	21,553	145,052
Repayment of convertible debt	(330)	(107,330)	(187,394)
Repayment of lease liabilities	(2,900)	(2,900)	(1,114)
Net increase (decrease) in bank indebtedness	(10,852)	(5,348)	5,258
Dividend paid to NCI	(1,544)	—	—
Net cash provided by (used in) financing activities	<u>133,506</u>	<u>(75,187)</u>	<u>70,158</u>
Effect of foreign exchange on cash and cash equivalents	1,137	(549)	(2,230)
Net decrease in cash and cash equivalents	<u>(6,674)</u>	<u>21,708</u>	<u>(209,277)</u>
Cash and cash equivalents, beginning of year	228,340	206,632	415,909
Cash and cash equivalents, end of year	<u>\$ 221,666</u>	<u>\$ 228,340</u>	<u>\$ 206,632</u>

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

Tilray Brands, Inc.

Notes to the Consolidated Financial Statements

(In thousands of U.S. dollars, except share and per share amounts)

1. Description of business

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

2. Basis of preparation

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

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

Foreign currency

These consolidated financial statements are presented in U.S. dollars (“USD”), which is the Company’s reporting currency; however, the functional currency of the entities in these financial statements are their respective local currencies, including Canadian dollar, USD, Euro, Australian dollar, and British Pound Sterling.

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

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

Basis of consolidation

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 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.

Equity method investments

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

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

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

3. Significant accounting policies

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

Cash and cash equivalents

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

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 consolidated statement of net loss and comprehensive loss within the line “Non-operating income (expense), net”.

Accounts receivable

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

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

Inventory

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

Capital assets

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

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

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 sale is probable within one year, as assets held for sale. As of May 31, 2025, the Company reported \$5,800 in assets held for sale related to the Fort Collins facility, see Note 6 (Capital assets). Assets held for sale are measured at the lower of carrying amount and the fair value less costs to sell, and are no longer depreciated. Disposition of assets held for sale are recorded in the consolidated statement of net loss and comprehensive loss.

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 consolidated statement of net loss and comprehensive loss.

During the year ended May 31, 2025, due to a change in circumstance in the Company's intention to sell our Quebec cultivation facility, the asset was subsequently reclassified as capital assets as the Company has made alternative plans for its 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.

Intangible assets

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

Asset type	Amortization term
Customer relationships & distribution channel	14 – 16 years
Licences, permits & applications	12 months – indefinite
Intellectual property, trademarks & brands	15 months – 25 years
Non-compete agreements	Over term of non-compete
Know how	5 years

During the year ended May 31, 2025, the Company began capitalizing multi-year sports sponsorships rights as a result of the recent Craft Acquisition I and Craft Acquisition II transactions where these rights were acquired. Multi-year sports sponsorships rights are capitalized in Licenses, permits & applications and are amortized over the life of the contract.

Impairment of long-lived assets

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

Business combinations and goodwill

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

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

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

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

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

Impairment of goodwill and indefinite-lived intangible assets

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

Leases

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

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

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

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 consolidated statement of net loss and comprehensive loss, within the line, "Non-operating income (expense), net".

Equity method investments

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

Convertible debentures

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

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

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

Warrants

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

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying values of accounts receivable, prepaids and other current assets, bank indebtedness and accounts payable and accrued liabilities approximate their fair values due to their short periods to maturity. The Company calculates the estimated fair value of financial instruments, including convertible notes receivable, long-term investments, warrant liability, contingent consideration, and convertible debentures, using quoted market prices when available. When quoted market prices are not available, fair value is determined based on valuation techniques using the best information available and may include quoted market prices, market comparable, and discounted cash flow projections.

Income taxes

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

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

Revenue

Revenue is recognized when the control of the promised goods 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.

Cost of goods sold

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

General and administrative

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

Selling

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

Marketing and promotion

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

Research and development

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

Stock-based compensation

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

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

Transaction (income) costs, net

The Company expenses costs net of any gains directly attributable to business acquisitions and classifies these items as transaction (income) costs, net. 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 TRLRY 27 Notes, see Note 17 (Convertible debentures payable) are excluded from the calculation of basic and diluted earnings per share because the borrower of the shares is required to refund any dividends paid on the shares lent under the share lending arrangement.

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 fiscal years ended May 31, 2025 and May 31, 2024, the dilutive potential common share equivalents outstanding consisted of the following: 21,323,582 and 20,167,017 common shares from RSUs, 3,031,385 and 4,425,383 common shares from share options, 6,209,000 and 6,209,000 common shares for warrants and 39,548,019 and 65,001,591 common shares for convertible debentures, respectively.

Critical accounting estimates and judgments

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. These estimates and judgments are subject to change based on experience and new information which could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affecting future periods. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

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

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

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

The reporting unit’s fair value is determined using discounted future cash flow models, which incorporate assumptions regarding future events, specifically future cash flows, growth rates, probability of anticipated EU and U.S. cannabis regulatory changes and discount rates.

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

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

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 and 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 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 June 1, 2025. The Company is currently evaluating the effect of adopting this ASU.

In November 2024, the FASB issued ASU 2024-03, Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses, which requires disaggregated disclosure of income statement expenses for public business entities. ASU 2024-03 is effective for the Company beginning June 1, 2026. The Company is currently evaluating the effect of adopting this ASU.

In November 2024, the FASB issued ASU 2024-04, Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments, which seeks to clarify the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. ASU 2024-04 is effective for the Company beginning June 1, 2025. The Company is currently evaluating the effect of adopting this ASU.

New accounting pronouncements recently adopted

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. Refer to Note 30 for the incremental disclosures required under ASU 2023-07.

4. Inventory

Inventory is comprised of:

	May 31, 2025	May 31, 2024
Beverage inventory	\$ 63,965	\$ 52,831
Plants	24,045	13,828
Dried cannabis	103,507	108,721
Cannabis derivatives	7,877	4,504
Cannabis vapes	1,860	4,132
Packaging and other inventory items	15,366	22,115
Distribution inventory	38,735	35,645
Wellness inventory	15,527	10,311
Total	<u>\$ 270,882</u>	<u>\$ 252,087</u>

Included in cost of goods sold for the fiscal year ended May 31, 2025 are \$1,610 of fair value step up adjustments under purchase accounting (PPA) for beverage inventory sold during the course of the fiscal year, and during the fiscal year ended May 31, 2024, included in costs of goods sold was \$4,602 and \$7,628 of fair value step up adjustments under purchase accounting (PPA) for beverage and cannabis inventory sold in the fiscal year, respectively.

5. Related party transactions

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

RIKI Ventures, LLC

The Company entered into a strategic partnership on December 12, 2022 with RIKI Ventures, LLC. in which the Company had a joint venture arrangement with a 50% ownership and voting interest. This venture was held by our craft beverage company Breckenridge. During the fiscal year ended May 31, 2025, there were no transactions with this entity and the Company dissolved its membership interest in RIKI Ventures, LLC.

6. Capital assets

Capital assets consisted of the following:

	May 31, 2025	May 31, 2024
Land	\$ 44,529	\$ 45,577
Production facility	407,650	369,630
Equipment	280,585	258,532
Leasehold improvement	20,415	19,377
Finance lease, right-of-use assets	40,308	43,993
Construction in progress	11,241	10,713
	<u>\$ 804,728</u>	<u>\$ 747,822</u>
Less: accumulated amortization	(236,295)	(189,575)
Total	<u>\$ 568,433</u>	<u>\$ 558,247</u>

The Company performs ongoing impairment assessments whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. During the fiscal years ended May 31, 2025 and May 31, 2024, after completing an assessment for indicators of impairment, it was determined that the asset groups were recoverable and as a result there were \$nil impairments during the respective fiscal years.

Assets held for sale consisted of the following:

	May 31, 2025	May 31, 2024
Land	\$ —	\$ 954
Production facilities	5,800	24,682
Equipment	—	6,438
	<u>\$ 5,800</u>	<u>\$ 32,074</u>

During the fiscal year ended May 31, 2024, the Company classified \$32,074 of the following assets from its Cannabis reporting segment as assets held for sale, including its Quebec cultivation facility, the Fort Collins, CO partially vacant warehouse facility, and the Broken Coast former cultivation facility located in Duncan, B.C. Following an assessment of facility capacity utilization, it was determined that these facilities would be exited and held for sale.

During the fiscal year ended May 31, 2025, the Company sold the former Broken Coast cultivation facility. Additionally, due to a change in circumstance in the Company's intention to sell our Quebec cultivation facility, the asset was subsequently reclassified as capital assets as the Company has made alternative plans for its 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.

As of May 31, 2025, the Fort Collins, CO partially vacant warehouse facility is classified as held for sale.

7. Leases

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

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

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

	Classification on Balance Sheet	May 31, 2025	May 31, 2024
Assets			
Finance lease, right-of-use assets	Capital assets	\$ 40,308	\$ 43,993
Operating lease, right-of-use assets	Operating lease, right-of-use assets	22,279	16,101
Total right-of-use asset		<u>\$ 62,587</u>	<u>\$ 60,094</u>
Liabilities			
Current:			
Current portion of finance lease liabilities	Current portion of lease liabilities	\$ 1,560	\$ 1,092
Current portion of operating lease liabilities	Current portion of lease liabilities	5,381	3,999
Non-current:			
Finance lease liabilities	Lease liabilities	44,295	43,948
Operating lease liabilities	Lease liabilities	20,630	16,474
Total lease liabilities		<u>\$ 71,866</u>	<u>\$ 65,513</u>

For the fiscal year ended May 31, 2025, the Company had \$3,453 of operating lease expenses, which included an offset of \$761 for sublease income. For the fiscal year ended May 31, 2024, the Company had \$4,582 of operating lease expenses, which included an offset of \$738 for sublease income.

The following table presents the future undiscounted payments associated with lease liabilities as of May 31, 2025:

	Operating leases	Finance leases
2026	\$ 7,171	\$ 4,515
2027	6,840	4,515
2028	5,786	4,515
2029	2,846	4,368
Thereafter	10,948	66,570
Total minimum lease payments	\$ 33,591	\$ 84,483
Imputed interest	(7,580)	(38,628)
Obligations recognized	\$ 26,011	\$ 45,855

8. Intangible assets

Intangible assets are comprised of the following:

	Customer relationships & distribution channel	Licenses, permits & applications	Non-compete agreements	Intellectual property, trademarks, knowhow & brands	May 31, 2025
Cost	\$ 610,240	\$ 387,238	\$ 12,449	\$ 618,514	\$ 1,628,441
Accumulated amortization	(166,032)	(9,693)	(12,449)	(155,084)	(343,258)
Accumulated impairment losses	(444,208)	(367,022)	—	(452,530)	(1,263,760)
Total	\$ —	\$ 10,523	\$ —	\$ 10,900	\$ 21,423

	Customer relationships & distribution channel	Licenses, permits & applications	Non-compete agreements	Intellectual property, trademarks, knowhow & brands	May 31, 2024
Cost	\$ 603,939	\$ 368,057	\$ 12,403	\$ 608,672	\$ 1,593,071
Accumulated amortization	(131,402)	(7,525)	(12,403)	(110,428)	(261,758)
Accumulated impairment losses	(110,000)	(180,373)	—	(125,471)	(415,844)
Total	\$ 362,537	\$ 180,159	\$ —	\$ 372,773	\$ 915,469

The Company performed the annual impairment test on its indefinite-life intangible assets, and for its finite-lived intangible assets, management assessed for asset specific indicators of impairment during the fourth quarter ended May 31, 2025, and based upon a combination of factors including a sustained decline in the Company's market capitalization stemming from the uncertainty resulting from certain changes in U.S. global economic policy, including slower than anticipated progress in global cannabis legalization and overall declines in the craft beer industry sector, and a change in non-discretionary market inputs in the Company's discount rate, the Company recorded non-cash impairments of \$334,207 related to its finite-lived customer relationships & distribution channel, \$186,649 related to its licenses, permits & applications, which were considered indefinite-lived intangible assets and \$327,059 related to its finite-lived intellectual property, trademarks, knowhow & brands. This impairment charge resulted in a corresponding income tax recovery of \$121,436, resulting in the corresponding reduction in deferred tax liabilities. In calculating the impairment charge, using an income approach, the Company used a discount rate of 10.00%-14.50%, a terminal growth rate of 2%, and an average revenue growth rate of 5%-30% over 5 years to correlate with the cash flows anticipated with the individual intangible assets that were assessed. A reasonably possible change in any of the inputs within the determination of fair value would not result in a material change to the impairment recorded.

During the fiscal year ended May 31, 2024, there were no impairments to indefinite-lived intangible assets.

For the fiscal year ended May 31, 2023, the Company recorded non-cash impairments of \$110,000 related to its customer relationships & distribution channel, \$55,000 related to its licenses, permits & applications, which were considered indefinite-lived intangible assets and \$40,000 related to its intellectual property, trademarks, knowhow & brands as a result of the decline in market share in its Canadian cannabis business with certain product lines and customers. In calculating the 2023 impairment amount, using an income approach, the Company used a discount rate of 13.50%, a terminal growth rate of 2%-5%, and an average revenue growth rate of 0%-40% over 5 years to correlate with the cash flows anticipated with the individual intangible assets that were assessed.

As of May 31, 2025, included in licenses, permits & applications are multi-period sponsorship rights of \$15,047 and \$nil of indefinite-lived intangible assets compared to \$nil and \$182,851 as of May 31, 2024, respectively. See Note 3 (Significant accounting policies) for additional details.

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

	Amortization
2026	\$ 13,023
2027	2,100
2028	2,100
2029	2,100
2030	2,100
Total	<u>\$ 21,423</u>

9. Business Acquisitions

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 I"). 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 working capital adjustment at closing of \$1,342.

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

	Amount
Consideration	
Cash consideration	\$ 83,658
Net assets acquired	
Current assets	
Cash and cash equivalents	77
Inventory	20,993
Prepays and other current assets	573
Long-term assets	
Capital assets	82,913
Finance lease, right-of-use assets	42,497
Operating lease, right-of-use assets	7,677
Other assets	108
Total assets	<u>154,838</u>
Current liabilities	
Accounts payable and accrued liabilities	18,006
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
Total liabilities	<u>71,180</u>
Total net assets acquired	<u>\$ 83,658</u>

In the event that Craft Acquisition I had occurred on June 1, 2023, the Company would have had, on an unaudited proforma basis, additional revenue of approximately \$nil for the fiscal year ended May 31, 2025, and \$55,000 for the fiscal year ended May 31, 2024, and its net loss and comprehensive net loss would have increased by approximately \$nil for the fiscal year ended May 31, 2025, and \$5,000 for the fiscal year ended May 31, 2024. This unaudited pro forma financial information does not reflect the realization of any expected ongoing synergies relating to the integration of Craft Acquisition I.

Acquisition of Craft Beverage Business Portfolio II

Effective September 1, 2024, the Company acquired four craft beer brands and breweries from Molson Coors Beverage Company ("Molson") including Atwater Brewery, Hop Valley Brewing Company, Terrapin Beer Co., and Revolver Brewing (the "Craft Acquisition II"). The purpose of the acquisition was to continue broadening Tilray's beverage brand strategy. In consideration for the acquisition, the Company paid a total purchase price of \$ 22,979 in cash, which is subject to certain customary post-closing working capital adjustments.

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. During the period ended May 31, 2025, the Company decreased the cash consideration paid by \$100 reflecting working capital adjustments, decreased the fair value of inventory by \$500, increased the fair value of capital assets by \$3,550, and increased accounts payable and accrued liabilities by \$3,150. The table below summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed for the Craft Acquisition II at the effective acquisition date as follows:

	Amount
Consideration	
Cash consideration	\$ 22,979
Net assets acquired	
Current assets	
Cash and cash equivalents	4,869
Accounts receivable	1,993
Inventory	6,844
Prepays and other current assets	185
Long-term assets	
Capital assets	20,916
Finance lease, right-of-use assets	1,869
Operating lease, right-of-use assets	1,884

Total assets	38,560
Current liabilities	
Accounts payable and accrued liabilities	11,828
Current portion of finance lease liabilities	354
Current portion of operating lease liabilities	564
Long - term liabilities	
Finance lease liabilities	1,515
Operating lease liabilities	1,320
Total liabilities	<u>15,581</u>
Total net assets acquired	<u><u>22,979</u></u>

In the event that the Craft Acquisition II had occurred on June 1, 2023, the Company would have had, on an unaudited proforma basis, additional net revenue of approximately \$13,700 for the fiscal year ended May 31, 2025 and approximately \$57,000 for the fiscal year ended May 31, 2024, and its net loss and comprehensive net loss would have increased by approximately \$5,500 for the fiscal year ended May 31, 2025, and \$21,200 for the fiscal year ended May 31, 2024. This unaudited pro forma financial information does not reflect the realization of any expected ongoing synergies relating to the integration of the Craft Acquisition II.

10. Goodwill

The following tables shows the carrying amount of goodwill as of May 31, 2025 and as of May 31, 2024:

	Reporting Units				May 31, 2025
	Beverage	Cannabis	Wellness	Distribution	
Goodwill	\$ 120,802	\$ 2,640,669	\$ 77,470	\$ 4,458	\$ 2,843,399
Accumulated impairment losses	(120,802)	(1,897,431)	(68,186)	(4,235)	(2,090,654)
Effect of foreign exchange	—	9,112	(9,284)	(223)	(395)
Total	\$ —	\$ 752,350	\$ —	\$ —	\$ 752,350

	Reporting Units				May 31, 2024
	Beverage	Cannabis	Wellness	Distribution	
Goodwill	\$ 120,802	\$ 2,640,669	\$ 77,470	\$ 4,458	\$ 2,843,399
Accumulated impairment losses	—	(827,431)	(15,000)	—	(842,431)
Effect of foreign exchange	—	15,823	(7,847)	(60)	7,916
Total	\$ 120,802	\$ 1,829,061	\$ 54,623	\$ 4,398	\$ 2,008,884

During the preceding quarter ended February 28, 2025, based upon a combination of factors including a sustained decline in the Company's market capitalization stemming from the uncertainty resulting from certain changes in U.S. global economic policy, including slower than anticipated progress in global cannabis legalization and overall declines in the craft beer industry sector, the Company concluded that it is more likely than not, that the fair value of our reporting units were less than their carrying amounts as of February 28, 2025. Accordingly, the Company utilized the income approach, which uses future discounted cash flows, to determine the fair value of each reporting unit. As a result, the Company recorded non-cash impairment charges of \$570,000 of cannabis goodwill, \$100,000 of beverage goodwill, \$25,000 of wellness goodwill and \$4,235 of distribution goodwill for the nine months ended February 28, 2025. In the Company's cannabis goodwill assessment, the Company used a discount rate of 12.00%, a terminal growth rate of 5%, and an average revenue growth rate of 34% over 5 years, based on an 88% and 40% average probability of anticipated EU and U.S. cannabis legalization, respectively and/or changes in drug policy in various countries within the next 5 years. In the Company's beverage goodwill assessment, the Company used a discount rate of 9.25%, a terminal growth rate of 2%, and an average revenue growth rate of 12% over 5 years. In the Company's wellness goodwill assessment, the Company used a discount rate of 10.50%, a terminal growth rate of 2%, and an average revenue growth rate of 7% over 5 years. In the Company's distribution goodwill assessment, the Company recorded \$4,235 of impairments which brought the remaining distribution goodwill balance to \$nil.

The Company then performed the annual impairment test during the fourth quarter ended May 31, 2025, and determined that through a combination of factors including a further decline in the Company's market capitalization, a change in non-discretionary market inputs in the Company's discount rate, and changes to the aforementioned probabilities resulting from continued delays in legalization of cannabis within the United States and internationally, culminating in an unfavorable impact on the estimated future cash flows, and ultimately concluded that it is more likely than not, that the fair value of our reporting units were less than their carrying amounts as of May 31, 2025. Accordingly, the Company utilized the income approach, which uses future discounted cash flows, to determine the fair value of each reporting unit. As a result, the Company recorded additional non-cash impairment charges of \$500,000 of cannabis goodwill, \$20,815 of beverage goodwill and \$28,173 of wellness goodwill during the quarter ended May 31, 2025.

In the Company's cannabis goodwill assessment, the Company used a discount rate of 14.50%, a terminal growth rate of 5%, and an average revenue growth rate of 34% over 5 years, based on a 65% and 25% average probability of anticipated EU and U.S. cannabis legalization, respectively and/or changes in drug policy in various countries within the next 5 years. A 1% increase in the discount rate would result in an additional \$133,800 in impairment, a 1% decrease in the terminal growth rate would result in an additional \$93,500 in impairment, a 5% decrease in the average growth rate would result in an additional \$23,400 in impairment, a 5% decrease in the probability of EU cannabis legalization would result in an additional \$44,000 in impairment and a 5% decrease in the probability of US cannabis legalization would result in an additional \$17,100 in impairment. Changes to those probabilities resulting in continued delays in or cessation of legalization of cannabis within the United States and internationally, or adverse regulatory changes to existing legislation, could have an unfavorable impact on the estimated future cash flows, and ultimately, the fair value of the cannabis reporting unit, which may result in a material impairment expense recognized in future reporting periods.

In the Company's beverage goodwill assessment, the Company used a discount rate of 10.00%, a terminal growth rate of 2%, and an average revenue growth rate of 2% over 5 years, which brought the remaining beverage goodwill balance to \$nil.

In the Company's wellness goodwill assessment, the Company used a discount rate of 12.25%, a terminal growth rate of 2%, and an average revenue growth rate of 7% over 5 years, which brought the remaining beverage goodwill balance to \$nil.

For the fiscal year ended May 31, 2024, the Company recognized \$nil impairment expense.

For the fiscal year ended May 31, 2023, the Company recognized the non-cash impairment charges of \$603,500 of cannabis goodwill and \$15,000 of wellness goodwill. This impairment charge was related to the increased borrowing rates and the decline of the company's market capitalization. The non-cash charge had no impact on the Company's compliance with debt covenants, its cash flows or available liquidity. In the Company's cannabis goodwill assessment, the Company used a discount rate of 13.50%, a terminal growth rate of 5%, and an average revenue growth rate of 40% over 5 years as a result of anticipated federal legalization in various countries.

11. Convertible notes receivable

Convertible notes receivable is comprised of the following investments:

	May 31, 2025	May 31, 2024
HEXO Convertible Note	\$ —	\$ -
MedMen Convertible Note	—	32,000
Total convertible notes receivable	—	32,000
Deduct - current portion	—	—
Total convertible notes receivable, non current portion	\$ —	\$ 32,000

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 fiscal year ended May 31, 2025, the Company recognized an other-than-temporary change in fair value, which resulted in a non-cash expense of \$20,000 compared to \$42,681 for the fiscal year ended May 31, 2024. 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 developments in restructuring efforts.

As previously disclosed, MedMen and certain of its subsidiaries commenced insolvency actions in April 2024. On January 16, 2025, MedMen exited receivership and substantially all of its remaining assets were transferred to a new entity owned by MedMen's secured creditors, including SH Acquisition. In connection with the foregoing, the Company disposed of its MedMen Convertible Note in exchange for an option to acquire a 68% membership interest in SH Acquisition for \$1.00 upon U.S. federal cannabis legalization. See Note 12 (Long-term investments). As a result, the Company no longer controls SH Acquisition and thus no longer consolidates this entity for accounting purposes and as a result the Company recognized \$1,661 of other-than-temporary change in fair value as part of this disposal. See Note 21 (Non-controlling interests).

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 and/or its option to acquire SH Acquisition. In addition, since the fiscal year ended May 31, 2024, the Company has not recognized any interest income on the MedMen Convertible Note, nor did the Company recognize any interest income for the fiscal year ended May 31, 2025, which would have increased its value.

12. Long-term investments

Long-term investments are comprised of the following items:

	May 31, 2025	May 31, 2024
Equity investments measured at fair value	\$ 1,972	\$ 2,359
Equity investments under measurement alternative	8,160	5,500
Total	<u>\$ 10,132</u>	<u>\$ 7,859</u>

The Company's equity investments at fair value consist of publicly traded shares, equity interest in non-traded companies and warrants held by the Company. As of May 31, 2025, included within equity investment under measurement alternative is an option to acquire a 68% membership interest in SH Acquisition for \$1.00 upon U.S. federal cannabis legalization valued at \$8,160. See Note 29 (Financial risk management and financial instruments). The Company's equity investments under measurement alternative include equity investments without readily determinable fair values.

For the fiscal year ended May 31, 2025, the Company received proceeds of \$324 on the sale of investments, we acquired \$8,160 of equity investment under measurement alternative and recognized \$5,500 of losses due to the change in fair value of investments.

For the fiscal years ended May 31, 2024 and 2023, the Company recognized fair value changes of \$217 and \$2,366, respectively. See Note 29 (Financial risk management and financial instruments) for additional details.

13. Income taxes and deferred income taxes

Loss before income taxes includes the following components:

	For the year ended May 31,		
	2025	2024	2023
United States	\$ (1,648,187)	\$ (126,735)	\$ (506,984)
Canada	(277,811)	(106,822)	(912,717)
Other countries	(376,375)	(15,463)	(30,480)
	<u>\$ (2,302,373)</u>	<u>\$ (249,020)</u>	<u>\$ (1,450,181)</u>

The (recoveries) expense for income taxes consists of:

	For the year ended May 31,		
	2025	2024	2023
Current:			
United States	\$ 1,974	\$ 497	\$ 226
Canada	177	10,819	26,290
Other countries	2,343	940	(62)
	<u>\$ 4,494</u>	<u>\$ 12,256</u>	<u>\$ 26,454</u>
Deferred:			
United States	\$ (10,015)	\$ (723)	\$ (4,055)
Canada	(7,435)	(33,422)	(24,364)
Other countries	(108,061)	(4,727)	(5,216)
	<u>\$ (125,511)</u>	<u>\$ (38,872)</u>	<u>\$ (33,635)</u>
Income tax benefits, net	<u>\$ (121,017)</u>	<u>\$ (26,616)</u>	<u>\$ (7,181)</u>

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

	For the year ended May 31,		
	2025	2024	2023
Loss before net income taxes:	\$ (2,302,373)	\$ (249,020)	\$ (1,450,181)
Income tax recovery at statutory rate	(483,708)	(51,325)	(304,538)
Tax impact of foreign operations	(41,680)	(5,661)	(25,857)
Foreign exchange and other	(14,371)	(15,586)	7,062
Non-deductible expenses	6,292	6,147	3,982
Non-deductible (taxable) losses	32	(682)	—
Changes in enacted rates	(3,908)	2,394	(816)
Nondeductible Impairment	285,582	—	23,150
Change in fair value of warrant liability	(454)	302	(2,612)
Return to provision and other prior year items	(33,098)	16,933	6,486
State Provision, net of federal benefit	(14,794)	612	(114)
Change in valuation allowance	179,090	20,250	285,698
Impact on convertible debenture and other differences	—	—	378
Income tax recovery, net	<u>\$ (121,017)</u>	<u>\$ (26,616)</u>	<u>\$ (7,181)</u>

The following table summarizes the components of deferred tax:

	May 31,	
	2025	2024
Deferred assets		
Operating loss carryforwards - United States	\$ 66,048	\$ 104,377
Operating loss carryforwards - Canada	408,718	366,720
Operating loss carryforwards - Other Countries	13,388	18,518
Capital loss carryforwards	35,603	34,355
Intangible assets	350,527	229,953
Property and equipment	27,567	34,578
Investments and convertible notes receivable	43,317	45,685
Investment tax credits and related pool balance	2,249	23,132
Other	63,850	46,151
Total Deferred tax assets	1,011,267	903,469
Less valuation allowance	(968,929)	(789,839)
Net deferred tax assets	42,338	113,630
Deferred tax liabilities		
Property and equipment	(20,419)	(18,814)
Intangible assets	(1,418)	(218,020)
Convertible Debentures Payable	(129)	(2,229)
Other Deferred Items	(24,120)	(5,437)
Total deferred tax liabilities	(46,086)	(244,500)
Net deferred tax liability	<u>\$ (3,748)</u>	<u>\$ (130,870)</u>

The Tax Cuts and Jobs Act (TCJA) was enacted on December 22, 2017 and reduced the U.S. statutory federal corporate tax rate from 35% to 21% and introduced several new international tax provisions, including the tax on Global Intangible Low-Taxed Income (“GILTI”). The Company has made a policy decision to record GILTI tax as a current-period expense when incurred.

On July 4, 2025, the One Big Beautiful Bill Act (“OBBA”) was enacted, which extended and modified certain provisions of the TCJA, including bonus depreciation and interest expense limitations. As the enactment occurred after the Company’s fiscal year-end, the impact of the OBBA is not reflected in these Financial Statements. The Company is evaluating the potential impact of the new legislation on future periods but does not expect a material impact to the Financial Statements.

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

As of May 31, 2025, the Company had generated net operating loss carry-forwards in the United States of approximately \$314,512, which can be carried forward indefinitely and are generally limited in use annually to 80% of the current year taxable income, starting 2021. The Company has generated net operating loss carry-forwards in Canada of approximately \$1,544,987, which can be carried forward for 20 years and begin to expire in 2028. Management believes that it is more-likely-than-not that the benefit from certain United States and foreign net operating loss carry-forwards will not be realized. In recognition of this risk, the Company has provided a valuation allowance on the deferred tax assets relating to these carry-forwards. The net change in the total valuation allowance was an increase of \$179,090 and \$164,471 for the fiscal years ended May 31, 2025 and 2024, respectively. The net change in the total valuation allowance was primarily a result of current year losses.

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

The total amount of gross unrecognized tax benefits (“GUTB”) was \$nil, \$nil, and \$nil as of May 31, 2025, 2024 and 2023 respectively. There is a reasonable possibility that the Company’s unrecognized tax benefits will change within twelve months due to audit settlements or the expiration of statute of limitations, but the Company does not expect the change to be material to Financial Statements.

The Company recognizes interest and, if applicable, penalties for any uncertain tax positions. Interest and penalties are recorded as a component of income tax expenses. In the fiscal years ended May 31, 2025, 2024 and 2023, the Company recorded approximately \$nil, \$nil and \$nil, respectively, of interest and penalty expenses related to uncertain tax positions. As of May 31, 2025, and 2024, the Company had a cumulative balance of accrued interest and penalties on unrecognized tax positions of \$nil and \$nil, respectively.

The Company and its subsidiaries are subject to United States federal income tax as well as the income tax of multiple state and foreign jurisdictions. Major jurisdictions where there are wholly owned subsidiaries of Tilray Brands, Inc. which require income tax filings include Canada, Portugal, Germany, and Australia. The earliest periods open for review by local taxing authorities are fiscal years 2021 for Canada, 2021 for Portugal, 2020 for Germany, 2021 for Australia, and 2022 for United States.

14. Bank indebtedness

Aphria Inc., a subsidiary of the Company, has an operating line of credit in the amount of C\$1,000, which bears interest at the lender’s prime rate plus 75 basis points. As of May 31, 2025, 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 May 31, 2025, a total of €6,355 (\$7,181) 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 \$25,000 (as of May 31, 2024, the revolving credit facility was \$30,000), which bears interest at SOFR plus an applicable margin. As of May 31, 2025, the Company has drawn \$nil on the revolving line of credit. The revolving credit facility is secured by ABC Group's assets and the assets of the wellness segment and includes a corporate guarantee by a subsidiary of the Company. See Note 31 (Subsequent events) for additional transactions after the period.

15. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprised of:

	May 31, 2025	May 31, 2024
Trade payables	\$ 107,348	\$ 105,392
Accrued liabilities	103,260	92,424
Litigation accrual	12,431	24,378
Accrued payroll and employment related taxes	1,436	6,154
Income taxes payable	58	4,092
Accrued interest	4,193	4,217
Sales taxes payable	6,596	5,300
Total	<u>\$ 235,322</u>	<u>\$ 241,957</u>

16. Long-term debt

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

	May 31, 2025	May 31, 2024
Term loan - C\$53,000 - Canadian prime plus an applicable margin, 3-year term, with a 10-year amortization, repayable in equal quarterly payments due in February 2028	\$ 38,690	\$ 39,420
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	11,501	10,212
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	9,354	12,422
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	157	263
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	2,020	2,089
Term loan - €1,500 - at 2.00%, 5-year term, repayable in quarterly installments of €94 plus interest, due in April 2025	—	417
Term loan - €3,500 - at 4.59%, 5-year term, repayable in monthly installments of €52 plus interest, due in August 2028	2,546	3,151
Mortgage payable - \$22,635 - EURIBOR rate plus 1.5%, 10-year term, repayable in monthly installments of \$57 to \$69, due in October 2030	19,418	20,066
Term loan - \$90,000 - SOFR plus an applicable margin, 5-year term, repayable in quarterly installments of \$875 to \$2,250 due in June 2028	80,438	86,626
Carrying amount of long-term debt	164,124	174,666
Unamortized financing fees	(864)	(808)
Net carrying amount	163,260	173,858
Less principal portion included in current liabilities	(14,767)	(15,506)
Total noncurrent portion of long-term debt	<u>\$ 148,493</u>	<u>\$ 158,352</u>

The Company, entered into a secured credit agreement on November 28, 2022, for a credit facility through its 51% owned subsidiary Aphria Diamond Inc. (“Aphria Diamond”). The principal amount of loans outstanding is secured by the property at 620 Country Road 14, Leamington, Ontario, which is owned by Aphria Diamond and a guarantee from Aphria Inc. During the fiscal year ended May 31, 2025, the Company refinanced this debt by entering into a new Credit Agreement. The Credit Agreement provides for a term loan equal to CAD \$53,000 with a maturity date of February 21, 2028. The Company used CAD \$48,171 of the proceeds from the Credit Agreement to repay in full all outstanding obligations under the prior credit facility.

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

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

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

The Company entered into term loans in May 2020 and June 2023 for €1,500 and €3,500 through wholly owned subsidiary CC Pharma. These term loans are secured against the distribution inventory held by CC Pharma and by the land where the facility is located and the building.

On December 1, 2021, the Company acquired all the membership interests in Cheese Grits, LLC, a Georgia limited liability company that owns the SweetWater Brewing Company brewery and taproom in Atlanta, Georgia, which facility was previously leased to the Company. Cheese Grits, LLC, was owned by certain former equity holders of SweetWater and current employees. As part of this purchase, the Company, through subsidiary Cheese Grits, LLC, acquired the mortgage payable which is secured against the Sweetwater brewery and taproom.

The term loan of \$90,000 was fully drawn on September 29, 2023 to fund part of the purchase price for Craft Acquisition I. Under the terms of the ABC Group Secured Credit Agreement, the Company pledged all of ABC Group and the Wellness segment's and its subsidiaries' assets and the related equity interests, and Tilray Brands, Inc. provided a full guarantee of the borrowing obligations under the ABC Group Secured Credit Agreement, as well as requiring the lenders approval to transfer assets to Tilray Brands, Inc.

The Company maintains certain financial covenants or minimum balances in certain cash operating accounts, and as of May 31, 2025, the Company was in compliance with all the long-term debt covenants.

See Note 31 (Subsequent events) for additional transactions after the period.

17. Convertible debentures payable

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

	May 31, 2025	May 31, 2024
5.20% Convertible Notes ("TLRY 27")	\$ 86,428	\$ 129,583
5.25% Convertible Notes ("APHA 24")	—	330
Total	86,428	129,913
Deduct - current portion	—	330
Total convertible debentures payable, non current portion	\$ 86,428	\$ 129,583

	May 31, 2025	May 31, 2024
5.20% Contractual debenture	\$ 172,500	\$ 172,500
Debt settlement	(67,500)	—
Unamortized discount	(18,572)	(42,917)
Net carrying amount	<u>\$ 86,428</u>	<u>\$ 129,583</u>

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, 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 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 fiscal year ended May 31, 2025, the Company exchanged an aggregate \$67,500 of its TLRY 27 Notes for cancellation, by issuing 71,755,054 shares of Common Stock and paying \$9,335 in cash to settle accrued interest. Upon exchanging the TLRY 27 Notes, a portion of the settlement consideration was allocated to the equity component of the instrument and was recognized as a \$19,028 reduction of additional paid-in capital in the Consolidated Statements of Stockholders’ Equity. Additionally, this repurchase resulted in a gain of \$5,792 which was recorded in other non-operating (losses) gains, net as shown in Note 27 (Non-operating income (expense)). Following consummation of the exchange, the number of outstanding Borrowed Shares of Common Stock was reduced by 15,065,217 shares which were then returned as Treasury Stock. As of May 31, 2025 and May 31, 2024, a total of 24,343,783 and 38,500,000 shares remained outstanding under the share lending arrangement, respectively.

During the fiscal year ended May 31, 2025, the Company recognized interest expense of \$7,775 and accretion of amortized discount interest of \$10,863. For the same periods in the prior year Company recognized interest expense of \$8,970 and accretion of amortized discount interest of \$11,516.

As of May 31, 2025, there was \$105,000 principal outstanding compared to \$172,500 principal outstanding as of May 31, 2024 under the TLRY 27 Notes. See Note 31 (Subsequent events) for additional transactions.

APHA 24

	May 31, 2025	May 31, 2024
5.25% Contractual debenture	\$ —	\$ 350,000
Debt settlement	—	(349,670)
Fair value adjustment	—	—
Net carrying amount	<u>\$ —</u>	<u>\$ 330</u>

The APHA 24 convertible debentures were entered into in April 2019, in the principal amount of \$350,000, bore interest at a rate of 5.25% per annum, and were payable semi-annually in arrears on June 1 and December 1 of each year, and matured on June 1, 2024 (the “APHA 24 Notes”). On June 1, 2024, the Company repaid the remaining principal of the APHA 24 Notes in cash upon maturity.

18. Warrant Liability

As of May 31, 2025 and May 31, 2024, 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 fiscal year ended May 31, 2025, the Company issued shares which triggered the anti-dilution price protection feature lowering the exercise price to \$0.42. These warrants are classified as liabilities as they are to be settled in registered shares, and the registration statement is required to be active, unless such shares may be subject to an applicable exemption from registration requirements. The holders, at their sole discretion, may elect to affect a cashless exercise, and be issued exempt securities in accordance with Section 3(a)(9) of the 1933 Act. In the event the Company does not maintain an effective registration statement, the Company may be required to pay a daily cash penalty equal to 1% of the number of shares of common stock due to be issued multiplied by any trading price of the common stock between the exercise date and the share delivery date, as selected by the holder. Alternatively, the Company may deliver registered common stock purchased by the Company in the open market. The Company may also be required to pay cash if it does not have sufficient authorized shares to deliver to the holders upon exercise.

The Company estimated the fair value of the warrant liability as of May 31, 2025 at \$0.18 per warrant using the Black Scholes pricing model (Level 3) with the following assumptions: Risk-free interest rate of 2.61%, expected volatility of 50%, expected term of 0.3 years, strike price of \$0.42 and fair value of common stock of \$0.59.

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

19. Stockholders' equity

Issued and outstanding

Pursuant to its Fifth Amended and Restated Certificate of Incorporation, the total number of shares that the Company is authorized to issue is 1,426,000,000 shares, of which 1,416,000,000 shares are Common Stock (the "Common Stock"), and 10,000,000 shares of which are Preferred Stock (the "Preferred Stock"). As of May 31, 2025, the Company had issued and outstanding 1,060,678,745 shares of Common Stock, 2,004,218 shares of Treasury Stock (the "Treasury Stock") and no Preferred Stock. Historically, the Company has issued shares of its Common Stock in consideration for acquisitions and other strategic transactions, 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 fiscal year ended May 31, 2025, the Company issued the following shares:

- a) 135,938,741 shares and 4,688,280 Treasury Stock under its At-the-Market ("ATM") program for gross proceeds of \$163,413. The Company paid \$2,225 in commissions and other fees associated with these issuances for net proceeds of \$161,188.
- b) 71,755,054 shares and 7,253,625 Treasury Stock were issued to exchange the aggregate principal of \$67,500 of its TLRY 27 Notes for cancellation. Upon exchanging the TLRY 27 Notes, a portion of the settlement consideration was allocated to the equity component of the instrument and was recognized as a \$19,028 reduction of additional paid-in capital. Following consummation of the exchange, the number of outstanding Borrowed Shares of Common Stock was reduced by approximately 15,065,217 shares which were then returned as Treasury Stock, see Note 13 (Convertible debentures payable). The net effect on the Treasury Stock in relation to this transaction was 7,811,592.
- c) 13,217,588 shares of Common Stock to settle dividends payable to the non-controlling shareholders of Aphria Diamond in the amount of \$23,824.
- d) 7,841,989 shares in connection with the exercise of previously awarded stock-based compensation awards.

In aggregate, during the year ended May 31, 2025, 15,065,217 shares were returned in connection with the share lending agreement related to the TLRY 27 Notes which were recorded as Treasury stock, of which 13,060,999 were re-issued in connection with our ATM and in the exchange for TLRY 27 Notes.

Stock-based compensation

The Company maintains stock-based compensation plans as disclosed in our Annual Financial Statements. For the fiscal year ended May 31, 2025, the total stock-based compensation was \$ 24,289. For the fiscal years ended May 31, 2024 and May 31, 2023, the total stock-based compensation was \$31,769 and \$39,595, respectively.

During the fiscal year-ended May 31, 2025, the Company granted 13,505,127 time-based RSUs, and nil performance-based RSUs. For the fiscal year ended May 31, 2024, the Company granted 13,680,556 time-based RSUs and 7,566,146 performance-based RSUs. The 7,566,146 performance-based RSUs, issued during the fiscal year ended May 31, 2024, contain certain performance conditions that will only be set at a future date, and, therefore, for accounting purposes, the grant date has not been met. The Company operates multiple stock-based award plans as follows:

Tilray 2018 Equity Incentive Plan and Original Plan

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

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

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

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

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

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

Certain employees and other service providers of the Company participate in the equity-based compensation plan of Privateer Holdings, Inc (the "Original Plan") under the terms and valuation method detailed below. The expected life of the stock options represented the period of time stock options were expected to be outstanding and was estimated considering vesting terms and employees' historical exercise and post-vesting employment termination behavior. Expected volatility was based on historical volatilities of public companies operating in a similar industry to Privateer Holdings. The risk-free rate is based on the United States Treasury yield curve in effect at the time of grant. The expected dividend yield was determined based on the stock option's exercise price and expected annual dividend rate at the time of grant.

No stock options were granted under the EIP during the fiscal years ended May 31, 2025 and 2024.

Stock-based activity under the EIP and Original Plan for the fiscal year ended May 31, 2025 is as follows:

EIP Time-based stock option activity

	Stock Options	Weighted- average exercise price	Weighted- average remaining contractual term (years)	Aggregate intrinsic value
Balance, May 31, 2024	2,797,787	\$ 14.53	4.0	\$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Cancelled	(11,758)	7.76	—	—
Balance, May 31, 2025	<u>2,786,029</u>	<u>\$ 14.55</u>	<u>3.0</u>	<u>\$ —</u>

Original plan time-based stock option activity

	Stock Options	Weighted- average exercise price	Weighted- average remaining contractual term (years)	Aggregate intrinsic value
Balance, May 31, 2024	49,166	\$ 3.46	3.0	\$ 1.43
Exercised	—	—	—	—
Forfeited	—	—	—	—
Cancelled	(36,206)	3.00	—	—
Balance, May 31, 2025	<u>12,960</u>	<u>\$ 4.77</u>	<u>2.6</u>	<u>\$ —</u>

Time-based and Performance-based RSU activity

	Time-based RSUs	Weighted- average grant-date fair value per share	Weighted- average remaining contractual term (years)	Aggregate intrinsic value
Balance, May 31, 2024	26,134,852	\$ 3.16	2.9	\$ 47,043
Granted	13,774,358	1.96	—	5,779
Vested	(10,027,649)	2.94	—	(4,374)
Forfeited	(2,082,103)	3.60	—	(1,009)
Cancelled	(93,750)	2.68	—	(40)
Balance, May 31, 2025	<u>27,705,708</u>	<u>\$ 2.60</u>	<u>2.90</u>	<u>\$ 11,794</u>

Predecessor Plan - Aphria

Aphria had established the Aphria Omnibus Incentive Plan (the “Aphria Predecessor Plan”). Following stockholder approval of the EIP, no new awards have been granted under the Aphria Predecessor Plan. In connection with the reverse acquisition Aphria stock options, Aphria RSUs and DSUs issued under the Predecessor Plan were exchanged for options, RSUs under the EIP. As a result of the modification, all grantees were affected, and the Company recognized nil incremental compensation cost.

No stock options were granted under the Aphria Predecessor Plan during the fiscal years ended May 31, 2025 and 2024. As of May 31, 2025, there were 45,223 awards outstanding and which are vested and exercisable.

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

Time-based stock option activity

	Number of options	Weighted average exercise price	Weighted average grant date fair value	Weighted average remaining contractual term (years)	Aggregate Intrinsic Amount
Outstanding, beginning of the year	434,212	\$ 7.56	\$ —	0.7	—
Exercised during the year	—	—	—	—	N/A
Granted during the year	—	—	—	—	N/A
Forfeited during the year	—	—	—	—	N/A
Expired during the year	(388,989)	7.38	—	—	N/A
Outstanding, end of the year	45,223	\$ 9.12	\$ —	2.53	—
Vested and exercisable, end of the year	45,223	\$ 9.12	\$ —	2.53	—

Time-based and Performance-based RSU activity

	May 31, 2025	
	Time-based RSUs	Weighted average grant - date fair value per share
Non-vested, beginning of the year	244,193	\$ 13.91
Granted during the year	—	—
Vested during the year	(33,276)	0.46
Forfeited during the year	—	—
Non-vested, end of the year	210,917	\$ 16.03

Predecessor Plan - HEXO

Prior to the acquisition of HEXO Corp, HEXO had established the Formal Plan and Omnibus Incentive Plan (the “HEXO Predecessor Plan”). In connection with the acquisition, HEXO stock options issued under these plans were exchanged at a rate of 0.4352 for 1,267,793 options under the Tilray 2018 EIP. As a result of the modification, all grantees were affected, and the Company recognized nil incremental compensation cost. Following stockholder approval of the EIP, no new awards have been granted under the Predecessor Plan. As of May 31, 2025, 187,173 awards are outstanding and 177,426 are vested and exercisable.

	Number of options	Weighted average exercise price	May 31, 2025 Weighted average grant date fair value	Weighted average remaining contractual term (years)	Aggregate Intrinsic Amount
Outstanding, beginning of the year	1,144,218	\$ 53.40	\$ —	1.2	—
Exercised during the year	—	—	—	—	—
Converted upon acquisition	—	—	—	—	—
Forfeited during the year	—	—	—	—	—
Expired during the year	(957,045)	17.97	—	—	—
Outstanding, end of the year	187,173	\$ 234.53	\$ —	\$ 5.84	\$ —
Vested and exercisable, end of the year	177,426	\$ 247.00	\$ —	5.75	—

20. Accumulated other comprehensive loss

Accumulated other comprehensive loss includes the following components:

	Foreign currency translation gain (loss)	Unrealized loss on convertible notes receivables	Total
Balance May 31, 2022	\$ 54,413	\$ (75,177)	\$ (20,764)
Other comprehensive loss	(101,023)	75,177	(25,846)
Balance May 31, 2023	\$ (46,610)	\$ —	\$ (46,610)
Other comprehensive (loss) reversal	3,111	—	3,111
Balance May 31, 2024	\$ (43,499)	\$ —	\$ (43,499)
Other comprehensive (loss) reversal	436	—	436
Balance May 31, 2025	\$ (43,063)	\$ —	\$ (43,063)

21. Non-controlling interests

The following tables summarize the information relating to the Company's majority-owned subsidiaries, Aphria Diamond (51%) and ColCanna S.A.S. (90%) before intercompany eliminations.

On January 7, 2025, the Company dissolved its 75% ownership interest in CC Pharma Nordic ApS., and as a result, the Company no longer controls CC Pharma Nordic ApS. and thus no longer consolidates this entity.

On January 16, 2025, MedMen exited receivership and substantially all of its remaining assets were transferred to a new entity owned by MedMen's secured creditors, including SH Acquisition. In connection with this restructuring, the Company disposed of its MedMen Convertible Note in exchange for an option to acquire a 68% membership interest in SH Acquisition for \$1.00 upon U.S. federal cannabis legalization. See Note 11 (Convertible notes receivable). As a result, the Company no longer controls SH Acquisition and thus no longer consolidates this entity.

Summarized balance sheet information of the entities in which there is a non-controlling interest as of May 31, 2025:

	SH Acquisition	CC Pharma Nordic ApS	Aphria Diamond	ColCanna S.A.S.	May 31, 2025
Current assets	\$ —	\$ —	\$ 83,390	\$ 20	\$ 83,410
Non-current assets	—	—	114,677	3,348	118,025
Current liabilities	—	—	(126,986)	(6,953)	(133,939)
Non-current liabilities	—	—	(31,720)	(1,442)	(33,162)
Net assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 39,361</u>	<u>\$ (5,027)</u>	<u>\$ 34,334</u>

Summarized balance sheet information of the entities in which there is a non-controlling interest as of May 31, 2024:

	SH Acquisition	CC Pharma Nordic ApS	Aphria Diamond	ColCanna S.A.S.	May 31, 2024
Current assets	\$ —	\$ 12	\$ 95,720	\$ 3	\$ 95,735
Non-current assets	32,000	—	124,675	3,637	160,312
Current liabilities	—	(9)	(130,945)	(6,913)	(137,867)
Non-current liabilities	—	—	(24,482)	(1,452)	(25,934)
Net assets	<u>\$ 32,000</u>	<u>\$ 3</u>	<u>\$ 64,968</u>	<u>\$ (4,725)</u>	<u>\$ 92,246</u>

Summarized income statement information of the entities in which there is a non-controlling interest for the fiscal year ended May 31, 2025:

	SH Acquisition	CC Pharma Nordic ApS	Aphria Diamond	ColCanna S.A.S.	May 31, 2025
Revenue	\$ —	\$ —	\$ 78,414	\$ —	\$ 78,414
Total expenses	20,000	11	54,274	290	74,575
Net (loss) income	(20,000)	(11)	24,140	(290)	3,839
Other comprehensive (loss) income	—	8	(45)	(12)	(49)
Net comprehensive (loss) income	<u>\$ (20,000)</u>	<u>\$ (3)</u>	<u>\$ 24,095</u>	<u>\$ (302)</u>	<u>\$ 3,790</u>
Non-controlling interest %	32%	25%	49%	10%	NA
Comprehensive (loss) income attributable to NCI	(6,400)	(1)	11,807	(30)	5,376
Additional income attributable to NCI	—	—	—	—	—
Net comprehensive (loss) income attributable to NCI	<u>\$ (6,400)</u>	<u>\$ (1)</u>	<u>\$ 11,807</u>	<u>\$ (30)</u>	<u>\$ 5,376</u>

Summarized income statement information of the entities in which there is a non-controlling interest for the fiscal year ended May 31, 2024:

	SH Acquisition	CC Pharma Nordic ApS	Aphria Diamond	ColCanna S.A.S.	May 31, 2024
Revenue	\$ —	\$ —	\$ 103,331	\$ —	\$ 103,331
Total expenses	42,681	(1,064)	40,935	(203)	82,349
Net (loss) income	(42,681)	1,064	62,396	203	20,982
Other comprehensive (loss) income	—	(9)	171	(334)	(172)
Net comprehensive (loss) income	\$ (42,681)	\$ 1,055	\$ 62,567	\$ (131)	\$ 20,810
Non-controlling interest %	32%	25%	49%	10%	NA
Comprehensive (loss) income attributable to NCI	(13,658)	264	30,658	(13)	17,251
Additional income attributable to NCI	—	—	5,336	—	5,336
Net comprehensive (loss) income attributable to NCI	\$ (13,658)	\$ 264	\$ 35,994	\$ (13)	\$ 22,587

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

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

22. Net revenue

Net revenue is comprised of:

	For the year ended May 31,		
	2025	2024	2023
Beverage revenue	\$ 253,181	\$ 213,614	\$ 100,679
Beverage excise taxes	(12,586)	(11,520)	(5,586)
Net beverage revenue	240,595	202,094	95,093
Cannabis revenue	330,609	370,692	284,314
Cannabis excise taxes	(81,608)	(97,894)	(63,884)
Net cannabis revenue	249,001	272,798	220,430
Distribution revenue	271,228	258,740	258,770
Wellness revenue	60,485	55,310	52,831
Total	\$ 821,309	\$ 788,942	\$ 627,124

Included in revenue from Canadian adult-use cannabis is \$1,460 of advisory services revenue for the fiscal year ended May 31, 2025, compared to \$1,500 and \$40,377 of advisory services from the HEXO commercial transaction agreements for the fiscal year ended May 31, 2024 and May 31, 2023, respectively.

23. Cost of goods sold

Cost of goods sold is comprised of:

	For the year ended May 31,		
	2025	2024	2023
Beverage costs	\$ 147,591	\$ 113,522	\$ 48,770
Cannabis costs	150,005	182,594	162,755
Distribution costs	241,896	230,596	231,309
Wellness costs	41,247	38,879	37,330
Total	<u>\$ 580,739</u>	<u>\$ 565,591</u>	<u>\$ 480,164</u>

24. General and administrative expenses

General and administrative expenses are comprised of the following items:

	For the year ended May 31,		
	2025	2024	2023
Salaries and wages	\$ 88,015	\$ 83,673	\$ 70,883
Office and general	28,314	28,460	27,845
Stock-based compensation	24,289	31,769	39,595
Insurance	11,843	12,586	12,033
Professional fees	4,765	5,345	7,166
(Gain) loss on sale of capital assets	928	(4,198)	(48)
Travel and accommodation	5,717	5,138	4,530
Rent	3,453	4,585	3,155
Total	<u>\$ 167,324</u>	<u>\$ 167,358</u>	<u>\$ 165,159</u>

Included in (Gain) loss on sale of capital assets for the fiscal year ended May 31, 2025 was a loss of \$1,787 related to the sale of the Avanti facility, which was closed as part of our restructuring efforts, compared to gains of \$4,198 which is comprised of \$3,957 during the fiscal year ended May 31, 2024, from the sale of Truss Beverage Co.

25. Restructuring

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 transactions. In connection with these efforts, the Company incurred \$34,283, \$15,581 and \$9,245 of restructuring costs for the fiscal years ended May 31, 2025, 2024 and 2023, respectively. All restructuring plans are approved at the executive level, and their associated expenses are recognized in the period in which the plan is committed.

Within the Cannabis segment, our restructuring costs predominantly related to the HEXO acquisition, which were completed within 24 months from the acquisition in June 2023. In the fiscal year ended May 31, 2025, we recognized \$10,404 of expenses related to employee termination severance and benefits and other costs related to the conversion of the HEXO Quebec cultivation facility from cannabis to produce, the optimization of our Redecan facilities, and \$987 of restructuring charges related to the remaining costs of exiting the Truss Beverage Co. ("Truss") facility following its sale to a third party in the fiscal year ended May 31, 2024. Additionally, the Company recognized \$1,133 of costs associated with the winding down of our Avanti facility, which was exited and sold during the fiscal year ended May 31, 2025. The Company also recognized \$2,054 of exit cost in connection with the termination of its contract with its distribution partner in the Quebec adult-use cannabis market and the insourcing of the function. Lastly, the Company recognized \$786 of restructuring charges related to our decision to exit the New Zealand medical cannabis market announced during the fiscal year ended May 31, 2025.

Within the Beverage segment during the fiscal year ended May 31 2025, the Company recognized \$1,623 of expenses related to employee termination severance and benefits and \$4,209 of costs associated with the consolidation of production sites through the integration of the Craft Acquisition I and the Craft Acquisition II. Additionally, the Company recognized \$8,500 of restructuring charges related to the closure of Hop Valley which was accrued, but not yet paid. Lastly, the Company recognized \$1,550 of restructuring charges related to terminating a legacy storage agreement from Craft Acquisition I.

Within the Distribution segment during the fiscal year ended May 31 2025, the Company recognized \$510 of restructuring charges related to the divestiture of its retail pharmacy location in Argentina.

Lastly, for the fiscal year ended May 31, 2025, the Company recognized \$2,527 of costs associated with the investment held in Superhero Acquisition Corp. as a result of MedMen's ongoing restructuring and liquidation undertakings.

26. Interest expense, net

Interest expense, net is comprised of:

	For the year ended May 31,		
	2025	2024	2023
Interest income	\$ 11,379	\$ 12,831	\$ 33,025
Interest expense	(41,331)	(49,264)	(46,612)
	<u>\$ (29,952)</u>	<u>\$ (36,433)</u>	<u>\$ (13,587)</u>

27. Non-operating (expense) income

Non-operating (expense) income is comprised of:

	For the year ended May 31,		
	2025	2024	2023
Change in fair value of convertible debenture payable	\$ —	\$ (19,736)	\$ (43,651)
Change in fair value of warrant liability	2,161	(1,436)	12,438
Foreign exchange (loss) gain	9,639	(4,086)	(25,535)
Loss on long-term investments	(5,550)	(217)	(2,190)
Other non-operating (losses) gains, net	4,034	(12,367)	(7,971)
	<u>\$ 10,284</u>	<u>\$ (37,842)</u>	<u>\$ (66,909)</u>

Included in other non-operating (losses) gains, net for the fiscal year ended May 31, 2025, were gains of \$4,034 which were mainly comprised of a \$5,792 gain resulting from the exchange transaction of the TLRY 27 Note, as described in Note 17 (Convertible debentures payable), offset by a \$975 loss resulting from the downside protection from the Double Diamond Holdings dividend settlement.

Included in other non-operating (losses) gains, net for the fiscal year ended May 31, 2024, were losses of \$12,367 which is comprised of \$2,313 from the downside protection related to the share issuance in connection with the HTI note, \$2,458 of amounts to settle outstanding notes with non-controlling interest shareholders, \$4,638 for a decrease in value of an equity investee, Cannfections, and a \$3,063 loss on measurement at the lower of carrying amount and fair value less costs to sell of Broken Coast's former Duncan facility.

28. Commitments and contingencies

Purchase and other commitments

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

	Total	2026	2027	2028	2029	Thereafter
Long-term debt repayment	\$ 164,124	14,767	18,243	97,828	3,489	29,797
Convertible debentures payable	105,000	—	—	105,000	—	—
Material purchase obligations	78,181	48,135	30,046	—	—	—
Construction commitments	528	528	—	—	—	—
Total	<u>\$ 347,833</u>	<u>\$ 63,430</u>	<u>\$ 48,289</u>	<u>\$ 202,828</u>	<u>\$ 3,489</u>	<u>\$ 29,797</u>

Legal proceedings

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

Class Action Suits and Stockholder Derivative Suits

Settlement and Dismissal of Aphria Securities Class Action (Canada)

In February 2019, a putative securities class action was commenced in the Ontario Superior Court of Justice against Tilray's wholly-owned subsidiary, Aphria, Inc. ("Aphria"), and certain of its former officers and directors (the "Aphria Canadian Class Action"). The Aphria Canadian Class Action was subsequently amended in September 2022 to proceed only against Aphria and two of its former officers and directors as named defendants.

The class plaintiff sought damages in the amount of CAD \$875,000 pursuant to Ontario securities legislation on behalf of all class members who acquired Aphria's common shares between January 29, 2018 and December 3, 2018. The Aphria Canadian Class Action stemmed from Aphria's acquisition of Nuvera Inc. and LATAM Holdings Inc. in March and September 2018, respectively, alleging that the value of the acquired assets was misrepresented as being significantly higher than their actual worth, and that insiders at Aphria personally benefitted from the acquisitions at the expense of investors. Aphria and the individual defendants denied the allegations made in the Aphria Canadian Class Action and vigorously defended against them. Trial was scheduled to begin in January 2025.

On February 5, 2025, Aphria and the individual defendants successfully reached an agreement with the class plaintiff to settle the Aphria Canadian Class Action. The settlement agreement provided for the complete dismissal of the Aphria Canadian Class Action, with prejudice, in exchange for an aggregate payment from all defendants equal to CAD \$30,000, or approximately US \$21,000, (the "Aphria Settlement Amount"). The settlement agreement also provided for the dismissal, with prejudice, of the four individual Canadian lawsuits pursuing the same allegations of wrongdoing against Aphria and former and current officers and directors. The settlement does not constitute an admission of liability or wrongdoing by Aphria or the other defendants. The settlement agreement was approved by the Court on March 27, 2025 and became effective on April 28, 2025.

The Aphria Settlement Amount was primarily funded by the outstanding balance under Aphria's D&O Insurance Policy and by the individual defendants. Aphria paid the remaining unpaid portion of the Settlement Amount equal to approximately CAD \$8,300 (or approximately US \$5,800).

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

On December 5, 2018, a putative securities class action was commenced in SDNY against Aphria and certain current and former officers and directors. The action claims that the defendants misrepresented the value of three cannabis-producing properties Aphria acquired in Jamaica, Colombia, and Argentina (the "LATAM Assets"). On December 3, 2018, two notorious short-sellers issued a report about the acquisitions, claiming the LATAM Assets were non-functional or non-existent,

which allegedly caused Aphria's stock price to fall. On April 15, 2019, Aphria took impairment charges on the LATAM Assets, which also allegedly caused Aphria's stock price to decline. The putative class action claims that Aphria artificially inflated the price of its publicly-traded stock by making false statements about the LATAM Assets, and, when the purported truth was revealed by a short-seller report and write-down, the stock price declined, harming investors.

On September 30, 2020, the Court denied the motion to dismiss the complaint as to Aphria, Vic Neufeld, and Carl Merton, and granted the motion as to Cole Cacciavillani, John Cervini, Andrew DeFrancesco, and SOL Global Investments. On October 1, 2020, Plaintiffs moved for reconsideration of the order dismissing DeFrancesco and SOL or, in the alternative, to amend their complaint. On October 14, 2020, Aphria, Neufeld, and Merton moved for reconsideration of the order denying their motion to dismiss. On September 28, 2021, the Court denied all motions for reconsideration and provided Plaintiffs with the opportunity to amend their complaint. Plaintiffs did not amend, and so the dismissals of Cacciavillani, Cervini, DeFrancesco, and SOL Investments became dismissals with prejudice.

On January 28, 2022, Plaintiffs moved for class certification, and briefing on the motion was complete as of June 28, 2022. The motion was granted, and a class was certified. On April 12, 2024, the parties filed a revised schedule for the remainder of the proceeding through trial. As of the date of this Form 10-K, the parties have completed fact discovery. There is currently no court-ordered timetable in place for the litigation. The Company and the individual defendants believe the claims are without merit and will continue to vigorously defend against them, but there can be no assurances as to the outcome.

Dismissal of Martin Dionne suit v. HEXO Corporation and Sebastien St. Louis

In November 2019, a Canadian securities class action was instituted against HEXO Corp. ("HEXO") and its former CEO, Sebastien St. Louis. The plaintiff claims that between April 11, 2018 and March 30, 2020, the defendants misrepresented material facts, in both documents and oral statements and failed to disclose material changes in a timely manner as it relates to: (a) revenue certainty in the first year post-legalization (2018 supply agreement with the province of Québec); (b) additional revenue generation (acquisition of Newstrike); (c) HEXO inventory and internal controls; and (d) licensing at the Niagara facility.

On January 23, 2023, the class action was dismissed in its entirety at the certification stage in Quebec. On March 14, 2023, the plaintiff appealed this decision to the Quebec Court of Appeal. The appeal was heard on January 18, 2024 and the Quebec Court of Appeal dismissed this appeal on April 16, 2025. Following successful dismissal of plaintiff's appeal, the Company intends to pursue recovery of D&O policy retention amounts following the successful outcome.

Legal Proceedings Related to Contractual Obligations

Settlement and Dismissal of 420 Investments Ltd. Litigation

On February 21, 2020, 420 Investments Ltd., as Plaintiff ("420 Investments"), filed a lawsuit against Tilray Brands, Inc. and High Park Shops Inc. ("High Park"), as Defendants, in Calgary, Alberta in the Court of Queen's Bench of Alberta. In August 2019, Tilray and High Park entered into an Arrangement Agreement with 420 Investments and others (the "Agreement"). Pursuant to the Agreement, High Park was to acquire the securities of 420 Investments. In February 2020, Tilray and High Park gave notice of termination of the Agreement. 420 Investments alleged that the termination was unlawful and without merit. 420 Investments sought damages in the stated amount of CAD \$110,000, plus C\$20,000 in aggravated damages. High Park subsequently counterclaimed against 420 Investments for repayment of a CAD \$7,000 bridge loan made to 420 Investments in August 2019.

On February 7, 2024, the court granted summary judgment in favor of High Park on its counterclaim. The summary judgment order was equal to the amount of CAD \$7,000, plus pre-judgment interest in the amount of CAD \$2,280. On October 16, 2024, the court subsequently overturned the summary judgment decision, and High Park subsequently appealed that decision.

On May 29, 2024, 420 Investments and others filed a Notice of Intention to Make a Proposal under subsection 50.4(1) of the Bankruptcy and Insolvency Act, RSC 1985, c. B-3. On September 19, 2024, the court directed 420 Investments to enter a strategic sales process under the *Companies' Creditors Arrangement Act*, RSC 1985, c-36. In the course of the insolvency proceedings, Tilray purchased the claims of certain entities for a significant discount and with an aggregate approximate value of CAD \$1,400.

On May 11, 2025, the parties successfully settled the 420 Investments proceedings. The terms of the settlement agreement, which were approved by the court, included payment by Tilray of a net amount equal to approximately \$2,700; Tilray's waiver of any recovery on its acquired claims; and the assignment back to 420 Investments of the CAD \$7,000 bridge loan plus interest and costs. In exchange, 420 Investments' litigation claims were fully dismissed and the parties executed mutual releases.

Fotmer Corporation S.A. v. Tilray Brands Inc. et al.

On January 4, 2023, Fotmer Corporation S.A. commenced an arbitration demanding \$1,233 for alleged breaches by Tilray of a 2019 purchase agreement. On July 5, 2023, Tilray responded by filing a court action in the Berlin Regional Court seeking \$2,250 under a 2021 supply agreement asserting that Fotmer's alleged monetary claims under the 2019 and 2021 supply agreements are improper, and that Fotmer owes Tilray \$2.25 million in respect of advance payments made for future deliveries and certain reimbursement obligations owing by Fotmer to Tilray for defective products and EU GMP certifications.

On August 8, 2023, a final award was issued in the arbitration between the parties, ordering Tilray to pay Fotmer damages in the amount of \$1,233, plus simple interest of 7.5% from December 29, 2020 forward, in connection with the 2019 supply agreement.

Tilray has yet to pay Fotmer any amounts owed pursuant to the arbitral award on the basis that the facts and legal issues in the court action and the arbitration overlap, such that equitable setoff should be applied between the two proceedings. In the court action, Fotmer submitted its statement of defense on November 7, 2023. On May 21, 2024, Tilray filed its statement of reply and defense against counterclaims. Tilray believes that Fotmer's claims are without merit and the Company intends to vigorously defend against these claims.

Summary of litigation accruals

As described in Note 15 (Accounts payable and accrued liabilities), the total estimated litigation expense accrual included in accrued liabilities as of May 31, 2025 was \$12,431 (May 31, 2024 - \$24,378). This estimated accrual is intended to cover various ongoing litigation matters with probable losses that can be reasonably estimated. The Company did not assume any litigation accruals from the Craft Acquisition II.

29. Financial risk management and financial instruments

Financial instruments

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

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

As of May 31, 2025 and May 31, 2024, the Company had long-term debt of \$2,546 and \$3,568, respectively, and the principal portion of convertible debentures payable of \$105,00 and \$172,830, respectively, subject to fixed interest rates.

Fair value hierarchy

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

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

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of May 31, 2025 and 2024 and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value:

	Level 1	Level 2	Level 3	May 31, 2025
Financial assets				
Cash and cash equivalents	\$ 221,666	\$ —	\$ —	\$ 221,666
Marketable securities	34,697	—	—	34,697
Convertible notes receivable	—	—	—	—
Equity investments measured at fair value	909	1,063	8,160	10,132
Financial liabilities				
Warrant liability	—	—	(1,092)	(1,092)
Contingent consideration	—	—	(15,000)	(15,000)
APHA 24 Convertible debenture	—	—	—	—
Total recurring fair value measurements	<u>\$ 257,272</u>	<u>\$ 1,063</u>	<u>\$ (7,932)</u>	<u>\$ 250,403</u>

	Level 1	Level 2	Level 3	May 31, 2024
Financial assets				
Cash and cash equivalents	\$ 228,340	\$ —	\$ —	\$ 228,340
Marketable Securities	32,182	—	—	32,182
Convertible notes receivable	—	—	32,000	32,000
Equity investments measured at fair value	919	1,440	5,500	7,859
Financial liabilities				
Warrant liability	—	—	(3,253)	(3,253)
Contingent consideration	—	—	(15,000)	(15,000)
APHA 24 Convertible debenture	—	—	(330)	(330)
Total recurring fair value measurements	<u>\$ 261,441</u>	<u>\$ 1,440</u>	<u>\$ 18,917</u>	<u>\$ 281,798</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 by assessing the collateral entitlement from the asset and is classified as Level 3. During the fiscal year ended May 31, 2025, an impairment to convertible notes receivable of \$21,661 was recognized, compared to an impairment of \$42,681 in the fiscal year ended May 31, 2024. Subsequent to the impairment recorded in January 2025, MedMen exited receivership and substantially all of its remaining assets were transferred to a new entity owned by MedMen's secured creditors, including SH Acquisition. In connection with the foregoing, the Company disposed of its MedMen Convertible Note in exchange for an option to acquire a 68% membership interest in SH Acquisition for \$1.00 upon U.S. federal cannabis legalization. See Note 9 (Long-term investments). This option was recorded as a Level 3 equity investment measured at fair value of \$8,160 by assessing the discounted cash flows of SH Acquisition.

Convertible debentures payable are recorded at fair value when elected or required under US GAAP. Specifically, the APHA 24 instrument's estimated fair value was determined using the Black-Scholes option pricing model and was classified as Level 3. There is no remaining principal balance outstanding of the APHA 24 notes as of May 31, 2025.

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 as the change in fair value of warrant liability within the consolidated statements of loss and comprehensive loss. 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.

A portion of the consideration to be paid in connection with the Company's acquisition of Montauk Brewing Company ("Montauk") is contingent upon the achievement of certain financial measures as of December 2025. If achieved, such contingent consideration is payable in cash. The contingent consideration amount was estimated by applying a probability of achievement of 100% as it is expected on the \$15,000 sales earn-out component and 0% on the remaining criteria, which is not expected to be achieved. The unobservable inputs into the future expected cash outflows result in a fair value measurement classified as Level 3.

During the fiscal year ended May 31, 2025, a decrease in fair value of \$nil was recognized compared to a decrease of fair value of \$15,790 in the fiscal period ended May 31, 2024, inclusive of changes in foreign exchange. The decrease 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 \$4,111 for the contingent consideration from the Montauk acquisition as a result of a higher probability of achieving the incentive targets and a decrease of \$3,421 for the Truss contingent consideration that was recognized initially as \$4,181 that 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, 2024	\$ 32,000	\$ 5,500	\$ (3,253)	\$ (15,000)	\$ (330)
Additions/(Repayments)	(12,000)	8,160	—	—	330
Redemption	—	—	—	—	—
Unrealized gain (loss) on fair value	—	(5,500)	2,161	—	—
Impairments	(20,000)	—	—	—	—
Balance, May 31, 2025	<u>\$ —</u>	<u>\$ 8,160</u>	<u>\$ (1,092)</u>	<u>\$ (15,000)</u>	<u>\$ —</u>

	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)	136,410
Redemption	(28,720)	—	—	760	—
Unrealized gain (loss) on fair value	—	(151)	(1,436)	15,528	(16,172)
Impairments	(42,681)	—	—	—	—
Balance, May 31, 2024	<u>\$ 32,000</u>	<u>\$ 5,500</u>	<u>\$ (3,253)</u>	<u>\$ (15,000)</u>	<u>\$ (330)</u>

The unrealized gain (loss) on fair value for the Convertible Debenture, warrant liability, contingent consideration and convertible notes payable are recognized in non-operating income (loss) and other comprehensive income for the convertible notes receivable using the following inputs:

Financial asset / financial liability	Valuation technique	Significant unobservable input	Inputs
Warrant liability	Black-Scholes	Volatility, expected life (in years)	50% 0.3
Contingent consideration	Discounted cash flows	Discount rate, Probability of achievement	11% 100% and 0%
Equity investments	Discounted cash flows	Probability of achievement	70%

Items measured at fair value on a non-recurring basis

The Company's prepayments and other current assets, long-lived assets, including property and equipment, goodwill and intangible assets are measured at fair value when there is an indicator of impairment and are recorded at fair value only when an impairment charge is recognized.

Financial risk management

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

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at May 31, 2025, is the carrying amount of cash and cash equivalents, accounts receivable, prepaids and other current assets and convertible notes receivable. All cash and cash equivalents are placed with major financial institutions in Canada, Australia, Portugal, Germany, Colombia, Argentina and the United States. To date, the Company has not experienced any losses on its cash deposits. Accounts receivable are unsecured, and the Company does not require collateral from its customers.

The Company evaluates the collectability of its accounts receivable and maintains an allowance for credit losses at an amount sufficient to absorb losses inherent in the existing accounts receivable portfolio as of the reporting dates based on the estimate of expected net credit losses.

Trade receivables included an allowance for doubtful accounts and credit loss provision of \$ 3,702 as of May 31, 2025 (2024-\$ 7,714) and are broken out below as follows:

	<u>Total</u>	<u>0-30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>90+ days</u>
Accounts receivable, net	\$ 121,489	\$ 108,925	\$ 2,771	\$ 2,123	\$ 7,670
	100%	90%	2%	2%	6%
		<u>Balance at the beginning of period</u>	<u>Movement during the year(1)</u>		<u>Balance at end of period</u>
Fiscal year ended May 31, 2025					
Allowance for doubtful accounts and credit loss provision	\$	7,714	\$ (4,012)		\$ 3,702
Fiscal year ended May 31, 2024					
Allowance for doubtful accounts and credit loss provision		6,641		1,073	7,714
Fiscal year ended May 31, 2023					
Allowance for doubtful accounts and credit loss provision		5,404		1,237	6,641

(1) Included in movements for the period is the total movements for foreign exchange, additions to the provisions and utilization of the credit loss provision and allowance for doubtful accounts.

(b) Liquidity risk

As of May 31, 2025, the Company's financial liabilities consisted of bank indebtedness and accounts payable and accrued liabilities, which have contractual maturity dates within one-year, as well as long-term debt and convertible debentures which have contractual maturities over the next five years.

The Company maintains a minimum deposit on certain cash operating accounts tied to loans secured by its Aphria One, SweetWater, and craft beverage facilities. The Company maintains debt service charge and leverage covenants on certain loans secured by its Aphria Diamond facilities and ABC Group that are measured quarterly. The Company believes that it has sufficient operating room with respect to its financial covenants for the next fiscal year and does not anticipate being in breach of any of its financial covenants.

The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's working capital position as of May 31, 2025, management regards liquidity risk to be low.

(c) Currency rate risk

As of May 31, 2025, a portion of the Company's financial assets and liabilities held in Canadian dollars and Euros consist of cash and cash equivalents, convertible notes receivable, and long-term investments. The Company's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by transacting, to the greatest extent possible, with third parties in the functional currency. The Company is exposed to currency rate risk in other comprehensive income, relating to foreign subsidiaries which operate in a foreign currency. The Company does not currently use foreign exchange contracts to hedge its exposure to its foreign currency cash flows as management has determined that this risk is not significant at this point in time.

(d) Interest rate risk

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

(e) Capital management

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. The Company is not subject to externally imposed capital requirements.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's capital management approach in the year. The Company considers its cash and cash equivalents and marketable securities as capital.

30. Segment reporting

Our Company's Chief Operating Decision Maker ("CODM") is the Chairman of the Board of Directors and Chief Executive Officer. The CODM uses segment gross profit for the purpose of resource allocation, assessment of segment performance against determined targets, and in deciding whether to implement cost saving targets. The Company operates in four segments. 1) cannabis operations, which encompasses the production, distribution, sale, co-manufacturing and advisory services of both medical and adult-use cannabis, 2) beverage operations, which encompasses the production, marketing and sale of beverage products, 3) distribution operations, which encompasses the purchase and resale of pharmaceuticals products to customers, and 4) wellness products, which encompasses hemp foods and cannabidiol ("CBD") products. This structure is in line with how our 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.

The following tables reconcile the Company's segment gross profit to consolidated U.S. GAAP results:

	For the year ended May 31,		
	2025	2024	2023
Beverage			
Net beverage revenue	\$ 240,595	\$ 202,094	\$ 95,093
Beverage costs	147,591	113,522	48,770
Beverage gross profit	93,004	88,572	46,323
Cannabis			
Net cannabis revenue	249,001	272,798	220,430
Cannabis costs	150,005	182,594	162,755
Cannabis gross profit	98,996	90,204	57,675
Distribution			
Distribution revenue	271,228	258,740	258,770
Distribution costs	241,896	230,596	231,309
Distribution gross profit	29,332	28,144	27,461
Wellness			
Wellness revenue	60,485	55,310	52,831
Wellness costs	41,247	38,879	37,330
Wellness gross profit	19,238	16,431	15,501
Total			
Total revenue	821,309	788,942	627,124
Total costs	580,739	565,591	480,164
Total gross profit	\$ 240,570	\$ 223,351	\$ 146,960

Segment costs are comprised of cost of goods sold which include product costs, salaries and an allocation of overhead costs.

The following table reconciles the total segment gross profit to the Company's consolidated totals:

	For the year ended May 31,		
	2025	2024	2023
Gross profit	\$ 240,570	\$ 223,351	\$ 146,960
Operating expenses:			
General and administrative	167,324	167,358	165,159
Selling	56,039	37,233	34,840
Amortization	88,616	84,752	93,489
Marketing and promotion	37,048	41,933	30,937
Research and development	284	635	682
Change in fair value of contingent consideration	—	(15,790)	855
Impairment of intangible assets and goodwill	2,096,139	—	934,000
Other than temporary change in fair value of convertible notes receivable	21,661	42,681	246,330
Litigation costs, net of recoveries	17,347	8,251	(505)
Restructuring costs	34,283	15,581	9,245
Transaction costs (income), net	4,534	15,462	1,613
Total operating expenses	2,523,275	398,096	1,516,645
Operating loss	(2,282,705)	(174,745)	(1,369,685)

Interest expense, net	(29,952)	(36,433)	(13,587)
Non-operating income (expense), net	10,284	(37,842)	(66,909)
Loss before income taxes	(2,302,373)	(249,020)	(1,450,181)
Income tax (recovery) expense	(121,017)	(26,616)	(7,181)
Net loss	<u>\$ (2,181,356)</u>	<u>\$ (222,404)</u>	<u>\$ (1,443,000)</u>

Channels of cannabis revenue were as follows:

	For the year ended May 31,		
	2025	2024	2023
Revenue from Canadian medical cannabis	\$ 24,998	\$ 25,211	\$ 25,000
Revenue from Canadian adult-use cannabis	224,048	266,846	214,319
Revenue from wholesale cannabis	18,207	25,340	1,436
Revenue from international cannabis	63,356	53,295	43,559
Less excise taxes	(81,608)	(97,894)	(63,884)
Total	<u>\$ 249,001</u>	<u>\$ 272,798</u>	<u>\$ 220,430</u>

There was \$1,460 of cannabis advisory services revenue for the fiscal year ended May 31, 2025, compared to \$1,500 associated with the HEXO commercial transaction agreements for the fiscal year ended May 31, 2024.

Geographic net revenue:

	For the year ended May 31,		
	2025	2024	2023
USA	\$ 273,695	\$ 233,141	\$ 123,284
Canada	212,860	243,722	201,361
EMEA	323,350	296,450	284,567
Rest of World	11,404	15,629	17,912
Total	<u>\$ 821,309</u>	<u>\$ 788,942</u>	<u>\$ 627,124</u>

Geographic capital assets:

	May 31, 2025	May 31, 2024
USA	\$ 200,003	\$ 141,314
Canada	267,458	313,359
EMEA	97,371	99,921
Rest of World	3,601	3,653
Total	<u>\$ 568,433</u>	<u>\$ 558,247</u>

Major customers are defined as customers that each individually account for greater than 10% of the Company's annual revenues. For the fiscal years ended May 31, 2025, 2024 and 2023, there were no major customers representing greater than 10% of our annual revenues.

31. Subsequent Events

From June 2, 2025 to June 16, 2025, the Company issued an additional 25,740,078 shares in connection with the Company's ATM Program, thereby generating gross proceeds of \$10,551. The Company netted proceeds of \$10,340 after commissions and other fees associated with these issuances in the amount of \$211.

On June 10, 2025, the Company held a special meeting of stockholders (the "Special Meeting") related to the approval of an amendment to the Company's Fifth Amended and Restated Certificate of Incorporation to effect a reverse stock split of its common stock by a ratio of not less than one-for-ten and not more than one-for-twenty, with the exact ratio to be set within this range by the board of directors in its sole discretion (without reducing the authorized number of shares of common stock) and with the Board of Directors able to elect to abandon such proposed amendment and not effect the reverse stock split authorized by stockholders in its sole discretion (the "Amendment Proposal"). At the Special Meeting, all of the matters voted on were approved. The Board of Directors will continue to consider whether and when to effect a reverse stock split that is in the best interest of the Company following such shareholder authorization on the Amendment Proposal at the Special Meeting.

On June 16, 2025, Tilray issued 12,591,816 shares of the Company's common stock in exchange for \$5,000 aggregate principal amount of the TLRY 27 Notes. The remaining principal outstanding as a result of this transaction was \$100,000.

On July 25, 2025, the Company's wholly-owned subsidiary, ABC Group, finalized its fifth amendment (the "Amendment") to that certain Credit Agreement dated as of June 30, 2023 (the "ABC Group Credit Agreement") by and among the Borrower, Bank of America, N.A., in its capacity as Administrative Agent, and certain other guarantors and lenders party thereto. Specifically, the Amendment amended and restated the ABC Group Credit Agreement to provide for the contribution of the Manitoba Harvest entities' equity to the Borrower as additional collateral. Additionally, the Amendment added financial covenants for (i) minimum consolidated trailing-twelve-months EBITDA for each of the four quarters beginning May 31, 2025 and (ii) minimum liquidity.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Tilray Brands, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial position of Tilray Brands, Inc. and its subsidiaries (together, the Company) as of May 31, 2025 and 2024, and the related consolidated statements of loss and comprehensive loss, of changes in equity and of cash flows for each of the three years in the period ended May 31, 2025, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of May 31, 2025, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of May 31, 2025 and 2024, and the results of its operations and its cash flows for each of the three years in the period ended May 31, 2025 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of May 31, 2025, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded the acquired craft beer brands and breweries from Molson Coors Beverage Company which include Atwater Brewery, Hop Valley Brewing Company, Terrapin Beer Co., and Revolver Brewing (the Craft Acquisition II) from its assessment of internal control over financial reporting as of May 31, 2025, because they were acquired by the Company in purchase business combinations during the year ended May 31, 2025. The Craft Acquisition II are wholly-owned subsidiaries whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent 0.9% of total assets and 3% of net revenues, respectively, of the related consolidated financial statement amounts as of and for the year ended May 31, 2025.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impairment Assessments of Goodwill and Indefinite-lived Intangible Assets related to Cannabis and Beverage Reporting Units

As described in Notes 3, 8 and 10 to the consolidated financial statements, the Company's goodwill and indefinite-lived intangible assets balances were \$752.4 million and \$nil respectively as at May 31, 2025. Management conducts an impairment assessment annually in the fourth quarter, or more frequently if events or circumstances indicate that the carrying value of goodwill or indefinite-lived intangible assets may not be recoverable. Any impairment charges are determined by comparing the fair value of the assets or reporting units to its carrying value. Fair value amounts are estimated by management using discounted future cash flow models. During the third quarter, management recorded a goodwill impairment charge of \$699.2 million including \$570.0 million related to the cannabis reporting unit and \$100.0 million related to the beverage reporting unit. As at May 31, 2025, management performed the annual impairment tests which resulted in an additional impairment charge of \$549.0 million of goodwill and \$186.6 million of indefinite-lived intangible assets. The goodwill impairments included \$500.0 million related to the cannabis reporting unit and \$20.8 million related to the beverage reporting unit. Management's discounted future cash flow models included significant judgments and assumptions relating to future cash flows, growth rates, probability of anticipated EU and U.S. cannabis regulatory changes and discount rates.

The principal considerations for our determination that performing procedures relating to the impairment assessments of goodwill and indefinite-lived intangible assets related to cannabis and beverage reporting units is a critical audit matter are (i) the significant judgment required by management when estimating the fair values of the assets or reporting units; and (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and to evaluate management's significant assumptions, including future cash flows, growth rates, probability of anticipated EU and U.S. cannabis regulatory changes and discount rates.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill and indefinite-lived intangible assets impairment assessments, including controls over the determination of the fair values of the assets or reporting units. These procedures also included, among others, (i) testing management's process for developing the fair value estimates of the assets or reporting units; (ii) evaluating the appropriateness of the discounted future cash flow models used by management; (iii) testing the completeness and accuracy of underlying data used in the discounted future cash flow models; (iv) evaluating the reasonableness of the significant assumptions used by management, related to the future cash flows, growth rates and discount rates; and (v) evaluating the reasonableness of the probability of anticipated EU and U.S. cannabis regulatory changes used within the cannabis reporting unit discounted future cash flow model. Evaluating management's significant assumptions related to future cash flows, growth rates, probability of anticipated EU and U.S. cannabis regulatory changes and the discount rates involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the assets or reporting units; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit, as applicable. Professionals with specialized skill and knowledge were used to assist in evaluating (i) the appropriateness of the discounted future cash flow models and (ii) the reasonableness of the discount rate assumption.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Toronto, Canada
July 28, 2025

We have served as the Company's auditor since 2017.