# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, DC 20549**

# FORM 10-Q

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

**For the quarterly period ended November 30, 2024**

**OR**

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

**For the transition period from to**

**Commission File Number: 001-38594**

# TILRAY BRANDS, INC.
**(Exact Name of Registrant as Specified in its Charter)**

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

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

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

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

As of January 8, 2025, the registrant had 937,655,195 shares of Common Stock, $0.0001 par value per share issued and outstanding.

Table of Contents

**Cautionary Note Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q for the quarter ended November 30, 2024 (the “Form 10-Q”) contains forward-looking statements under Canadian securities laws and within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are intended to be subject to the "safe harbor" created by those sections and other applicable laws. Such statements involve risks, uncertainties and assumptions. If the risks or uncertainties ever materialize or the assumptions prove incorrect, our results may differ materially from those expressed or implied by such forward-looking statements under the Canadian securities laws and within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that are intended to be subject to the “safe harbor” created by those sections and other applicable laws. The words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “project,” “will,” “would,” “seek,” or “should,” or the negative or plural of these words or similar expressions or variations are intended to identify such forward-looking statements. Forward-looking statements include, among other things, our beliefs or expectations relating to our future performance, results of operations and financial condition and liquidity; our intentions or expectations regarding our cost savings initiatives; our strategic initiatives, business strategy, supply chain, brand portfolio, product performance and expansion efforts; our intentions regarding the use of net proceeds from our ATM Program; our intentions regarding our capital structure and TLRY 27 Notes; current or future macroeconomic trends; our expectations and potential impacts of regulatory or industry developments; including our expectations for our positioning and cannabis market share in Europe and other markets; our statements regarding the consolidation of the Canadian cannabis industry; our expectations regarding any future tax developments; future corporate acquisitions and strategic transactions; and our synergies, cash savings and efficiencies anticipated from the integration of our completed acquisitions and strategic transactions.

Risks and uncertainties that may cause actual results to differ materially from forward-looking statements include, but are not limited to, those identified in this Form 10-Q and other risks and matters described in our most recent Annual Report on Form 10-K for the fiscal year ended May 31, 2024 as well as our other filings made from time to time with the U.S. Securities and Exchange Commission and in our Canadian securities filings.

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

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

**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements (Unaudited).**

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

| | November 30, 2024 | May 31, 2024 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 189,698 | $ 228,340 |
| Marketable securities | 62,551 | 32,182 |
| Accounts receivable, net | 112,739 | 101,695 |
| Inventory | 266,007 | 252,087 |
| Prepaids and other current assets | 44,861 | 31,332 |
| Assets held for sale | 31,483 | 32,074 |
| **Total current assets** | 707,339 | 677,710 |
| Capital assets | 554,419 | 558,247 |
| Operating lease, right-of-use assets | 18,243 | 16,101 |
| Intangible assets | 866,645 | 915,469 |
| Goodwill | 2,000,595 | 2,008,884 |
| Long-term investments | 7,416 | 7,859 |
| Convertible notes receivable | 32,000 | 32,000 |
| Other assets | 5,097 | 5,395 |
| **Total assets** | $ 4,191,754 | $ 4,221,665 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Bank indebtedness | $ 17,751 | $ 18,033 |
| Accounts payable and accrued liabilities | 221,668 | 241,957 |
| Contingent consideration | 15,000 | 15,000 |
| Warrant liability | 1,695 | 3,253 |
| Current portion of lease liabilities | 6,572 | 5,091 |
| Current portion of long-term debt | 15,838 | 15,506 |
| Current portion of convertible debentures payable | — | 330 |
| **Total current liabilities** | 278,524 | 299,170 |
| **Long - term liabilities** | | |
| Lease liabilities | 62,024 | 60,422 |
| Long-term debt | 148,871 | 158,352 |
| Convertible debentures payable | 122,735 | 129,583 |
| Deferred tax liabilities, net | 125,975 | 130,870 |
| Other liabilities | 17 | 90 |
| **Total liabilities** | 738,146 | 778,487 |
| **Commitments and contingencies (refer to Note 19)** | | |
| **Stockholders' equity** | | |
| Common stock ($0.0001 par value; 1,198,000,000 common shares authorized; 929,257,945 and 831,925,373 common shares issued and outstanding, respectively) | 93 | 83 |
| Preferred shares ($0.0001 par value; 10,000,000 preferred shares authorized; nil and nil preferred shares issued and outstanding, respectively) | — | — |
| Treasury Stock (3,682,609 and nil treasury shares issued and outstanding, respectively) | — | — |
| Additional paid-in capital | 6,305,787 | 6,146,810 |
| Accumulated other comprehensive loss | (47,957) | (43,499) |
| Accumulated deficit | (2,784,995) | (2,660,488) |
| **Total Tilray Brands, Inc. stockholders' equity** | 3,472,928 | 3,442,906 |
| Non-controlling interests | (19,320) | 272 |
| **Total stockholders' equity** | 3,453,608 | 3,443,178 |
| **Total liabilities and stockholders' equity** | $ 4,191,754 | $ 4,221,665 |

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

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

| | Three months ended November 30, 2024 | Three months ended November 30, 2023 | Six months ended November 30, 2024 | Six months ended November 30, 2023 |
|---|---|---|---|---|
| Net revenue | $ 210,950 | $ 193,771 | $ 410,994 | $ 370,720 |
| Cost of goods sold | 149,730 | 146,362 | 290,068 | 279,115 |
| Gross profit | 61,220 | 47,409 | 120,926 | 91,605 |
| Operating expenses: | | | | |
| General and administrative | 45,997 | 43,313 | 90,110 | 83,829 |
| Selling | 16,162 | 7,583 | 27,852 | 14,442 |
| Amortization | 22,927 | 21,917 | 44,731 | 44,142 |
| Marketing and promotion | 9,720 | 9,208 | 21,286 | 17,743 |
| Research and development | 60 | 56 | 165 | 135 |
| Change in fair value of contingent consideration | — | 300 | — | (10,807) |
| Litigation costs, net of recoveries | 901 | 3,042 | 2,496 | 5,076 |
| Restructuring costs | 6,869 | 2,655 | 11,116 | 3,570 |
| Transaction costs (income), net | 802 | 1,094 | 1,958 | 9,596 |
| Total operating expenses | 103,438 | 89,168 | 199,714 | 167,726 |
| Operating loss | (42,218) | (41,759) | (78,788) | (76,121) |
| Interest expense, net | (7,766) | (8,625) | (17,608) | (18,460) |
| Non-operating income (expense), net | (33,255) | 821 | (20,609) | (3,581) |
| Loss before income taxes | (83,239) | (49,563) | (117,005) | (98,162) |
| Income tax expense (recovery), net | 2,036 | (3,380) | 2,922 | 3,884 |
| Net loss | $ (85,275) | $ (46,183) | $ (119,927) | $ (102,046) |
| Total net income (loss) attributable to: | | | | |
| Stockholders of Tilray Brands, Inc. | (85,342) | (49,008) | (124,507) | (120,533) |
| Non-controlling interests | 67 | 2,825 | 4,580 | 18,487 |
| Other comprehensive gain (loss), net of tax | | | | |
| Foreign currency translation gain (loss) | (8,966) | 5,203 | (4,806) | 8,412 |
| Total other comprehensive gain (loss), net of tax | (8,966) | 5,203 | (4,806) | 8,412 |
| Comprehensive loss | $ (94,241) | $ (40,980) | $ (124,733) | $ (93,634) |
| Total comprehensive income (loss) attributable to: | | | | |
| Stockholders of Tilray Brands, Inc. | (93,422) | (43,814) | (128,965) | (112,290) |
| Non-controlling interests | (819) | 2,834 | 4,232 | 18,656 |
| Weighted average number of common shares - basic | 864,974,563 | 730,769,132 | 837,408,935 | 710,877,859 |
| Weighted average number of common shares - diluted | 864,974,563 | 730,769,132 | 837,408,935 | 710,877,859 |
| Net loss per share - basic | $ (0.10) | $ (0.07) | $ (0.14) | $ (0.17) |
| Net loss per share - diluted | $ (0.10) | $ (0.07) | $ (0.14) | $ (0.17) |

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

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

| | Number of common shares | Common stock | Number of treasury shares | Treasury stock | Additional paid-in capital | Accumulated other comprehensive loss | Accumulated Deficit | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|
| Balance at May 31, 2023 | 656,655,455 | $ 66 | — | $ — | $ 5,777,743 | $ (46,610) | $ (2,415,507) | $ 14,251 | $ 3,329,943 |
| Share issuance - HEXO acquisition | 39,705,962 | 4 | — | — | 65,158 | — | — | — | 65,162 |
| Share issuance - settlement of contractual change of control severance incurred from HEXO acquisition | 865,426 | — | — | — | 1,500 | — | — | — | 1,500 |
| Share issuance - Double Diamond Holdings dividend settlement | 5,004,735 | — | — | — | 8,146 | — | — | — | 8,146 |
| Share issuance - HTI convertible note | 17,148,541 | 2 | — | — | 49,998 | — | — | — | 50,000 |
| Share issuance - RSUs exercised | 3,912,481 | — | — | — | — | — | — | — | — |
| Shares effectively repurchased for employee withholding tax | — | — | — | — | (4,860) | — | — | — | (4,860) |
| Equity component related to issuance of convertible debt, net of issuance costs | — | — | — | — | 3,953 | — | — | — | 3,953 |
| Stock-based compensation | — | — | — | — | 8,257 | — | — | — | 8,257 |
| Dividends declared to non-controlling interests | | — | — | — | — | — | — | (7,891) | (7,891) |
| Comprehensive income (loss) for the period | — | — | — | — | — | 3,049 | (71,525) | 15,822 | (52,654) |
| Balance at August 31, 2023 | 723,292,600 | 72 | — | — | 5,909,895 | (43,561) | (2,487,032) | 22,182 | 3,401,556 |
| Share issuance - HTI convertible note | 1,032,616 | — | — | — | 2,313 | — | — | — | 2,313 |
| Share issuance - Settlement of litigation claims from MediPharm Labs Inc | 1,573,152 | — | — | — | 3,477 | — | — | — | 3,477 |
| Share issuance - Repurchase of TLRY 23 convertible note | 7,000,000 | 1 | — | — | 20,457 | — | — | — | 20,458 |
| Share issuance - Settlement of equity component of TLRY 23 convertible note | — | — | — | — | (1,672) | — | — | — | (1,672) |
| Share issuance - RSUs exercised | 9,184 | — | — | — | — | — | — | — | — |
| Stock-based compensation | — | — | — | — | 8,201 | — | — | — | 8,201 |
| Comprehensive income (loss) for the period | — | — | — | — | — | 5,194 | (49,008) | 2,834 | (40,980) |
| Balance at November 30, 2023 | 732,907,552 | 73 | — | — | 5,942,671 | (38,367) | (2,536,040) | 25,016 | 3,393,353 |
| Balance at May 31, 2024 | 831,925,373 | 83 | — | — | 6,146,810 | (43,499) | (2,660,488) | 272 | 3,443,178 |
| Share issuance - At-the-Market ("ATM") program | 36,693,307 | 4 | — | — | 66,468 | — | — | — | 66,472 |
| Share issuance - RSUs exercised | 6,823,140 | 1 | — | — | (1) | — | — | — | — |
| Share issuance - options exercised | 3,008 | — | — | — | — | — | — | — | — |
| Shares effectively repurchased for employee withholding tax | — | — | — | — | (2,661) | — | — | — | (2,661) |
| Stock-based compensation | — | — | — | — | 6,917 | — | — | — | 6,917 |
| Comprehensive income (loss) for the period | — | — | — | — | — | 3,622 | (39,165) | 5,051 | (30,492) |
| Balance at August 31, 2024 | 875,444,828 | 88 | — | — | 6,217,533 | $ (39,877) | $ (2,699,653) | $ 5,323 | $ 3,483,414 |
| Share issuance - At-the-Market ("ATM") program | 30,517,557 | 3 | — | — | 45,041 | — | — | — | 45,044 |
| Share issuance - Repurchase of TLRY 27 convertible note | 10,034,635 | 1 | (3,682,609) | — | 17,084 | — | — | — | 17,085 |
| Share issuance - Settlement of equity component of TLRY 27 convertible note | — | — | — | — | (4,931) | — | — | — | (4,931) |
| Share issuance - Double Diamond Holdings dividend settlement | 13,217,588 | 1 | — | — | 23,823 | — | — | (23,824) | — |
| Share issuance - RSUs | 35,983 | — | — | — | — | — | — | — | — |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| exercised | | | | | | | | | |
| Share issuance - options exercised | 7,354 | — | — | — | — | — | — | — | — |
| Stock-based compensation | — | — | — | — | 7,237 | — | — | — | 7,237 |
| Comprehensive income (loss) for the period | — | — | — | — | — | (8,080) | (85,342) | (819) | (94,241) |
| Balance at November 30, 2024 | 929,257,945 | $ 93 | (3,682,609) | $ — | $ 6,305,787 | $ (47,957) | $ (2,784,995) | $ (19,320) | $ 3,453,608 |

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

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

| | For the six months ended November 30, 2024 | For the six months ended November 30, 2023 |
|---|---|---|
| **Cash provided by (used in) operating activities:** | | |
| Net loss | $ (119,927) | $ (102,046) |
| Adjustments for: | | |
| Deferred income tax expense (recovery), net | 1,529 | (4,042) |
| Unrealized foreign exchange loss (gain) | 9,627 | (5,604) |
| Amortization | 65,864 | 62,341 |
| Accretion of convertible debt discount | 5,985 | 8,567 |
| Other non-cash items | 3,281 | (11,210) |
| Stock-based compensation | 14,154 | 16,458 |
| Loss (gain) on long-term investments & equity investments | 66 | (412) |
| (Gain) loss on derivative instruments | (1,558) | 7,992 |
| Change in fair value of contingent consideration | — | (10,807) |
| Change in non-cash working capital: | | |
| Accounts receivable | (9,051) | 4,524 |
| Prepaids and other current assets | (13,046) | 3,764 |
| Inventory | (8,127) | 8,669 |
| Accounts payable and accrued liabilities | (24,828) | (24,445) |
| Net cash used in operating activities | (76,031) | (46,251) |
| **Cash provided by (used in) investing activities:** | | |
| Investment in capital and intangible assets | (12,172) | (10,011) |
| Proceeds from disposal of capital and intangible assets | 631 | 365 |
| (Purchase) disposal of marketable securities, net | (30,369) | 125,479 |
| Business acquisitions, net of cash acquired | (18,210) | (60,626) |
| Net cash (used in) provided by investing activities | (60,120) | 55,207 |
| **Cash provided by (used in) financing activities:** | | |
| Share capital issued, net of cash issuance costs | 111,517 | — |
| Proceeds from long-term debt | — | 32,621 |
| Repayment of long-term debt | (10,388) | (14,901) |
| Proceeds from convertible debt | — | 21,553 |
| Repayment of convertible debt | (330) | (107,330) |
| Repayment of lease liabilities | (1,724) | (91) |
| Net decrease in bank indebtedness | (282) | (3,200) |
| Net cash provided by (used in) financing activities | 98,793 | (71,348) |
| Effect of foreign exchange on cash and cash equivalents | (1,284) | 709 |
| Net decrease in cash and cash equivalents | (38,642) | (61,683) |
| Cash and cash equivalents, beginning of period | 228,340 | 206,632 |
| Cash and cash equivalents, end of period | $ 189,698 | $ 144,949 |

Included in the statement of cash flows cash and cash equivalents is $nil of restricted cash as of November 30, 2024, and $1,576 of restricted cash as of November 30, 2023.

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

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

The accompanying unaudited interim consolidated financial statements reflect the accounts of the Company for the quarterly period ended November 30, 2024 (the “Financial Statements”). The Financial Statements were prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) for interim financial information and pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, they do not include all of the information and notes required by U.S. GAAP and should be read in conjunction with the audited consolidated financial statements (the “Annual Financial Statements”) included in the Company’s Annual Report on Form 10-K for the fiscal year ended May 31, 2024 (the “Annual Report”). These Financial Statements reflect all adjustments, which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full fiscal year.

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

All amounts in the Financial Statements, notes and tables have been rounded to the nearest thousand, except par values and per share amounts, and unless otherwise indicated.

Certain items of the comparative figures have been changed to conform to the presentation adopted in the current period. In limited cases, certain line items that were previously aggregated have been disaggregated within the Consolidated Statements of Cash Flows for the periods presented.

*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.

*Impairment of goodwill and indefinite-lived intangible assets*

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

During the quarter, the Company identified an indicator of impairment with respect to its cannabis and beverage reporting units and performed an interim impairment test, and determined that the fair value of these reporting units was greater than their carrying amounts and thus $nil impairment expense was recognized. Within the beverage reporting unit, a reasonably possible change in any of the inputs within the determination of fair value would not result in a material change to this determination of no impairment expense recognized during the period ended November 30, 2024. Within the cannabis reporting unit, a key input into the determination of fair value is estimated probabilities associated with legalization of cannabis within the United States and internationally. Changes to those probabilities resulting in continued delays in 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 change to the determination of no impairment expense recognized in future reporting periods.

*Convertible notes receivable*

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

*Earnings (loss) per share*

Basic earnings (loss) per share is computed by dividing reported net income (loss) attributable to stockholders of Tilray Brands, Inc. by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is computed by dividing reported net income (loss) attributable to stockholders of Tilray Brands, Inc. by the sum of the weighted average number of common shares and the number of dilutive potential common share equivalents outstanding during the period. Potential dilutive common share equivalents consist of the incremental common shares issuable upon the exercise of vested share options, warrants, and RSUs and the incremental shares issuable upon conversion of the convertible debentures and similar instruments. Shares of Common Stock outstanding under the share lending arrangement entered into in conjunction with the TLRY 27 Notes, see Note 13 (Convertible debentures payable) are excluded from the calculation of basic and diluted earnings per share because the borrower of the shares is required under the share lending arrangement to refund any dividends paid on the shares lent.

In computing diluted earnings (loss) per share, common share equivalents are not considered in periods in which a net loss is reported, as the inclusion of the common share equivalents would be anti-dilutive. For the three months ended November 30, 2024 and November 30, 2023, the dilutive potential common share equivalents outstanding consisted of the following: 23,365,351 and 20,939,082 common shares from RSUs, 3,060,318 and 6,280,065 common shares from share options, 6,209,000 and 6,209,000 common shares for warrants and 58,757,057 and 77,181,260 common shares for convertible debentures, respectively.

*Recently issued 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 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, including segments' significant expenses on an interim and annual basis. ASU 2023-07 is effective for the Company beginning with its fiscal year ended May 31, 2025 and will be disclosed retrospectively in the Financial Statements on Form 10-K filed with the SEC for such period. The Company is in the process of evaluating the impact of the financial statement disclosure requirements.

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, 2025. 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.

## Note 2. Inventory

Inventory consisted of the following:

| | November 30, 2024 | May 31, 2024 |
|---|---|---|
| Beverage inventory | 70,817 | $ 52,831 |
| Cannabis plants | 14,320 | 13,828 |
| Dried cannabis | 100,130 | 108,721 |
| Cannabis derivatives | 6,642 | 4,504 |
| Cannabis vapes | 3,879 | 4,132 |
| Packaging and other inventory items | 17,551 | 22,115 |
| Distribution inventory | 41,024 | 35,645 |
| Wellness inventory | 11,644 | 10,311 |
| Total | $ 266,007 | $ 252,087 |

## Note 3. Capital assets

Capital assets consisted of the following:

| | November 30, 2024 | May 31, 2024 |
|---|---|---|
| Land | $ 44,177 | $ 45,577 |
| Production facilities | 388,456 | 369,630 |
| Equipment | 257,310 | 258,532 |
| Leasehold improvements | 18,786 | 19,377 |
| Finance lease, right-of-use assets | 41,479 | 43,993 |
| Construction in progress | 13,864 | 10,713 |
| | $ 764,072 | $ 747,822 |
| Less: accumulated amortization | (209,653) | (189,575) |
| Total | $ 554,419 | $ 558,247 |

Assets held for sale consisted of the following:

| | November 30, 2024 | May 31, 2024 |
|---|---|---|
| Land | $ 932 | $ 954 |
| Production facilities | 24,252 | 24,682 |
| Equipment | 6,299 | 6,438 |
| | $ 31,483 | $ 32,074 |

During the fiscal year ended May 31, 2024, the Company classified the following assets from its Cannabis reporting segment as 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. It is expected that the sale of these assets will be completed within twelve months from the period in which they were classified as held for sale. Assets held for sale are measured at the lower of carrying amount and their fair value less costs to sell, and are no longer depreciated. Disposition of assets held for sale are recorded in the consolidated statement of loss and comprehensive loss, within the line, “Non-operating income (expense), net”.

**Note 4. Leases**

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

| | Classification on Balance Sheet | November 30, 2024 | May 31, 2024 |
|---|---|---|---|
| **Assets** | | | |
| Finance lease, right-of-use assets | Capital assets | $ 41,479 | $ 43,993 |
| Operating lease, right-of-use assets | Operating lease, right-of-use assets | 18,243 | 16,101 |
| Total right-of-use asset | | $ 59,722 | $ 60,094 |
| **Liabilities** | | | |
| Current: | | | |
| Current portion of finance lease liabilities | Current portion of lease liabilities | $ 1,495 | $ 1,092 |
| Current portion of operating lease liabilities | Current portion of lease liabilities | 5,077 | 3,999 |
| Non-current: | | | |
| Finance lease liabilities | Lease liabilities | 45,028 | 43,948 |
| Operating lease liabilities | Lease liabilities | 16,996 | 16,474 |
| Total lease liabilities | | $ 68,596 | $ 65,513 |

The following table presents the future undiscounted payments associated with lease liabilities as of November 30, 2024:

| | Operating leases | Finance leases |
|---|---|---|
| 2025 | $ 3,520 | $ 2,253 |
| 2026 | 6,757 | 4,507 |
| 2027 | 5,778 | 4,507 |
| 2028 | 4,768 | 4,507 |
| Thereafter | 6,604 | 70,750 |
| Total minimum lease payments | $ 27,427 | $ 86,524 |
| Imputed interest | (5,354) | (40,001) |
| Obligations recognized | $ 22,073 | $ 46,523 |

**Note 5. Intangible Assets**

Intangible assets consisted of the following items:

| | November 30, 2024 | May 31, 2024 |
|---|---|---|
| Customer relationships & distribution channels | $ 597,441 | $ 603,939 |
| Licenses, permits & applications | 364,612 | 368,057 |
| Non-compete agreements | 12,346 | 12,403 |
| Intellectual property, trademarks, knowhow & brands | 602,179 | 608,672 |
| | 1,576,578 | $ 1,593,071 |
| Less: accumulated amortization | (294,089) | (261,758) |
| Less: impairments | (415,844) | (415,844) |
| **Total** | $ 866,645 | $ 915,469 |

Included in licenses, permits & applications was $178,387 of indefinite-lived intangible assets as of November 30, 2024, compared to $182,851 as of May 31, 2024.

Expected future amortization expense for intangible assets as of November 30, 2024 is as follows:

| | Amortization |
|---|---|
| 2025 (remaining six months) | $ 36,321 |
| 2026 | 72,641 |
| 2027 | 72,641 |
| 2028 | 72,641 |
| 2029 | 72,641 |
| Thereafter | 361,373 |
| Total | $ 688,258 |

**Note 6. Goodwill**

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

| Reporting Unit | November 30, 2024 | May 31, 2024 |
|---|---|---|
| Cannabis | $ 2,640,669 | $ 2,640,669 |
| Distribution | 4,458 | 4,458 |
| Beverage | 120,802 | 120,802 |
| Wellness | 77,470 | 77,470 |
| Effect of foreign exchange | (373) | 7,916 |
| Impairments | (842,431) | (842,431) |
| Total | $ 2,000,595 | $ 2,008,884 |

**Note 7. Business acquisitions**

*Acquisition of Craft Beverage Business Portfolio*

On September 29, 2023, Tilray acquired a portfolio of beverage brands, assets and businesses comprising eight craft beer and beverage brands from Anheuser-Busch Companies, LLC, ("AB") including breweries and brewpubs associated with them (the "Craft Acquisition"). The acquired businesses/brands include Shock Top, Breckenridge Brewery, Blue Point Brewing Company, 10 Barrel Brewing Company, Redhook Brewery, Widmer Brothers Brewing, Square Mile Cider Company, and HiBall Energy. The Company paid a total purchase price of $83,658 in cash, net of a working capital adjustment at closing of $1,342.

During the period ended November 30, 2024, the Company decreased the fair value of inventory by $500, increased the fair value of capital assets by $6,799, decreased the fair value of finance lease, right-of-use assets by $2,999 and increased accounts payable and accrued liabilities by $3,300 and thus completed the determination of the fair value of the net assets acquired. 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 |
| Prepaids 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** | 154,838 |
| **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** | 71,180 |
| **Total net assets acquired** | 83,658 |

In the event that the Craft Acquisition had occurred on June 1, 2023, the Company would have had, on an unaudited proforma basis, additional net revenue of approximately $14,000 and $55,000 for the three and six months ended November 30, 2023, respectively, and its consolidated net loss and comprehensive net loss would have increased by approximately $2,000 and $5,000 for the three and six months ended November 30, 2023, respectively. This unaudited pro forma financial information does not reflect the realization of any expected ongoing synergies relating to the integration of the Craft Acquisition.

*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 is to continue broadening Tilray's beverage brand strategy. In consideration for the acquisition, the Company paid a total purchase price of $23,079 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. 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 | $ 23,079 |
| **Net assets acquired** | |
| **Current assets** | |
| Cash and cash equivalents | 4,869 |
| Accounts receivable | 1,993 |
| Inventory | 7,344 |
| Prepaids and other current assets | 185 |
| **Long-term assets** | |
| Capital assets | 17,366 |
| Finance lease, right-of-use assets | 1,869 |
| Operating lease, right-of-use assets | 1,884 |
| **Total assets** | 35,510 |
| **Current liabilities** | |
| Accounts payable and accrued liabilities | 8,678 |

| | |
|---|---|
| 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** | 12,431 |
| **Total net assets acquired** | 23,079 |

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 $nil and $13,700 for the three and six months ended November 30, 2024 and approximately $14,000 and $31,000 for the three and six months ended November 30, 2023, respectively, and its consolidated net loss and comprehensive net loss would have increased by approximately $nil and $4,000 for the three and six months ended November 30, 2024 and approximately $5,500 and $9,600 for the three and six months ended November 30, 2023, respectively. This unaudited pro forma financial information does not reflect the realization of any expected ongoing synergies relating to the integration of the Craft Acquisition II.

**Note 8. Convertible notes receivable**

Convertible notes receivable is comprised of the following:

| | November 30, 2024 | May 31, 2024 |
|---|---|---|
| MedMen Convertible Note | 32,000 | 32,000 |
| Deduct - current portion | — | — |
| Total convertible notes receivable, non current portion | $ 32,000 | $ 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 three and six months ended November 30, 2024 there were no additional changes in fair value and the note remained valued at $32,000 as of November 30, 2024 compared to $32,000 as of May 31, 2024.

The Company did not derive any revenue or cash from MedMen's operations, and fully complies with all limitations imposed by applicable U.S. law and regulations in connection with its ownership of the MedMen Convertible Note. In addition, 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 three and six months ended November 30, 2024, which would have increased its value.

**Note 9. Long term investments**

Long term investments consisted of the following:

| | November 30, 2024 | May 31, 2024 |
|---|---|---|
| Equity investments measured at fair value | $ 1,916 | $ 2,359 |
| Equity investments under measurement alternative | 5,500 | 5,500 |
| Total | $ 7,416 | $ 7,859 |

**Note 10. Bank indebtedness**

Aphria Inc., a subsidiary of the Company, has an operating line of credit in the amount of C$1,000, which bears interest at the lender’s prime rate plus 75 basis points. As of November 30, 2024, the Company has not drawn on the line of credit. The operating line of credit is secured by a security interest on certain real property located at 265 Talbot St. West, Leamington, Ontario.

CC Pharma GmbH, a subsidiary of the Company, has two operating lines of credit in the amounts of €7,000 and €500. These lines bear interest at Euro Short-Term Rate ("ESTR") plus 2.50% and Euro Interbank Offered Rate ("EURIBOR") plus 4.00%, respectively. As of November 30, 2024, a total of €7,313 ($7,751) was drawn down from the total 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, Germany production facility and underlying real property. The operating line of credit for €500 is unsecured.

American Beverage Crafts Group Inc. ("ABC Group"), a subsidiary of the Company, has a revolving credit facility of $30,000, which bears interest at SOFR plus an applicable margin. As of November 30, 2024, the Company has drawn down $10,000 on the revolving line of credit. The revolving credit facility is secured by ABC Group's assets and includes a corporate guarantee by a subsidiary of the Company.

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

Accounts payable and accrued liabilities are comprised of:

| | November 30, 2024 | May 31, 2024 |
|---|---|---|
| Trade payables | $ 99,077 | $ 105,392 |
| Accrued liabilities | 87,871 | 92,424 |
| Litigation accrual | 19,610 | 24,378 |
| Accrued payroll and employment related taxes | 4,523 | 6,154 |
| Income taxes payable | 1,380 | 4,092 |
| Accrued interest | 5,161 | 4,217 |
| Sales taxes payable | 4,046 | 5,300 |
| Total | $ 221,668 | $ 241,957 |

**Note 12. Long-term debt**

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

| | November 30, 2024 | May 31, 2024 |
|---|---|---|
| Credit facility - C$66,000 - Canadian prime interest rate plus an applicable margin, 3-year term, with a 10-year amortization, repayable in blended monthly payments, due in November 2025 | $ 35,500 | $ 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 | 9,533 | 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 | 11,700 | 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 | 213 | 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 | 2,018 | 2,089 |
| Term loan - €1,500 - at 2.00%, 5-year term, repayable in quarterly installments of €94 plus interest, due in April 2025 | 205 | 417 |
| Term loan - €3,500 - at 4.59%, 5-year term, repayable in monthly installments of €52 plus interest, due in August 2028 | 2,745 | 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 | 19,787 | 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 | 83,813 | 86,626 |
| Carrying amount of long-term debt | 165,514 | 174,666 |
| Unamortized financing fees | (805) | (808) |
| Net carrying amount | 164,709 | 173,858 |
| Less principal portion included in current liabilities | (15,838) | (15,506) |
| Total non-current portion of long-term debt | $ 148,871 | $ 158,352 |

**Note 13. Convertible debentures payable**

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

| | November 30, 2024 | May 31, 2024 |
|---|---|---|
| 5.20% Convertible Notes ("TLRY 27") | $ 122,735 | $ 129,583 |
| 5.25% Convertible Notes ("APHA 24") | — | 330 |
| Total | 122,735 | 129,913 |
| Deduct - current portion | — | 330 |
| Total convertible debentures payable, non current portion | $ 122,735 | $ 129,583 |

*TLRY 27 Notes*

| | November 30, 2024 | May 31, 2024 |
|---|---|---|
| 5.20% Contractual debenture | $ 172,500 | $ 172,500 |
| Debt settlement | (16,500) | — |
| Unamortized discount | (33,265) | (42,917) |
| Net carrying amount | $ 122,735 | $ 129,583 |

The TLRY 27 convertible debentures were issued on May 30, 2023 and on June 9, 2023 by way of overallotment, in the principal amount of $172,500 (the "TLRY 27 Notes"). The TLRY 27 Notes bear interest at a rate of 5.20% per annum, payable semi-annually in arrears on June 15 and December 15 of each year, and mature on June 15, 2027, unless earlier converted. The TLRY 27 Notes are Tilray's general unsecured obligations and rank senior in right of payment to all of Tilray's indebtedness that is expressly subordinated in right of payment to the notes; equal in right of payment with any of Tilray's unsecured indebtedness that is not so subordinated, including TLRY 23 and APHA 24, effectively junior in right of payment to any of Tilray's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables but excluding intercompany obligations) of Tilray's current or future subsidiaries. Noteholders will have the right to convert their TLRY 27 Notes into shares of Tilray's Common Stock at their option, at any time, until the close of business on the second scheduled trading day immediately before June 15, 2027. The initial conversion rate is 376.6478 shares per $1,000 principal amount of TLRY 27 Notes, which represents a conversion price of approximately $2.66 per share. The conversion rate and conversion price will be subject to adjustment upon the occurrence of certain events.

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

On September 12, 2024 and November 4, 2024, the Company exchanged $7,500 and $9,000 of its TLRY 27 Notes for cancellation, respectively, by issuing 10,034,635 Common Stock and paying $290 of cash to settle both principal and 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 $4,931 reduction of additional paid-in capital in the Consolidated Statements of Changes in Equity. Additionally, this repurchase resulted in a gain of $679 which was recorded in other non-operating (losses) gains, net as shown in Note 24 (Non-operating income (expense)). Following consummation of the exchange, the number of outstanding Borrowed Shares of Common Stock was reduced by 3,682,609 shares which were then returned as Treasury Stock. As of November 30, 2024 and May 31, 2024, a total of 34,817,391 and 38,500,000 shares remained outstanding under the share lending arrangement, respectively.

During the three and six months ended November 30, 2024, the Company recognized interest expense of $2,133 and $4,375 and accretion of amortized discount interest of $2,919 and $5,985 respectively. During the three and six months ended November 30, 2023, the Company recognized interest expense of $2,423 and $4,485 and accretion of amortized discount interest of $2,829 and $5,624.

As at November 30, 2024, there was $156,000 principal outstanding compared to $172,500 principal outstanding as at May 31, 2024.

*APHA 24 Notes*

| | November 30, 2024 | May 31, 2024 |
|---|---|---|
| 5.25% Contractual debenture | $ — | $ 350,000 |
| Debt settlement | — | (349,670) |
| Fair value adjustment | — | — |
| Net carrying amount | $ — | $ 330 |

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.

**Note 14. Warrant liability**

As of November 30, 2024 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 Stock 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 six months ended November 30, 2024, the Company issued shares of its Common Stock which triggered the anti-dilution price protection feature and, accordingly, lowered the exercise price of each warrant to $1.29. 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.

Using the Black Scholes pricing model (Level 3), the Company has estimated the fair value of the warrants outstanding as of November 30, 2024 to be $0.273 per warrant. In applying the Black Scholes pricing model (Level 3), the Company utilized the following assumptions: a risk-free interest rate of 3.23%, an expected volatility of 50%, an expected term of 0.80 years, strike price of $1.29 and fair value of Common Stock of $1.34.

The expected volatility assumption utilized in the Black Scholes pricing model (Level 3) was calculated using both the historical and implied volatility of the Company's Common Stock.

**Note 15. Stockholders' equity**

*Issued and outstanding*

Pursuant to its Fourth Amended and Restated Certificate of Incorporation, the total number of shares that the Company is authorized to issue is 1,208,000,000 shares, of which 1,198,000,000 shares shall be Common Stock (the "Common Stock"), and 10,000,000 shares of which shall be Preferred Stock (the "Preferred Stock"). As of November 30, 2024, the Company had issued and outstanding 929,257,945 shares of Common Stock, 3,682,609 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 six months ended November 30, 2024, the Company issued the following shares of Common Stock:

a) 67,210,864 shares of Common Stock pursuant to its At-the-Market ("ATM") program, which generated gross proceeds of $114,342 and net proceeds of $111,516, after deducting $2,826 in commissions and other fees associated with these issuances.
b) 10,034,635 shares of Common Stock to exchange the aggregate principal of $16,500 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 $4,931 reduction of additional paid-in capital. Following consummation of the exchange, the number of outstanding Borrowed Shares of Common Stock was reduced by approximately 3,682,609 shares which were then returned as Treasury Stock, see Note 13 (Convertible debentures payable).
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) 6,869,485 shares of Common Stock in connection with the exercise of previously awarded stock-based compensation awards.

During the six months ended November 30, 2024, the Company granted 13,346,266 time-based Restricted Stock Units ("RSUs"), and no performance-based RSUs. During the six months ended November 30, 2023, the Company granted 11,588,537 time-based RSUs and 7,566,146 performance-based RSUs. In connection with the 7,566,146 performance-based RSUs that were issued, the performance conditions associated with such awards will not be determined and adopted until a future date and, therefore, the grant date has not been met for accounting purposes and no amounts have been recorded within the Consolidated Statement of Loss. The Company's total stock-based compensation expense from RSUs incurred for the three and six months ended November 30, 2024 was $7,237 and $14,154, respectively, compared to $8,201 and $16,458 for the three and six months ended November 30, 2023, respectively.

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

Accumulated other comprehensive income (loss) is comprised of foreign currency translation gain (loss) as follows:

| | Total |
|---|---|
| Balance May 31, 2023 | $ (46,610) |
| Other comprehensive income (loss) | 3,049 |
| Balance August 31, 2023 | $ (43,561) |
| Other comprehensive income (loss) | 5,194 |
| Balance November 30, 2023 | $ (38,367) |
| | |
| Balance May 31, 2024 | $ (43,499) |
| Other comprehensive income (loss) | 3,622 |
| Balance August 31, 2024 | $ (39,877) |
| Other comprehensive income (loss) | (8,080) |
| Balance November 30, 2024 | $ (47,957) |

**Note 17. Non-controlling interests**

The following are majority-owned subsidiaries of the Company and the percentage of ownership interest maintained by the Company is set forth in the parenthetical: SH Acquisition (68%), CC Pharma Nordic ApS (75%), Aphria Diamond (51%), and Colcanna S.A.S. (90%).

The following table provides a summary of certain balance sheet information before intercompany eliminations relating to the above referenced majority-owned subsidiaries of the Company in which there is a non-controlling interest as of November 30, 2024:

| | SH Acquisition | CC Pharma Nordic ApS | Aphria Diamond | ColCanna S.A.S. | November 30, 2024 |
|---|---|---|---|---|---|
| Current assets | $ — | $ 14 | $ 57,936 | $ 49 | $ 57,999 |
| Non-current assets | 32,000 | | 116,314 | 3,213 | 151,527 |
| Current liabilities | — | (17) | (123,533) | (6,894) | (130,444) |
| Non-current liabilities | — | | (25,095) | (1,452) | (26,547) |
| Net assets | $ 32,000 | $ (3) | $ 25,622 | $ (5,084) | $ 52,535 |

The following table provides a summary of certain balance sheet information before intercompany eliminations relating to the above referenced majority-owned subsidiaries of the Company 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 | $ 32,000 | $ 3 | $ 64,968 | $ (4,725) | $ 92,246 |

The following table provides a summary of certain income statement information before intercompany eliminations relating to the above referenced majority-owned subsidiaries of the Company in which there is a non-controlling interest for the six months ended November 30, 2024:

| | SH Acquisition | CC Pharma Nordic ApS | Aphria Diamond | ColCanna S.A.S. | November 30, 2024 |
|---|---|---|---|---|---|
| Revenue | $ — | $ — | $ 36,429 | $ — | $ 36,429 |
| Total expenses | — | 5 | 26,919 | 793 | 27,717 |
| Net (loss) income | — | (5) | 9,510 | (793) | 8,712 |
| Other comprehensive (loss) income | — | (1) | (796) | 434 | (363) |
| Net comprehensive (loss) income | $ — | $ (6) | $ 8,714 | $ (359) | $ 8,349 |
| Non-controlling interest % | 32% | 25% | 49% | 10% | NA |
| Comprehensive (loss) income attributable to NCI | — | (2) | 4,270 | (36) | 4,232 |
| Net comprehensive (loss) income attributable to NCI | $ — | $ (2) | $ 4,270 | $ (36) | $ 4,232 |

The following table provides a summary of certain income statement information before intercompany eliminations relating to the above referenced majority-owned subsidiaries of the Company in which there is a non-controlling interest for the six months ended November 30, 2023:

| | SH Acquisition | CC Pharma Nordic ApS | Aphria Diamond | ColCanna S.A.S. | November 30, 2023 |
|---|---|---|---|---|---|
| Revenue | $ — | $ — | $ 57,078 | $ — | $ 57,078 |
| Total expenses | — | 54 | 32,803 | (519) | 32,338 |
| Net (loss) income | — | (54) | 24,275 | 519 | 24,740 |
| Other comprehensive (loss) income | — | (30) | 404 | (222) | 152 |
| Net comprehensive (loss) income | $ — | $ (84) | $ 24,679 | $ 297 | $ 24,892 |
| Non-controlling interest % | 32% | 25% | 49% | 10% | NA |
| Comprehensive (loss) income attributable to NCI | — | (21) | 12,093 | 30 | 12,102 |
| Additional income attributable to NCI | — | — | 6,554 | — | 6,554 |
| Net comprehensive (loss) income attributable to NCI | $ — | $ (21) | $ 18,647 | $ 30 | $ 18,656 |

**Note 18. Income taxes**

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

The Company reported income tax expense of $2,036 and $2,922 for the three and six months ended November 30, 2024, and income tax (recovery) expense of $(3,380) and $3,884 for the three and six months ended November 30, 2023. The income tax benefit in the current period varies from the US statutory income tax rate and prior period primarily due to the geographical mix of earnings and losses with no tax benefit resulting from valuation allowances in certain jurisdictions.

**Note 19. Commitments and contingencies**

*Purchase and other commitments*

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

| | Total | 2025 | 2026 | 2027 | 2028 | Thereafter |
|---|---|---|---|---|---|---|
| Long-term debt repayment | $ 165,514 | $ 15,838 | $ 36,201 | $ 12,103 | $ 69,104 | $ 32,268 |
| Convertible debentures payable | 156,000 | — | — | 156,000 | — | — |
| Material purchase obligations | 63,615 | 35,378 | 28,237 | — | — | |
| Construction commitments | 1,078 | 1,078 | — | — | — | — |
| Total | $ 386,207 | $ 52,294 | $ 64,438 | $ 168,103 | $ 69,104 | $ 32,268 |

*Legal proceedings*

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

There have been no material changes in the legal proceedings since our Annual Report on Form 10-K for the fiscal year ended May 31, 2024, except with respect to the legal proceedings disclosed below:

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

On May 4, 2020, Ganesh Kasilingam filed a lawsuit in the United States District Court for the Southern District of New York ("SDNY"), against Tilray Brands, Inc., Brendan Kennedy and Mark Castaneda, on behalf of himself and a putative class, seeking to recover damages for alleged violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Kasilingam litigation"). The complaint alleges that Tilray and the individual defendants overstated the anticipated advantages of the Company's revenue sharing agreement with Authentic Brands Group ("ABG"), announced on January 15, 2019, and that the plaintiff suffered losses when Tilray's stock price dropped after Tilray recognized an impairment with respect to the ABG deal on March 2, 2020.

On September 27, 2021, the U.S. District Court entered an Opinion & Order granting the Defendants' motion to dismiss the complaint in the Kasilingam litigation without prejudice. On December 3, 2021, the lead plaintiff filed a second amended complaint alleging similar claims against Tilray and Brendan Kennedy. The Defendants successfully moved to dismiss the second amended complaint on February 2, 2022. In dismissing the second amended complaint, the court granted the Plaintiff leave to amend one final time. On September 27, 2023, the Plaintiff filed its Third Amended Complaint.

On September 30, 2024, the U.S. District Court entered an Opinion & Order granting the Defendants' motion to dismiss the Third Amended Complaint in the Kasilingam litigation with prejudice.

**In the Matter of an Arbitration Between: K. Dickson v. Tilray, Inc.**

In 2021, Ms. Dickson, the former President of Manitoba Harvest, a wholly-owned subsidiary of Tilray, commenced an arbitration in Minneapolis, Minnesota against Tilray, alleging that Tilray materially breached her Employment Agreement with Tilray and asserted certain Washington statutory wage claims.

On March 17, 2023, the arbitrator awarded Dickson $3,734 in damages, plus amounts for pre-judgment, and double damages under a Washington state wage payment statute (the "Arbitration Award"). Tilray's counterclaim was denied by the Arbitrator. On May 23, 2023, the arbitrator issued a supplemental award which provided that Dickson was entitled to recover attorney fees and costs from Tilray in connection with the arbitration. On February 27, 2024, the U.S. District Court for the Western District of Washington dismissed as moot Tilray's petition to vacate, modify or correct the Arbitration Award, granting Dickson's responding motion to dismiss on the basis that the U.S. District Court for the Western District of Washington lacked personal jurisdiction over Dickson. On March 15, 2024, Tilray filed its notice of appeal of the decision of the U.S. District Court for the Western District of Washington to the U.S. Court of Appeals for the Ninth Circuit. On August 8, 2024, the District Court in Minnesota confirmed the Arbitration Award. A judgment on the Arbitration Award was entered by the Court on August 12, 2024, and, following a motion by Dickson to correct the judgment, became final on September 27, 2024. Tilray filed a notice of appeal to the U.S. Court of Appeals for the Eighth Circuit. In October 2024, the parties entered into a settlement agreement and Tilray paid Dickson the amount of the Arbitration Award, concluding the litigation.

**Nabil Salama v. Tilray Brands, Inc., et. al**

On November 6, 2024, Tilray disclosed in a Current Report on Form 8-K that a lawsuit was commenced against it and its directors, captioned Nabil Salama v. Tilray Brands, Inc., et. al (C.A. No. 2024-1124-JTL).

This lawsuit was filed on October 31, 2024 on behalf of a putative class of stockholders and alleged that (a) Tilray's definitive proxy statement for its 2024 Annual Meeting of Stockholders (the "2024 Proxy Statement") incorrectly applied a majority-of-votes-cast voting standard for approval of the proposal to increase the number of shares of Common Stock authorized for issuance (the "2024 Authorized Shares Proposal"), (b) the proposal increasing the number of shares of Common Stock authorized for issuance (the "2023 Authorized Shares Proposal" and together with the 2024 Authorized Shares Proposal, the "Authorized Shares Proposals") was not validly approved by the stockholders under a majority-of-votes-cast voting standard, and any related issuances of Common Stock were and are not validly authorized, and (c) the named directors of Tilray have breached their fiduciary duties by failing to make accurate disclosures regarding the Authorized Shares Proposals in the 2024 Proxy Statement and 2023 Proxy Statement.

On November 27, 2024, the Court of Chancery of the State of Delaware ruled in favor of Tilray and granted summary judgment for Tilray and its directors. Specifically, the Court held that Tilray correctly applied a majority-of-votes-cast voting standard to its Authorized Shares Proposals.

On December 4, 2024, Plaintiff filed a notice of appeal from the Court's order granting summary judgment. Tilray intends to contest this appeal, which it believes to be without merit.

**Summary of litigation accruals**

As described in Note 11 (Accounts payable and accrued liabilities), the total estimated litigation expense accrual included in accrued liabilities as of November 30, 2024 and May 31, 2024 was $19,610. and $24,378 respectively. This estimated accrual is intended to cover various ongoing litigation matters with probable losses that can be reasonably estimated.

**Note 20. Net revenue**

The Company reports Net revenue in four reporting segments: beverage, cannabis, distribution, and wellness. Net Revenue for the three and six months ended November 30, 2024 and November 30, 2023 were as follows:

| | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | November 30, 2024 | November 30, 2023 | November 30, 2024 | November 30, 2023 |
| Beverage revenue | $ 66,861 | $ 49,651 | $ 126,024 | $ 74,990 |
| Beverage excise taxes | (3,780) | (3,146) | (6,971) | (4,323) |
| Net beverage revenue | 63,081 | 46,505 | 119,053 | 70,667 |
| Cannabis revenue | 87,208 | 94,556 | 168,402 | 191,440 |
| Cannabis excise taxes | (21,556) | (27,442) | (41,501) | (53,993) |
| Net cannabis revenue | 65,652 | 67,114 | 126,901 | 137,447 |
| Distribution revenue | 67,611 | 67,223 | 135,682 | 136,380 |
| Wellness revenue | 14,606 | 12,929 | 29,358 | 26,226 |
| Total | $ 210,950 | $ 193,771 | $ 410,994 | $ 370,720 |

**Note 21. Cost of goods sold**

The Company reports Cost of goods sold in four reporting segments: beverage, cannabis, distribution, and wellness. Cost of goods sold for the three and six months ended November 30, 2024 and November 30, 2023 were as follows:

| | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | November 30, 2024 | November 30, 2023 | November 30, 2024 | November 30, 2023 |
| Beverage costs | 37,925 | $ 30,513 | 70,975 | $ 41,779 |
| Cannabis costs | 42,475 | 46,472 | 79,529 | 96,989 |
| Distribution costs | 59,207 | 60,147 | 119,345 | 121,615 |
| Wellness costs | 10,123 | 9,230 | 20,219 | 18,732 |
| Total | $ 149,730 | $ 146,362 | $ 290,068 | $ 279,115 |

**Note 22. General and administrative expenses**

General and administrative expenses for the three and six months ended November 30, 2024 and November 30, 2023 were as follows:

| | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | November 30, 2024 | November 30, 2023 | November 30, 2024 | November 30, 2023 |
| Salaries and wages | $ 22,726 | $ 19,119 | $ 44,293 | $ 35,894 |
| Office and general | 9,458 | 8,065 | 18,718 | 16,233 |
| Stock-based compensation | 7,237 | 8,201 | 14,154 | 16,458 |
| Insurance | 3,155 | 2,499 | 5,610 | 6,348 |
| Professional fees | 1,126 | 2,503 | 2,304 | 4,002 |
| (Gain) loss on sale of capital assets | (505) | (23) | (531) | (20) |
| Travel and accommodation | 1,754 | 1,374 | 3,247 | 2,481 |
| Rent | 1,046 | 1,575 | 2,315 | 2,433 |
| Total | $ 45,997 | $ 43,313 | $ 90,110 | $ 83,829 |

**Note 23. Restructuring charges**

In connection with the execution of our acquisition strategy and strategic transactions, the Company has incurred restructuring and exit costs associated with the integration efforts of these transactions. In connection with these efforts, the Company recognized $6,869 and $11,116 of restructuring charges for the three and six months ended November 30, 2024 compared to $2,655 and $3,570 for the prior year period. All restructuring plans are approved at the executive level, and their associated expenses are recognized in the period in which the plan is committed. All amounts incurred as of November 30, 2024 have been paid.

Within the Cannabis segment, our restructuring costs predominantly related to the HEXO acquisition, which are expected to be completed within 24 months from the original acquisition, which occurred June 2023. In the six months ended November 30, 2024, we recognized $5,892 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 (which is currently held for sale), the optimization of our Redecan facilities, and $619 of restructuring charges related to the remaining costs of exiting the Truss facility following its sale to a third party in the fiscal year ended May 31, 2024. Additionally, the Company recognized $357 of cost associated winding down the Fort Collins warehouse (which is currently held for sale), and $649 of cost associated with the winding down of our Avanti facility, the closure of which was announced during the quarter ended November 30, 2024.

Within the beverage segment, the Company recognized $990 of expenses related to employee termination severance and benefits and $791 of costs associated with the consolidation of production sites through the integration of the Craft Acquisition and the Craft Acquisition II. Additionally, the Company recognized $500 of restructuring charges related to terminating a legacy storage agreement from the Craft Acquisition. We expect to transition to a new storage facility in the fourth quarter of fiscal year May 31, 2025.

Within the distribution segment, the Company recognized $234 of restructuring charges related to the divestiture of its retail pharmacy location in Argentina.

Lastly, for the three and six months ended November 30, 2024, the Company recognized $1,084 of costs associated with the investment held in Superhero Acquisition Corp. as a result of MedMen's ongoing restructuring and liquidation undertakings.

**Note 24. Non-operating income (expense), net**

Non-operating income (expense), net for the three and six months ended November 30, 2024 and November 30, 2023 were as follows:

| | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | November 30, 2024 | November 30, 2023 | November 30, 2024 | November 30, 2023 |
| Change in fair value of convertible debenture payable | $ — | $ (3,894) | $ — | $ (6,041) |
| Change in fair value of warrant liability | 862 | 6,247 | 1,558 | (1,951) |
| Foreign exchange gain (loss) | (33,797) | (1,024) | (21,916) | 5,243 |
| (Loss) gain on long-term investments | (27) | 459 | (66) | 350 |
| Other non-operating (losses) gains, net | (293) | (967) | (185) | (1,182) |
| Total | $ (33,255) | $ 821 | $ (20,609) | $ (3,581) |

The other non-operating (losses) gains, net for the three and six months ended November 30, 2024, were losses of ($293) and ($185), respectively. The other non-operating (losses) gains, net were mainly comprised of a gain of $679 resulting from the exchange transaction of the TLRY 27 Note, see Note 17 (Convertible debentures payable) and a loss of ($950) to settle outstanding notes with the non-controlling interest shareholder.

**Note 25. Fair value measurements**

**Financial instruments**

The Company's classification of its financial instruments are described in Note 3 (Significant accounting policies) in the Notes to our Annual Financial Statements.

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

On November 30, 2024 and May 31, 2024, the Company had long-term debt of $2,950 and $3,568, respectively, and the principal portion of convertible debentures payable of $156,000 and $172,830, respectively, subject to fixed interest rates. The Company's long-term debt is valued based on discounting the future cash outflows associated with the long-term debt. The discount rate is based on the incremental premium above market rates for the U.S. Department of the Treasury securities of similar duration. In each period thereafter, the incremental premium is held constant while the U.S. Department of the Treasury security is based on the then current market value to derive the discount rate.

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of November 30, 2024 and May 31, 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 | November 30, 2024 |
|---|---|---|---|---|
| Financial assets | | | | |
| Cash and cash equivalents | $ 189,698 | $ — | $ — | $ 189,698 |
| Marketable securities | 62,551 | — | — | 62,551 |
| Convertible notes receivable | — | — | 32,000 | 32,000 |
| Equity investments measured at fair value | 935 | 981 | 5,500 | 7,416 |
| Financial liabilities | | | | |
| Warrant liability | — | — | (1,695) | (1,695) |
| Contingent consideration | — | — | (15,000) | (15,000) |
| APHA 24 Convertible debenture | — | — | — | — |
| Total recurring fair value measurements | $ 253,184 | $ 981 | $ 20,805 | $ 274,970 |

| | 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 | $ 261,441 | $ 1,440 | $ 18,917 | $ 281,798 |

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

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

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

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

The warrants associated with the warrant liability are classified as Level 3 derivatives. Consequently, the estimated fair value of the warrant liability is determined using the Black-Scholes pricing model. Until the warrants are exercised, expire, or other facts and circumstances lead the warrant liability to be reclassified to stockholders' equity, the warrant liability (which relates to warrants to purchase shares of Common Stock) is marked-to-market each reporting period with the change in fair value recorded 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 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% 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 six months ended November 30, 2024, a decrease in fair value of $nil was recognized compared to a decrease of fair value of $10,584 in the period ended November 30, 2023 for the contingent consideration from the SweetWater acquisition as a result of not achieving the incentive targets.

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) | — | — | — | — | 330 |
| Unrealized gain (loss) on fair value | — | — | 1,558 | — | — |
| Balance, November 30, 2024 | $ 32,000 | $ 5,500 | $ (1,695) | $ (15,000) | $ — |

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

| Financial asset / financial liability | Valuation technique | Significant unobservable input | Inputs |
|---|---|---|---|
| Warrant liability | Black-Scholes | Volatility, | 50% |
| | | expected life (in years) | 0.8 |
| Contingent consideration | Discounted cash flows | Discount rate, | 11% |
| | | Probability of achievement | 100% and 0% |

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

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

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

**Note 26. Segment reporting**

Information reported to the Chief Operating Decision Maker (“CODM”) for the purpose of resource allocation and assessment of segment performance focuses on the nature of the operations. The Company operates in four reportable segments: (1) beverage operations, which encompasses the production, marketing and sale of beverage and beverage products, (2) cannabis operations, which encompasses the cultivation, production, distribution, sale, co-manufacturing and advisory services of both medical and adult-use cannabis, (3) distribution operations, which encompasses the purchase and resale/distribution of pharmaceuticals products to wholesale and pharmacy customers, and (4) wellness products, which encompasses hemp foods and hemp-derived consumer products. This structure is in line with how our Chief Operating Decision Maker (“CODM”) assesses our performance and allocates resources.

Operating segments have not been aggregated and asset information by segment is not disclosed because such information is not reported to or used by the Company’s CODM for purposes of assessing segment performance or allocating resources.

Segment gross profit from external customers:

| | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | November 30, 2024 | November 30, 2023 | November 30, 2024 | November 30, 2023 |
| **Beverage** | | | | |
| Net beverage revenue | $ 63,081 | $ 46,505 | $ 119,053 | $ 70,667 |
| Beverage costs | 37,925 | 30,513 | 70,975 | 41,779 |
| Beverage gross profit | 25,156 | 15,992 | 48,078 | 28,888 |
| **Cannabis** | | | | |
| Net cannabis revenue | 65,652 | 67,114 | 126,901 | 137,447 |
| Cannabis costs | 42,475 | 46,472 | 79,529 | 96,989 |
| Cannabis gross profit | 23,177 | 20,642 | 47,372 | 40,458 |
| **Distribution** | | | | |
| Distribution revenue | 67,611 | 67,223 | 135,682 | 136,380 |
| Distribution costs | 59,207 | 60,147 | 119,345 | 121,615 |
| Distribution gross profit | 8,404 | 7,076 | 16,337 | 14,765 |
| **Wellness** | | | | |
| Wellness revenue | 14,606 | 12,929 | 29,358 | 26,226 |
| Wellness costs | 10,123 | 9,230 | 20,219 | 18,732 |
| Wellness gross profit | $ 4,483 | $ 3,699 | $ 9,139 | $ 7,494 |

Channels of Cannabis revenue were as follows:

| | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | November 30, 2024 | November 30, 2023 | November 30, 2024 | November 30, 2023 |
| Revenue from Canadian medical cannabis | $ 6,673 | $ 6,288 | $ 12,934 | $ 12,430 |
| Revenue from Canadian adult-use cannabis | 59,077 | 72,048 | 116,312 | 143,243 |
| Revenue from wholesale cannabis | 6,593 | 4,289 | 12,100 | 9,584 |
| Revenue from international cannabis | 14,865 | 11,931 | 27,056 | 26,183 |
| Less excise taxes | (21,556) | (27,442) | (41,501) | (53,993) |
| Total | $ 65,652 | $ 67,114 | $ 126,901 | $ 137,447 |

There were no advisory services revenue associated with the HEXO commercial transaction agreements for the three and six months ended November 30, 2024. There were $nil and $1,500 in advisory services revenue associated with the HEXO commercial transaction agreements for the three and six months ended November 30, 2023.

Geographic net revenue:

| | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | November 30, 2024 | November 30, 2023 | November 30, 2024 | November 30, 2023 |
| USA | $ 71,753 | $ 53,374 | $ 135,633 | $ 84,863 |
| Canada | 56,720 | 61,245 | 112,625 | 123,277 |
| EMEA | 79,254 | 75,292 | 156,926 | 154,996 |
| Rest of World | 3,223 | 3,860 | 5,810 | 7,584 |
| Total | $ 210,950 | $ 193,771 | $ 410,994 | $ 370,720 |

Geographic capital assets:

| | November 30, 2024 | May 31, 2024 |
|---|---|---|
| USA | $ 200,667 | $ 141,314 |
| Canada | 256,828 | 313,359 |
| EMEA | 93,703 | 99,921 |
| Rest of World | 3,221 | 3,653 |
| Total | $ 554,419 | $ 558,247 |

Major customers are defined as customers that are materially significant to the Company’s annual revenues. For the three and six months ended November 30, 2024 and 2023, there were no major customers representing a material contribution to our quarterly revenues.

**Note 27. Subsequent Events**

From December 2, 2024 to December 11, 2024, the Company issued an additional 8,351,253 shares in connection with the Company’s ATM Program, thereby generating gross proceeds of $11,064. The Company netted proceeds of $10,843 after commissions and other fees associated with these issuances in the amount of $221.

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

*This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Unaudited Interim Consolidated Financial Statements and the related Notes thereto for the period ended November 30, 2024 contained in this Quarterly Report on Form 10-Q and the Audited Consolidated Financial Statements and the related Notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended May 31, 2024, as well as in conjunction with the sections entitled "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended May 31, 2024 and in the section entitled "Item 1A. Risk Factors" in this Quarterly Report on Form 10-Q. Forward looking statements in this Form 10-Q are qualified by the cautionary statement included in this Form 10-Q under the sub-heading "Cautionary Note Regarding Forward-Looking Statements" in the introduction of this Form 10-Q.*

**Company Overview**

Tilray Brands, Inc., a Delaware corporation (collectively, along with its subsidiaries, the "Company", "Tilray", "we", "us" and "our") is a leading global lifestyle consumer products company, which was incorporated on January 24, 2018 and is headquartered in Leamington and New York, with operations in Canada, the United States, Europe, Australia, New Zealand and Latin America that is leading as a transformative force at the nexus of cannabis, beverage, wellness, and entertainment, elevating lives through moments of connection. Tilray's mission is to be a leading premium lifestyle company with a house of brands and innovative products that inspire joy, wellness and create memorable experiences.

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

**Trends and Other Factors Affecting Our Business**

***Beverage market trends:***

Within the beverage category, we expect the following key trends to shape the near-term outlook in this segment:

- *Beverage Distribution*. In furtherance of our strategic vision, we have reevaluated and initiated a refined craft beer strategy focused on enhancing our relevance within home markets on mission critical items, focusing on our core brands in their core markets. Through targeted efforts, we continue to strategically adjusted our portfolio mix and distribution geography with our over 700 distributors to refine our craft beer strategy, enhancing our relevance and focusing resources on our core markets as part of our portfolio rationalization initiatives.

- *Innovation*. Recognizing the evolving consumer landscape and the burgeoning demand for alternative beverage options, we have prioritized innovation and portfolio diversification. Our recent endeavors include launching a lineup of Hemp Derived Delta-9 (HD-D9) products, Non-Alcoholic beverages, water through our Liquid Love brand, flavored malt beverages, and Energy drinks. These strategic innovations underscore our commitment to offering high-quality options across diverse beverage categories, positioning us for sustained growth and differentiation in the competitive beverage segment.

- *Brew Pubs*. Following our recent Craft Acquisition on September 29, 2023 and the Craft Acquisition II effective September 1, 2024, we operate 20 brew pubs including our Breckenridge Distillery restaurant in geographic regions across the U.S. that are located in close proximity to the production of our craft brands. An important part of our strategic plan for our beverage operations centers on Brew Pubs to promote and showcase the distinct, regional positioning of our craft beer brands and enhance brand recognition to help drive revenue growth. We believe that our brew pub strategy allows us to curate unique small batch product offerings in targeted test markets to help drive effective product innovation.

In the spirits category, Breckenridge Distillery stands out as a beacon within the bourbon industry, making notable strides in vodka and gin markets while offering a comprehensive hospitality experience through its world-class restaurant and retail location. Our primary growth objective centers on expanding market share across the United States. To fuel future expansion, we prioritize showcasing our exceptional product quality and introducing innovative new offerings. Recent accolades, including Double Gold awards at prestigious competitions such as Breckenridge Reserve Port Cask Finish being named the World's best finished Bourbon at the 2024 World Whiskies Awards and strategic product placements, we believe underscore our brand's growing recognition and appeal. Despite prevailing challenges within the overall spirits market, we believe our focus on whiskey—a resilient segment— positions us for continued growth fueled by innovative product introductions and expanded market presence.

***Canadian cannabis market trends:***

The cannabis industry in Canada continues to evolve given how nascent the industry is with federal legalization of adult-use cannabis occurring just over five years ago. Through analysis of the current market conditions, the following key trends have emerged and are anticipated to influence the near-term future in the Canadian cannabis industry:

- *Market share*. Tilray continues to lead the Canadian market with the highest cannabis revenue in Canada. However, during the quarter, we experienced a marginal dip in market share in Canada from 9.8% to 9.4% from the immediately preceding quarter, as reported by Hifyre data for all provinces excluding Quebec where Weedcrawler was deemed more accurate. The current period decrease in market share reflects our efforts to preserve margin in specific categories experiencing the most price compression.

- *Price compression.* Historical price compression in specific categories is expected to persist in the market, intensified by fierce competition among the approximately 1,000 Licensed Producers in Canada. The fixed impact of excise per gram, notwithstanding the decline in average selling prices, further compounds these challenges, and has promoted ongoing industry lobbying efforts.

***International cannabis trends:***

We are a global leader in the development, production, distribution, marketing and sale of pharmaceutical-grade medical cannabis products. The cannabis industry in Europe is still in its early stages of development and countries within Europe are at different stages of medical and adult-use cannabis legalization. The most meaningful progress to date has been the legalization and regulation of cannabis for medical purposes which has now taken place in more than 15 countries representing a population of more than 350 million people (Germany, UK, Italy, Poland, Netherlands, Czech Republic, Greece, Portugal, Austria, Switzerland, Denmark, Croatia, Malta, Luxembourg, Ukraine, Ireland, and Israel). Beyond this, some countries have expressed a clear political ambition to legalize adult-use cannabis (Germany, Portugal, Luxembourg and Czech Republic), some are engaging in experiments for adult-use legalization (Germany, Netherlands and Switzerland) and some are debating regulations for cannabinoid-based medicine (France and Spain). In Europe, we believe that, despite continuing recessionary economic conditions, political uncertainty in various countries and the continuing Russian conflict with Ukraine, cannabis legalization (both medicinal and adult-use) will continue to gain traction albeit more slowly than originally expected. This is evidenced by the recently adopted cannabis regulations in Germany, which we believe will serve as a catalyst for continued changes in drug policy throughout Europe. Outside of Europe and North America, the cannabis industry is also in its early stages of development with Australia and New Zealand representing some of the larger markets.

We continue to believe that Tilray remains uniquely positioned to maintain and gain significant market share in the markets in which we participate. We benefit from our end-to-end vertically-integrated infrastructure and well-placed investments, which are comprised of two EU-GMP cultivation facilities within Europe located in Portugal and Germany; our fully owned route-to-market encompassing sales, marketing and distribution infrastructure in Germany, Australia and Italy; a network of leading distributors who we work with in the various other countries in which we participate; and, our extensive genetics portfolio and demonstrated commitment and expertise related to the cultivation and production of high-quality, safe cannabis products. Tilray's International business also benefits from the depth and breadth of knowledge, experience, relationships and infrastructure we have gleaned from our leading participation and investment into the Canadian medical and adult-use markets. We believe that these assets and attributes, combined with our ability to navigate complex regulatory environments, will continue to drive our leadership in international medical markets and allow us to successfully enter new markets as they adopt medical cannabis and potentially adult-use regulations and may also serve to support a potential U.S. participation in the event of federal legalization.

*Germany*. Today, Germany remains the largest medical cannabis market in Europe.

On April 1, 2024, the Cannabis Act, consisting of two parts, the CanG and MedCanG, was signed into law by the Office of the Federal President and decriminalization and MedCanG portions of the Cannabis Act became effective. The MedCanG provides for several important medical cannabis reforms including the reclassification of medical cannabis from a narcotic to non-narcotic and the abolishment of the tender for domestic production, which has been replaced with a regular licensing scheme under the authority of the Federal Institute for Drugs and Medical Devices (the "BfArM"). Three licenses for domestic cultivation have been issued, with Tilray receiving the first one. The foreseen enhanced accessibility to medical cannabis due to non-narcotic prescriptions has had the desired effect. The prescription numbers have risen since April 1, 2024 and, accordingly, we have seen a significant increase in our business in Germany where we supply the market with a wide range of medical cannabis extracts and whole flower. In addition, the Federal Joint Committee (the "G-BA") which issues directives for the German health insurance funds, enacted a resolution in July 2024 allowing for a significant reduction of reservation of approval. This is expected to have a positive market effect, allowing more doctors and specialists to be able to prescribe medical cannabis without receiving prior approval from statutory insurers. Tilray is well positioned to benefit from this change given our leading market share within the medical cannabis extracts segment that tends to have high levels of insurance coverage.

We continue to believe that Tilray is well-positioned in Germany, especially considering the enactment of MedCanG and given that we are one of only three manufacturers of medical cannabis in Germany since our wholly owned subsidiary, Aphria RX, was awarded the first license for the cultivation of medical cannabis in Germany by the BfArM under the liberalized regime. Said license will improve our ability to meet the needs of patients and provide cannabis of the utmost quality and enhanced availability to a broader market.

*Poland*. In Poland, cannabis was legalized for medical use in 2018 and is prescribed to patients by a physician and dispensed by pharmacies. Today, all doctors in Poland are allowed to prescribe medical cannabis and it is a self-pay market as med-ical cannabis is not refundable by the Polish health service. Tilray is a leading supplier of medical cannabis in Poland through our network of distributor partnerships. We predominantly supply the market with whole flower medical cannabis products.

*United Kingdom*. Since November 2018, doctors in the UK have been able to prescribe medical cannabis for medicinal use for patients with medical conditions that had failed to respond to first-line medications. The market today is predominantly all self-pay and prescriptions are facilitated by private clinics. Today, we supply the UK market with mainly whole flower products through our distributor partner.

*Ireland.* In June 2019, the Minister for Health signed legislation allowing for the operation of the Medical Cannabis Access Programme ("MCAP") on a pilot basis for five years. The MCAP allows a medical consultant to prescribe a cannabis-based treatment for a narrow set of specified medical conditions, where the patient has failed to respond to standard treatment. Reimbursement is available for products which have received the appropriate approvals. Tilray was one of the first players to enter the Irish market and is one of a few suppliers which has received approval for its products to be prescribed and to have been granted reimbursement status. Today, we supply our approved extract product to Ireland through our distribution partner.

*Italy*. In May 2023, Tilray Medical received authorization from Italy's Ministry of Health to distribute three new medical cannabis compounds. These medical cannabis compounds are distributed by FL Group, our wholly-owned subsidiary, to pharmacies across Italy. With FL Group, we have an established broad national pharmaceutical distribution network in Italy, where medical cannabis is prescribed by doctors and reimbursed by the healthcare system to eligible patients.

*Australia*. In 2016, the Australian Government legalized medicinal cannabis, which is regulated by the Therapeutic Goods Administration. Medical cannabis is prescribed by a doctor but there is no coverage under the Pharmaceutical Benefits Scheme. Tilray Medical suppliers the market with wide portfolio of medical cannabis extracts as well as whole flower products. We see increased differentiation between the physician-led and the patient-led channels. In response, we launched the Broken Coast, Redecan and Good Supply brands and products, which provides the patient with a segmented portfolio of products while we continue to deliver on the trust, safety and consistency that has become expected from our Tilray Medical brand.

*New Zealand.* In April 2020, the New Zealand Government enacted the Medicinal Cannabis Scheme which allows for the prescription of medical cannabis products. All medical cannabis products in New Zealand must meet the Minimum Quality Standards ("MQS") which are set by government to ensure the quality and consistency of products. Any medicinal cannabis product that has either been verified against the MQS or approved as a medicine can be prescribed without specialist recommendation or Ministerial approval and there are no specific indications for which medical cannabis must be prescribed. As one of the first companies to supply medical cannabis in New Zealand, Tilray Medical holds a leading position and continues to supply a broad portfolio of whole flower and extracts products to the growing market via our distribution partner.

***Wellness market trends:***

Manitoba Harvest's US branded business grew 6.2% in multi-outlet consumption during the six months ended November 30, 2024 from the prior year period, further establishing its leading market share position with the brand's top five customers all seeing growth. The Company continues to focus on value-added innovation within the wellness space with the launch of Superseed Snack Clusters in partnership with Whole Foods Market as well as continued emphasis on The Humble Seed, a seed-forward cracker brand which was purchased earlier this year.

**Acquisitions, Strategic Transactions and Synergies**

We strive to continue to expand our business, on a consolidated basis, through a combination of organic growth and acquisition. While we continue to execute against our strategic initiatives that we believe will result in long-term, sustainable growth and value to our stockholders, we continue to evaluate potential acquisitions and other strategic transactions of businesses that we believe complement our existing portfolio, infrastructure and capabilities or provide us with the opportunity to enter attractive new geographic markets and product categories as well as expand our existing capabilities. In addition, we have exited certain businesses and continue to evaluate certain businesses within our portfolio that are dilutive to profitability and cash flow. As a result, we incur transaction costs in connection with identifying and completing acquisitions and strategic transactions, as well as ongoing integration and restructuring costs as we combine acquired companies and continue to achieve synergies, which is offset by income generated in connection with the execution of these transactions. For the six months ended November 30, 2024, we incurred $2.0 million of transaction expenses, as discussed further below.

Effective September 1, 2024, Tilray acquired a portfolio of four craft brands and breweries comprised of Atwater Brewery, Hop Valley Brewing Company, Terrapin Beer Co., and Revolver Brewing from Molson, see Note 7 (Business Acquisition). We expect that this recent acquisition furthers the execution of our beverage strategy, which we believe will have positive impacts on our beverage segment leading to increased revenues and whitespace penetration.

***Beverage segment Project 420:***

In December 2020, we entered the beverage category with the acquisition of SweetWater Brewing Company, one of the largest independent craft brewers in the U.S. by volume, with the vision of creating a larger and more diversified global lifestyle consumer products company.

This initial acquisition provided us with a foundation to pursue additional acquisitions in the beverage category and scale our business on a national basis. We acquired Alpine Beer Company, Green Flash and Breckenridge Distillery in December 2021, Montauk Brewing Company in November 2022, Craft Acquisition I in October 2023 and Craft Acquisition II in September 2024.

With Craft Acquisition I and Craft Acquisition II, we capitalized on opportunities to acquire additional beverage businesses that consisted of strong brands in decline and in need of investment in order to promote growth. To support the growth of these acquired brands and establish a clear path to profitability, we implemented Project 420, which is a comprehensive plan through which we expect to achieve our $25 million synergy plan based on the following initiatives:

- *Operational optimization:* As we increase our operational footprint, the optimization of those facilities has been our focus. Accordingly, we continuously evaluate our beverage operational footprint and have identified redundancies in our manufacturing and warehousing assets. By integrating our operations, we are obtaining better utilization of our facilities, decreasing the amount of excess capacity and gaining efficiencies through improved fixed cost absorption.

- *Cost savings, cost avoidance and synergies:* Our focus on cost savings, synergies and cost avoidance across our beverage segment has identified and, we are continuing to identify, the elimination of duplicative fixed costs, procurement, distribution and back office costs.

- *Portfolio optimization/SKU Rationalization:* Today, our Beverage segment consists of an expansive portfolio comprised of over 20 beverage brands in different categories consisting of craft beer, spirits and non-alcoholic options. In response to the declining growth in the craft beer industry and consolidation of distributors, we worked with our distributors in various markets to streamline our portfolio to eliminate duplicative and slower growth products, which had the immediate effect of reducing revenue. However, by eliminating these slower growing SKUs, we are able to focus our attention and resources on our higher growth SKUs and the introduction of new innovation, which we expect will accelerate our revenue growth in future quarters. Going forward, we will continue to manage SKU performance within our portfolio on a "one in and one out basis" to maximize SKU productivity. In addition, in connection with our strategic review with the Boston Consulting Group, we are executing against our "regional jewel" strategy, which resulted in our conscious decision to delist certain SKUs in certain geographies that were not considered key markets for those brands.

  For the six months ended November 30, 2024, our prioritization of certain products in key markets resulted in a reduction in net sales of approximately $6.0 million. Additionally, our decision to discontinue certain SKUs due to market conditions led to an additional reduction in net sales of $2.0 million. For the fiscal year ended May 31, 2025, it is anticipated that the cumulative impact of these initiatives will result in a reduction of approximately $20.0 million in net sales, which we believe will be offset by the growth of our new product innovation, including in new beverage categories, and brand extensions over the next 18 months. It is important to note, however, that there is a lag between the discontinuation of the SKUs and the associated reduction in revenue, which has an immediate effect, and the acceleration of the growth of our existing SKUs and the introduction of new innovation and the associated increase in revenue, which takes time due to retailer resets. We also expect these efforts will lead to improved sales and margins, with benefits realized through lower selling costs, as well as reduced requirements for working capital through inventory reductions and an improvement in our cash conversion cycle.

- *Brand and business investment:* We have been and are continuing to increase our investment in the marketing, promotion and infrastructure of our recently acquired brands in order to reestablish their dominance in their core markets. Our intention is to fund this investment through the cost savings and synergies achieved through Project 420.

As of the end of the second quarter ended November 30, 2024, we achieved $17 million of the $25 million synergy plan. However, these savings are not completely offsetting our investment at this time. As a result, our Adjusted EBITDA for the three and six months ended November 30, 2024 was lower by $1.8 million and $3.2 million, respectively, as a result of our SKU rationalization. Our operating cash flow in the quarter was also lower due to these investments.

**Political and Economic Environment**

Our results of operations may be affected by economic, political, legislative, regulatory, legal actions, global volatility and general market disruption resulting from geopolitical tensions, such as Russia's continued incursion into Ukraine, the ongoing events in the Middle East and political uncertainty in certain countries in Europe. Economic conditions, such as recessionary trends, inflation, supply chain disruptions, interest and monetary exchange rates, government fiscal policies, and the recent banking credit crises can have a significant effect on operations.

**Results of Operations**

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

| | For the three months ended | | | | For the six months ended | | | |
|---|---|---|---|---|---|---|---|---|
| **(in thousands of U.S. dollars)** | **November 30, 2024** | **November 30, 2023** | **Change** | **% Change 2024 vs. 2023** | **November 30, 2024** | **November 30, 2023** | **Change** | **% Change 2024 vs. 2023** |
| Net revenue | $ 210,950 | $ 193,771 | $ 17,179 | 9% | $ 410,994 | $ 370,720 | $ 40,274 | 11% |
| Cost of goods sold | 149,730 | 146,362 | 3,368 | 2% | 290,068 | 279,115 | 10,953 | 4% |
| Gross profit | 61,220 | 47,409 | 13,811 | 29% | 120,926 | 91,605 | 29,321 | 32% |
| Operating expenses: | | | | | | | | |
| General and administrative | 45,997 | 43,313 | 2,684 | 6% | 90,110 | 83,829 | 6,281 | 7% |
| Selling | 16,162 | 7,583 | 8,579 | 113% | 27,852 | 14,442 | 13,410 | 93% |
| Amortization | 22,927 | 21,917 | 1,010 | 5% | 44,731 | 44,142 | 589 | 1% |
| Marketing and promotion | 9,720 | 9,208 | 512 | 6% | 21,286 | 17,743 | 3,543 | 20% |
| Research and development | 60 | 56 | 4 | 7% | 165 | 135 | 30 | 22% |
| Change in fair value of contingent consideration | — | 300 | (300) | (100)% | — | (10,807) | 10,807 | (100)% |
| Litigation costs, net of recoveries | 901 | 3,042 | (2,141) | (70)% | 2,496 | 5,076 | (2,580) | (51)% |
| Restructuring costs | 6,869 | 2,655 | 4,214 | 159% | 11,116 | 3,570 | 7,546 | 211% |
| Transaction costs (income), net | 802 | 1,094 | (292) | (27)% | 1,958 | 9,596 | (7,638) | (80)% |
| Total operating expenses | 103,438 | 89,168 | 14,270 | 16% | 199,714 | 167,726 | 31,988 | 19% |
| Operating loss | (42,218) | (41,759) | (459) | 1% | (78,788) | (76,121) | (2,667) | 4% |
| Interest expense, net | (7,766) | (8,625) | 859 | (10)% | (17,608) | (18,460) | 852 | (5)% |
| Non-operating (expense) income, net | (33,255) | 821 | (34,076) | (4,151)% | (20,609) | (3,581) | (17,028) | 476% |
| Loss before income taxes | (83,239) | (49,563) | (33,676) | 68% | (117,005) | (98,162) | (18,843) | 19% |
| Income tax expense (recovery), net | 2,036 | (3,380) | 5,416 | (160)% | 2,922 | 3,884 | (962) | (25)% |
| Net loss | $ (85,275) | $ (46,183) | $ (39,092) | 85% | $ (119,927) | $ (102,046) | $ (17,881) | 18% |

**Use of Non-GAAP Measures**

Throughout this Management's Discussion and Analysis of Financial Condition and Results of Operations in this Quarterly Report on Form 10-Q, we discuss non-GAAP financial measures, including references to:

- adjusted gross profit (excluding purchase price accounting ("PPA") fair value step up) for each reporting segment (Cannabis, Beverage, Distribution and Wellness) as applicable,
- adjusted gross margin (excluding PPA fair value step up) for each reporting segment (Beverage, Cannabis, Distribution and Wellness) as applicable,
- adjusted EBITDA,
- cash and marketable securities, and
- constant currency presentation of net revenue.

These non-GAAP financial measures should be considered in addition to, and not in lieu of, the financial measures calculated and presented in accordance with generally accepted accounting principles in the United States of America, ("GAAP"). These financial measures, which may be different than similarly titled financial measures used by other companies, are presented to help investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. Please see "Reconciliation of Non-GAAP Financial Measures to GAAP Measures" below for reconciliation of such non-GAAP Measures to the most directly comparable GAAP financial measures, as well as a discussion of our adjusted gross margin, adjusted gross profit and adjusted EBITDA measures and the calculation of such measures.

*Constant Currency Presentation*

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

*Cash and Marketable Securities*

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

**Operating Metrics and Non-GAAP Measures**

We use the operating metrics and non-GAAP measures set forth in the table below to evaluate our business and operations, measure our performance, identify trends affecting our business, project our future performance, and make strategic decisions. Other companies, including companies in our industry, may calculate operating metrics and non-GAAP measures with similar names differently which may reduce their usefulness as comparative measures. Certain variances are labeled as not meaningful ("NM") throughout management's discussion and analysis.

| | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| (in thousands of U.S. dollars) | November 30, 2024 | November 30, 2023 | November 30, 2024 | November 30, 2023 |
| Net beverage revenue | $ 63,081 | $ 46,505 | $ 119,053 | $ 70,667 |
| Net cannabis revenue | 65,652 | 67,114 | 126,901 | 137,447 |
| Distribution revenue | 67,611 | 67,223 | 135,682 | 136,380 |
| Wellness revenue | 14,606 | 12,929 | 29,358 | 26,226 |
| Beverage costs | 37,925 | 30,513 | 70,975 | 41,779 |
| Cannabis costs | 42,475 | 46,472 | 79,529 | 96,989 |
| Distribution costs | 59,207 | 60,147 | 119,345 | 121,615 |
| Wellness costs | 10,123 | 9,230 | 20,219 | 18,732 |
| Adjusted gross profit (excluding PPA step-up) (1) | 62,596 | 52,110 | 122,477 | 101,412 |
| Beverage adjusted gross margin (excluding PPA step-up) (1) | 42% | 38% | 42% | 44% |
| Cannabis adjusted gross margin (excluding PPA step-up) (1) | 35% | 35% | 37% | 35% |
| Distribution gross margin | 12% | 11% | 12% | 11% |
| Wellness gross margin | 31% | 29% | 31% | 29% |
| Adjusted EBITDA (1) | $ 9,017 | $ 10,086 | $ 18,351 | $ 20,820 |
| Cash and marketable securities (1) as at the period ended: | 252,249 | 259,791 | 252,249 | 259,791 |
| Working capital as at the period ended: | $ 428,815 | $ 247,041 | $ 428,815 | $ 247,041 |

(1) *Adjusted EBITDA, adjusted gross profit (excluding PPA step-up) and adjusted gross margin (excluding PPA step-up) for each of our segments, and cash and marketable securities are non-GAAP financial measures. See "Use of Non-GAAP Measures" above for a discussion of these Non-GAAP measures and "Reconciliation of Non-GAAP Financial Measures to GAAP Measures" below for a reconciliation of these Non-GAAP Measures to our most comparable GAAP measure* and the discussion above captioned "Cash and Marketable Securities."

**Segment Reporting**

Our reporting segments net revenue is comprised of net revenues from our beverage, cannabis, distribution, and wellness operations, as follows:

| | For the three months ended | | | | For the six months ended | | | |
|---|---|---|---|---|---|---|---|---|
| | November 30, | November 30, | Change | % Change | November 30, | November 30, | Change | % Change |
| (in thousands of U.S. dollars) | 2024 | 2023 | 2024 vs. 2023 | | 2024 | 2023 | 2024 vs. 2023 | |
| Beverage business | $ 63,081 | $ 46,505 | $ 16,576 | 36% | $ 119,053 | $ 70,667 | $ 48,386 | 68% |
| Cannabis business | 65,652 | 67,114 | (1,462) | (2)% | 126,901 | 137,447 | (10,546) | (8)% |
| Distribution business | 67,611 | 67,223 | 388 | 1% | 135,682 | 136,380 | (698) | (1)% |
| Wellness business | 14,606 | 12,929 | 1,677 | 13% | 29,358 | 26,226 | 3,132 | 12% |
| Total net revenue | $ 210,950 | $ 193,771 | $ 17,179 | 9% | $ 410,994 | $ 370,720 | $ 40,274 | 11% |

Our reporting segment net revenue on a constant currency(1) basis is as follows:

| (in thousands of U.S. dollars) | For the three months ended as reported in constant currency November 30, 2024 | November 30, 2023 | Change 2024 vs. 2023 | % Change 2024 vs. 2023 | For the three months ended as reported in constant currency November 30, 2024 | November 30, 2023 | Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
|---|---|---|---|---|---|---|---|---|
| Beverage business | $ 63,081 | $ 46,505 | $ 16,576 | 36% | $ 119,053 | $ 70,667 | $ 48,386 | 68% |
| Cannabis business | 65,853 | $ 67,114 | (1,261) | (2)% | 128,645 | 137,447 | (8,802) | (6)% |
| Distribution business | 69,411 | $ 67,223 | 2,188 | 3% | 139,807 | 136,380 | 3,427 | 3% |
| Wellness business | 14,629 | $ 12,929 | 1,700 | 13% | 29,569 | 26,226 | 3,343 | 13% |
| Total net revenue | $ 212,974 | $ 193,771 | $ 19,203 | 10% | $ 417,074 | $ 370,720 | $ 46,354 | 13% |

Our geographic net revenue is as follows:

| (in thousands of U.S. dollars) | For the three months ended November 30, 2024 | November 30, 2023 | Change 2024 vs. 2023 | % Change 2024 vs. 2023 | For the six months ended November 30, 2024 | November 30, 2023 | Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
|---|---|---|---|---|---|---|---|---|
| USA | $ 71,753 | $ 53,374 | $ 18,379 | 34% | $ 135,633 | $ 84,863 | $ 50,770 | 60% |
| Canada | 56,720 | 61,245 | (4,525) | (7)% | 112,625 | 123,277 | (10,652) | (9)% |
| EMEA | 79,254 | 75,292 | 3,962 | 5% | 156,926 | 154,996 | 1,930 | 1% |
| Rest of World | 3,223 | 3,860 | (637) | (17)% | 5,810 | 7,584 | (1,774) | (23)% |
| Total net revenue | $ 210,950 | $ 193,771 | $ 17,179 | 9% | $ 410,994 | $ 370,720 | $ 40,274 | 11% |

Our geographic net revenue on a constant currency(1) basis is as follows:

| (in thousands of U.S. dollars) | For the three months ended as reported in constant currency November 30, 2024 | November 30, 2023 | Change 2024 vs. 2023 | % Change 2024 vs. 2023 | For the six months ended as reported in constant currency November 30, 2024 | November 30, 2023 | Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
|---|---|---|---|---|---|---|---|---|
| USA | $ 71,753 | $ 53,374 | 18,379 | 34% | $ 135,633 | $ 84,863 | 50,770 | 60% |
| Canada | 57,051 | 61,245 | (4,194) | (7)% | 114,487 | 123,277 | (8,790) | (7)% |
| EMEA | 78,542 | 75,292 | 3,250 | 4% | 155,971 | 154,996 | 975 | 1% |
| Rest of World | 5,628 | 3,860 | 1,768 | 46% | 10,983 | 7,584 | 3,399 | 45% |
| Total net revenue | $ 212,974 | $ 193,771 | $ 19,203 | 10% | $ 417,074 | $ 370,720 | $ 46,354 | 13% |

Our geographic capital assets are as follows:

| (in thousands of U.S. dollars) | November 30, 2024 | May 31, 2024 | Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
|---|---|---|---|---|
| USA | $ 200,667 | $ 141,314 | $ 59,353 | 42% |
| Canada | 256,828 | 313,359 | (56,531) | (18)% |
| EMEA | 93,703 | 99,921 | (6,218) | (6)% |
| Rest of World | 3,221 | 3,653 | (432) | (12)% |
| Total capital assets | $ 554,419 | $ 558,247 | $ (3,828) | (1)% |

**Beverage revenue**

Revenue from our Beverage segment increased to $63.1 million and $119.1 million for the three and six months ended November 30, 2024, compared to revenue of $46.5 million and $70.7 million for the prior year period. This growth was primarily driven by our recent Craft Acquisition II, effective September 1, 2024, which included the brands and breweries of Hop Valley Brewing Company, Terrapin Beer Company, Revolver Brewing, and Atwater Brewery. Further, the prior year period did not reflect a full period of revenue from the initial Craft Acquisition, completed on September 29, 2023. The growth in our Beverage segment was partially offset by the SKU rationalization implemented in connection with Project 420, which resulted in a reduction of revenue during the three and six months ended November 30, 2024.

**Cannabis revenue**

Cannabis net revenue based on market channel was as follows:

| (in thousands of US dollars) | For the three months ended November 30, 2024 | For the three months ended November 30, 2023 | Change 2024 vs. 2023 | % Change 2024 vs. 2023 | For the six months ended November 30, 2024 | For the six months ended November 30, 2023 | Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
|---|---|---|---|---|---|---|---|---|
| Revenue from Canadian medical cannabis | $ 6,673 | $ 6,288 | $ 385 | 6% | $ 12,934 | $ 12,430 | $ 504 | 4% |
| Revenue from Canadian adult-use cannabis | 59,077 | 72,048 | (12,971) | (18)% | 116,312 | 143,243 | (26,931) | (19)% |
| Revenue from wholesale cannabis | 6,593 | 4,289 | 2,304 | 54% | 12,100 | 9,584 | 2,516 | 26% |
| Revenue from international cannabis | 14,865 | 11,931 | 2,934 | 25% | 27,056 | 26,183 | 873 | 3% |
| Total cannabis revenue | 87,208 | 94,556 | (7,348) | (8)% | 168,402 | 191,440 | (23,038) | (12)% |
| Excise taxes | (21,556) | (27,442) | 5,886 | (21)% | (41,501) | (53,993) | 12,492 | (23)% |
| Total cannabis net revenue | $ 65,652 | $ 67,114 | $ (1,462) | (2)% | $ 126,901 | $ 137,447 | $ (10,546) | (8)% |

Cannabis net revenue based on market channel on a constant currency(1) basis was as follows:

| (in thousands of US dollars) | For the three months ended as reported in constant currency November 30, 2024 | For the three months ended as reported in constant currency November 30, 2023 | Change 2024 vs. 2023 | % Change 2024 vs. 2023 | For the six months ended as reported in constant currency November 30, 2024 | For the six months ended as reported in constant currency November 30, 2023 | Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
|---|---|---|---|---|---|---|---|---|
| Revenue from Canadian medical cannabis | $ 6,707 | $ 6,288 | $ 419 | 7% | $ 13,139 | $ 12,430 | $ 709 | 6% |
| Revenue from Canadian adult-use cannabis | 59,346 | 72,048 | (12,702) | (18)% | 118,152 | 143,243 | (25,091) | (18)% |
| Revenue from wholesale cannabis | 6,697 | 4,289 | 2,408 | 56% | 12,355 | 9,584 | 2,771 | 29% |
| Revenue from international cannabis | 14,759 | 11,931 | 2,828 | 24% | 27,147 | 26,183 | 964 | 4% |
| Total cannabis revenue | 87,509 | 94,556 | (7,047) | (7)% | 170,793 | 191,440 | (20,647) | (11)% |
| Excise taxes | (21,656) | (27,442) | 5,786 | (21)% | (42,148) | (53,993) | 11,845 | (22)% |
| Total cannabis net revenue | $ 65,853 | $ 67,114 | $ (1,261) | (2)% | $ 128,645 | $ 137,447 | $ (8,802) | (6)% |

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

***Revenue from Canadian medical cannabis:*** Revenue from Canadian medical cannabis increased to $6.7 million and $12.9 million for the three and six months ended November 30, 2024 compared to revenue of $6.3 million and $12.4 million for the prior year period. On a constant currency basis, revenue from Canadian medical cannabis was $6.7 million and $13.1 million for the three and six months ended November 30, 2024 compared to revenue of $6.3 million and $12.4 million for the prior year period. This increase in revenue from medical cannabis was primarily driven by growth in the insured patient category exceeding the decline in un-insured patient attrition to the adult-use recreational market.

***Revenue from Canadian adult-use cannabis:*** During the three and six months ended November 30, 2024, our revenue from Canadian adult-use cannabis decreased to $59.1 million and $116.3 million, compared to revenue of $72.0 million and $143.2 million for the prior year period. Revenue in the prior year period included $1.5 million in advisory fees, which did not repeat during the three and six months ended November 30, 2024. On a constant currency basis, our revenue from Canadian adult-use cannabis decreased to $59.3 million and $118.2 million for the three and six months ended November 30, 2024. The decrease in adult-use revenue was driven by our renewed focus on preserving gross margin and maintaining a higher average selling price in growing categories such as vapes that have experienced a high degree of price compression. We expect to be able to increase our participation in these categories as a result of our capex investments in the fourth quarter ended May 31, 2025, to improve these trends.

***Wholesale cannabis revenue:*** Revenue from wholesale cannabis increased to $6.6 million and $12.1 million for the three and six months ended November 30, 2024 compared to revenue of $4.3 million and $9.6 million for the prior year period. On a constant currency basis, revenue from wholesale cannabis increased to $6.7 million and $12.4 million for the three and six months ended November 30, 2024 compared to revenue of $4.3 million and $9.6 million for the prior year period. Due to the transition to asset-light business models, the Canadian cannabis industry has experienced a reduction in excess inventory resulting in price increases in the B2B market. This shift in market dynamics and demand enabled us to strategically sell inventory that was sought after in the wholesale market during the quarter but does not meet the high standards required for our branded product. In the near-term, we anticipate continued volatility and fluctuation in the wholesale market, and we will assess market conditions on a quarterly basis.

***International cannabis revenue:*** Revenue from International cannabis increased to $14.9 million and $27.1 million for the three and six months ended November 30, 2024 compared to revenue of $11.9 million and $26.2 million for the prior year period. On a constant currency basis, given the changes in the Euro against the U.S. Dollar when compared to the prior year quarter, revenue from international cannabis was $14.8 million and $27.1 million compared to $11.9 million and $26.2 million in the prior year period. The increase during the period was primarily driven by higher sales in Germany, attributed to the expanding German medical market, and Poland. This growth was partially offset by lower revenue in Australia, which was impacted by regulatory actions affecting certain prescribers. International cannabis revenue may fluctuate from quarter to quarter based upon the timing of the receipt of export/import permits as well as the timing of shipments from one quarter to the next.

**Distribution revenue**

Revenue from our Distribution segment increased to $67.6 million and $135.7 million for the three and six months ended November 30, 2024, compared to revenue of $67.2 million and $136.4 million for the prior year period. On a constant currency basis, given the change in the Euro and Argentine Peso against the U.S. Dollar in the quarter, revenue from Distribution increased to $69.4 million and $139.8 million for the three and six months ended November 30, 2024, compared to $67.2 million and $136.4 million for the prior year period. Although revenue remained relatively consistent, the period-over-period variability was primarily influenced currency fluctuations.

**Wellness revenue**

Our Wellness segment revenue showed strong growth delivering $14.6 million and $29.4 million for the three and six months ended November 30, 2024 compared to $12.9 million and $26.2 million from the prior year period. On a constant currency basis for the three and six months ended November 30, 2024, Wellness segment revenue increased to $14.6 million and $29.6 million from $12.9 million and $26.2 million. The increase in revenue was primarily attributed to our strategic focus on continued innovations, including the launch of our HD-D9 products and strong organic growth within our branded hemp food business related to higher consumption.

**Gross profit, gross margin and adjusted gross margin(1) for our reporting segments**

Our gross profit and gross margin for the three and six months ended November 30, 2024 and November 30, 2023, respectively, was as follows:

| (in thousands of U.S. dollars) | For the three months ended November 30, 2024 | For the three months ended November 30, 2023 | Change 2024 vs. 2023 | % Change 2024 vs. 2023 | For the six months ended November 30, 2024 | For the six months ended November 30, 2023 | Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
|---|---|---|---|---|---|---|---|---|
| **Beverage** | | | | | | | | |
| Net revenue | $ 63,081 | $ 46,505 | $ 16,576 | 36% | $ 119,053 | $ 70,667 | $ 48,386 | 68% |
| Cost of goods sold | 37,925 | 30,513 | 7,412 | 24% | 70,975 | 41,779 | 29,196 | 70% |
| Gross profit | 25,156 | 15,992 | 9,164 | 57% | 48,078 | 28,888 | 19,190 | 66% |
| Gross margin | 40% | 34% | 6% | 18% | 40% | 41% | (1)% | (2)% |
| Purchase price accounting step-up | 1,376 | 1,763 | (387) | (22)% | 1,551 | 2,353 | (802) | (34)% |
| Adjusted gross profit (1) | 26,532 | 17,755 | 8,777 | 49% | 49,629 | 31,241 | 18,388 | 59% |
| Adjusted gross margin (1) | 42% | 38% | 4% | 11% | 42% | 44% | (2%) | (5%) |
| **Cannabis** | | | | | | | | |
| Net revenue | 65,652 | 67,114 | (1,462) | (2)% | 126,901 | 137,447 | (10,546) | (8)% |
| Cost of goods sold | 42,475 | 46,472 | (3,997) | (9)% | 79,529 | 96,989 | (17,460) | (18)% |
| Gross profit | 23,177 | 20,642 | 2,535 | 12% | 47,372 | 40,458 | 6,914 | 17% |
| Gross margin | 35% | 31% | 4% | 13% | 37% | 29% | 8% | 28% |
| Purchase price accounting step-up | — | 2,938 | (2,938) | (100)% | — | 7,454 | (7,454) | (100)% |
| Adjusted gross profit (1) | 23,177 | 23,580 | (403) | (2)% | 47,372 | 47,912 | (540) | (1)% |
| Adjusted gross margin (1) | 35% | 35% | 0% | 0% | 37% | 35% | 2% | 6% |
| **Distribution** | | | | | | | | |
| Net revenue | 67,611 | 67,223 | 388 | 1% | 135,682 | 136,380 | (698) | (1)% |
| Cost of goods sold | 59,207 | 60,147 | (940) | (2)% | 119,345 | 121,615 | (2,270) | (2)% |
| Gross profit | 8,404 | 7,076 | 1,328 | 19% | 16,337 | 14,765 | 1,572 | 11% |
| Gross margin | 12% | 11% | 1% | 9% | 12% | 11% | 1% | 9% |
| **Wellness** | | | | | | | | |
| Net revenue | 14,606 | 12,929 | 1,677 | 13% | 29,358 | 26,226 | 3,132 | 12% |
| Cost of goods sold | 10,123 | 9,230 | 893 | 10% | 20,219 | 18,732 | 1,487 | 8% |
| Gross profit | 4,483 | 3,699 | 784 | 21% | 9,139 | 7,494 | 1,645 | 22% |
| Gross margin | 31% | 29% | 2% | 7% | 31% | 29% | 2% | 7% |
| **Total** | | | | | | | | |
| Net revenue | 210,950 | 193,771 | 17,179 | 9% | 410,994 | 370,720 | 40,274 | 11% |
| Cost of goods sold | 149,730 | 146,362 | 3,368 | 2% | 290,068 | 279,115 | 10,953 | 4% |
| Gross profit | 61,220 | 47,409 | 13,811 | 29% | 120,926 | 91,605 | 29,321 | 32% |
| Gross margin | 29% | 24% | 5% | 21% | 29% | 25% | 4% | 16% |
| Purchase price accounting step-up | 1,376 | 4,701 | (3,325) | (71)% | 1,551 | 9,807 | (8,256) | (84)% |
| Adjusted gross profit (1) | 62,596 | 52,110 | 10,486 | 20% | 122,477 | 101,412 | 21,065 | 21% |
| Adjusted gross margin (1) | 30% | 27% | 3% | 11% | 30% | 27% | 3% | 11% |

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

*Beverage gross margin:* Gross margin of 40% and 40% for the three and six months ended November 30, 2024 increased from 34% and decreased from 41% in the prior year period. Adjusted gross margin of 42% and 42% for the three and six months ended November 30, 2024 increased from 38% and decreased from 44% in the prior year period. The change in the adjusted beverage gross margin during the three and six months ended November 30, 2024 was driven by several factors. Our continued integration efforts of our Craft Acquisition, increased utilization of our facilities and improvements in our product mix as part of our strategic initiatives under Project 420 have had favorable impacts on our adjusted gross margin. However, these improvements were partially offset by the impacts from the Craft Acquisition II, which has lower margins than our historical business. Overall the culmination of these factors during the three months ended November 30, 2024, resulted in a 400 basis point improvement to our adjusted beverage gross margin as a result of our aforementioned cost savings initiatives.

*Cannabis gross margin:* Gross margin increased during the three and six months ended November 30, 2024 to 35% and 37% from 31% and 29% in the prior year period. Excluding the impact of the non-cash fair value purchase price accounting step-up, adjusted gross margin during the three and six months ended November 30, 2024 remained consistent at 35% and increased to 37% from 35% and 35% in the prior year period. The improvement in adjusted gross margin for the six months ended November 30, 2024 was driven by our increased international cannabis revenue as well as a continued focus on maintaining a higher average selling price and favorable product mix to improve gross margins in Canada despite lower sales in the Canadian adult-use market. Additionally, the prior year period also included $1.5 million of HEXO advisory services revenue, which did not recur in the current year period.

*Distribution gross margin:* Gross margin increased to 12% and 12% for the three and six months ended November 30, 2024 from 11% and 11% for the prior year period, which was attributed to favorable product mix as we continued to prioritize higher margin product offerings.

*Wellness gross margin:* Gross margin increased to 31% and 31% for the three and six months ended November 30, 2024 from 29% and 29% from the prior year period, which was a result of strong operational efficiencies, lower input costs and the culmination of a change in sales mix towards higher margin product offerings.

**Operating expenses**

| (in thousands of US dollars) | For the three months ended November 30, 2024 | For the three months ended November 30, 2023 | Change | % Change | For the six months ended November 30, 2024 | For the six months ended November 30, 2023 | Change | % Change |
|---|---|---|---|---|---|---|---|---|
| | | | 2024 vs. 2023 | | | | 2024 vs. 2023 | |
| General and administrative | $ 45,997 | $ 43,313 | $ 2,684 | 6% | $ 90,110 | $ 83,829 | $ 6,281 | 7% |
| Selling | 16,162 | 7,583 | 8,579 | 113% | 27,852 | 14,442 | 13,410 | 93% |
| Amortization | 22,927 | 21,917 | 1,010 | 5% | 44,731 | 44,142 | 589 | 1% |
| Marketing and promotion | 9,720 | 9,208 | 512 | 6% | 21,286 | 17,743 | 3,543 | 20% |
| Research and development | 60 | 56 | 4 | 7% | 165 | 135 | 30 | 22% |
| Change in fair value of contingent consideration | — | 300 | (300) | (100)% | — | (10,807) | 10,807 | (100)% |
| Litigation costs, net of recoveries | 901 | 3,042 | (2,141) | (70)% | 2,496 | 5,076 | (2,580) | (51)% |
| Restructuring costs | 6,869 | 2,655 | 4,214 | 159% | 11,116 | 3,570 | 7,546 | 211% |
| Transaction costs (income), net | 802 | 1,094 | (292) | (27)% | 1,958 | 9,596 | (7,638) | (80)% |
| Total operating expenses | $ 103,438 | $ 89,168 | $ 14,270 | 16% | $ 199,714 | $ 167,726 | $ 31,988 | 19% |

Operating expenses are comprised of general and administrative, selling, amortization, marketing and promotion, research and development, change in fair value of contingent consideration, litigation costs, net of recoveries, restructuring costs and transaction (income) costs, net. These costs increased by $14.2 million and $32.0 million to $103.4 million and $199.7 million for the three and six months ended November 30, 2024 compared to $89.2 million and $167.7 million for the prior year period. Of the $14.2 million and $32.0 million increase recognized during the three and six months ended November 30, 2024, $9.1 million and $18.8 million was attributed to the inclusion of expenses from our recent Craft Acquisition II, effective September 1, 2024, and that the prior year period did not reflect a full period of results from the initial Craft Acquisition, completed on September 29, 2023.These changes period over period are described below.

**General and administrative costs**

During the three and six months ended November 30, 2024, the changes in general and administrative costs when compared to the prior year period are as follows:

| (in thousands of US dollars) | For the three months ended November 30, 2024 | November 30, 2023 | Change 2024 vs. 2023 | % Change 2024 vs. 2023 | For the six months ended November 30, 2024 | November 30, 2023 | Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
|---|---|---|---|---|---|---|---|---|
| Salaries and wages | $ 22,726 | $ 19,119 | $ 3,607 | 19% | $ 44,293 | $ 35,894 | $ 8,399 | 23% |
| Office and general | 9,458 | 8,065 | 1,393 | 17% | 18,718 | 16,233 | 2,485 | 15% |
| Stock-based compensation | 7,237 | 8,201 | (964) | (12)% | 14,154 | 16,458 | (2,304) | (14)% |
| Insurance | 3,155 | 2,499 | 656 | 26% | 5,610 | 6,348 | (738) | (12)% |
| Professional fees | 1,126 | 2,503 | (1,377) | (55)% | 2,304 | 4,002 | (1,698) | (42)% |
| (Gain) loss on sale of capital assets | (505) | (23) | (482) | 2,096% | (531) | (20) | (511) | 2,555% |
| Travel and accommodation | 1,754 | 1,374 | 380 | 28% | 3,247 | 2,481 | 766 | 31% |
| Rent | 1,046 | 1,575 | (529) | (34)% | 2,315 | 2,433 | (118) | (5)% |
| Total general and administrative costs | $ 45,997 | $ 43,313 | $ 2,684 | 6% | $ 90,110 | $ 83,829 | $ 6,281 | 7% |

Salaries and wages increased by 19% and 23% during the three and six months ended November 30, 2024. The increase during the three and six months ended November 30, 2024 was primarily due to the inclusion of employees from our recent Craft Acquisition II, effective September 1, 2024, and that the prior year period did not reflect a full period of results from the initial Craft Acquisition, completed on September 29, 2023. Additionally, included in the six month period ended November 30, 2024, there was $1.7 million of retention payments that did not occur in the prior year period.

Office and general increased by 17% and 15% during the three and six months ended November 30, 2024. The increase was primarily due to the inclusion of expenses from our recent Craft Acquisition II, effective September 1, 2024, and that the prior year period did not reflect a full period of results from the initial Craft Acquisition, completed on September 29, 2023.

The Company recognized stock-based compensation expense of $7.2 million and $14.2 million for the three and six months ended November 30, 2024 compared to $8.2 million and $16.5 million for the prior year period. Stock based compensation expense is based on the time-based vesting schedules and varies according to the assumptions used in the vesting model. During the three and six months ended November 30, 2024, as a result of previously issued stock options, restricted stock units ("RSUs") and stock appreciation rights ("SARs") under Tilray 2018 Equity Incentive Plan and Original Plan, as described in the Annual Report on Form 10-K for the fiscal year ended May 31, 2024, that have fully vested, stock-based compensation decreased period over period.

Insurance expense increased by 26% and decreased by 12% for the three and six months ended November 30, 2024 to $3.2 million and $5.6 million from $2.5 million and $6.3 million for the prior year period. The change for the three and six months ended November 30, 2024 was driven by lower premiums, offset by the additional polices required for our newly acquired beverage business portfolio for both the Craft Acquisition and Craft Acquisition II. For the three and six months ended November 30, 2024, as a percentage of revenue insurance was 1.5% and 1.4% compared to 1.3% and 1.7% in the prior year period, demonstrating our ability to manage our policy costs despite growing the business.

Rent expense decreased by 34% and 5% for the three and six months ended November 30, 2024 to $1.0 million and $2.3 million from $1.6 million and $2.4 million for the prior period. Rent expense is predominantly comprised of operating lease costs for our Brewpubs and office spaces. The six month increase was driven by the inclusion of expenses from our recent Craft Acquisition II, effective September 1, 2024, and that the prior year period did not reflect a full period of results from the initial Craft Acquisition, completed on September 29, 2023. Additionally, the three month decrease was driven by the exit from the Truss Lease in the current year and a reduction in lease payments, which was previously included in the prior period results.

**Selling costs**

For the three and six months ended November 30, 2024, the Company incurred selling costs of $16.2 million and $27.9 million or 7.7% and 6.8% of net revenue as compared to $7.6 million and $14.4 million or 3.9% and 3.9% of net revenue in the prior year period. These costs relate to third-party shipping costs for all segments, in addition to distributor commission incurred by the cannabis segment, Health Canada cannabis fees, and patient acquisition and maintenance costs. The increase for the three and six months ended November 30, 2024, is predominately due to the higher freight costs experienced in the beverage segment as well as proportionate increase for the higher sales associated with the recent Craft Acquisition II, effective September 1, 2024, and that the prior year period did not reflect a full period of results from the initial Craft Acquisition, completed on September 29, 2023. Additionally, in the six month period ended November 30, 2023, the Company received a refund of $1.2 million on cannabis selling fees related to an amended fee calculation and a commission refund that did not recur in the current period.

**Amortization**

The Company incurred non-production related amortization charges of $22.9 million and $44.7 million for the three and six months ended November 30, 2024 compared to $21.9 million and $44.1 million in the prior year period based on depreciable capital and intangible assets useful lives.

**Marketing and promotion costs**

For the three and six months ended November 30, 2024, the Company incurred marketing and promotion costs of $9.7 million and $21.3 million as compared to $9.2 million and $17.7 million for the prior year period, which was primarily due to the inclusion of expenses from our recent Craft Acquisition II, effective September 1, 2024, and that the prior year period did not reflect a full period of results from the initial Craft Acquisition, completed on September 29, 2023. Additionally, there was quarterly variability in discretionary marketing expenses.

**Research and development**

Research and development costs were $0.1 million and $0.2 million during the three and six months ended November 30, 2024, compared to $0.1 million and $0.1 million in the prior year period. These relate to external costs associated with the development of new products.

**Change in fair value of contingent consideration**

The Company measures contingent consideration at fair value classified as Level 3, as discussed in Note 25 (Fair value measurements). During the three and six months ended November 30, 2024, the Company recognized $nil and $nil change in fair value of contingent consideration as there were no changes to the likelihood achievement for Montauk Brewing compared to a loss of $0.3 million and a gain of $10.8 million in the prior period for the contingent consideration from the SweetWater acquisition as a result of not achieving the earnout targets.

**Litigation costs, net of recoveries**

For the three and six months ended November 30, 2024, the Company recorded $0.9 million and $2.5 million of litigation settlements costs and third-party fees incurred in defending these claims, net of favorable recoveries compared to $3.0 million and $5.1 million in the prior period. The decrease is related to period-to-period variability as litigation costs and expenses are non-recurring in nature.

**Restructuring costs**

In connection with the execution of our acquisition strategy and strategic transactions, the Company has incurred non-recurring restructuring and exit costs associated with the integration efforts of these transactions. In connection with these efforts, the Company recognized three and six months ended November 30, 2024, the Company incurred $6.9 million and $11.1 million of restructuring charges compared to $2.7 million and $3.6 million for the prior year period. All restructuring plans are approved at the executive level, and their associated expenses are recognized in the period in which the plan is committed. All amounts incurred as of November 30, 2024 have been paid.

Within the Cannabis segment, our restructuring costs predominantly related to the HEXO acquisition, which are expected to be completed within 24 months from the original acquisition, which occurred June 2023. In the six months ended November 30, 2024, we recognized $5.9 million 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 (which is currently held for sale), the optimization of our Redecan facilities, and $0.6 million of restructuring charges related to the remaining costs of exiting the Truss facility following its sale to a third party in the fiscal year ended May 31, 2024. Additionally, the Company recognized $0.4 million of cost associated winding down the Fort Collins warehouse (which is currently held for sale), and $0.6 million of cost associated with the winding down of our Avanti facility, the closure of which was announced during the quarter ended November 30, 2024.

Within the beverage segment, the Company recognized $1.0 million of expenses related to employee termination severance and benefits and $0.8 million of costs associated with the consolidation of production sites through the integration of the Craft Acquisition and the Craft Acquisition II. Additionally, the Company recognized $0.5 million of restructuring charges related to terminating a legacy storage agreement from the Craft Acquisition. We expect to transition to a new storage facility in the fourth quarter of fiscal year 2025, consistent with our announced cost savings initiatives.

Within the distribution segment, the Company recognized $0.2 million of restructuring charges related to the divestiture of its retail pharmacy location in Argentina.

Lastly, for the three and six months ended November 30, 2024, the Company recognized $1.1 million of costs associated with the investment held in Superhero Acquisition Corp. as a result of MedMen's ongoing restructuring and liquidation undertakings.

**Transaction (income) costs, net**

Transaction (income) costs, net, includes acquisition related income and expenses, related legal, financial advisor and due diligence cost and expenses and transaction related compensation. The three and six months ended November 30, 2024 decrease of 27% and 80% from the prior year period was a result of HEXO, Truss and the Craft Acquisition taking place in the previous year which did not recur. The expenses incurred in the current period largely related to the Craft Acquisition II, for the four craft beer brands and breweries from Molson, which was effective September 1, 2024.

**Non-operating (expense) income, net**

Non-operating (expense), net income was comprised of:

| | For the three months ended | | | | For the six months ended | | | |
|---|---|---|---|---|---|---|---|---|
| (in thousands of US dollars) | November 30, 2024 | November 30, 2023 | Change | % Change 2024 vs. 2023 | November 30, 2024 | November 30, 2023 | Change | % Change 2024 vs. 2023 |
| Change in fair value of convertible debenture payable | $ — | $ (3,894) | $ 3,894 | (100)% | $ — | $ (6,041) | $ 6,041 | (100)% |
| Change in fair value of warrant liability | 862 | 6,247 | (5,385) | (86)% | 1,558 | (1,951) | 3,509 | (180)% |
| Foreign exchange gain (loss) | (33,797) | (1,024) | (32,773) | 3,200% | (21,916) | 5,243 | (27,159) | (518)% |
| Loss on long-term investments | (27) | 459 | (486) | (106)% | (66) | 350 | (416) | (119)% |
| Other non-operating (losses) gains, net | (293) | (967) | 674 | (70)% | (185) | (1,182) | 997 | (84)% |
| Total non-operating income (expense) | $ (33,255) | $ 821 | $ (34,076) | (4,151)% | $ (20,609) | $ (3,581) | $ (17,028) | 476% |

For the three and six months ended November 30, 2024, the Company recognized a change in fair value of its convertible debentures payable of $0.0 million and $0.0 million compared to ($3.9) million and ($6.0) million in the prior year period. The change was driven primarily by the exchange of APHA 24 convertible debenture prior to and upon maturity. Additionally, for the three and six months ended November 30, 2024, the Company recognized a change in fair value of its warrants, resulting in a gain of $0.9 million and $1.6 million compared to a gain of $6.2 million and a loss of ($2.0) million as a result of the change in our share price and the exercise price of the instrument. For the three and six months ended November 30, 2024, the Company recognized a loss of ($33.8) million and ($21.9) million resulting from the changes in foreign exchange rates during the period compared to a loss of ($1.0) million and a gain of $5.2 million for the prior period. The non-operating (losses) gains were ($0.3) million and $(0.2) million for the three and six months ended November 30, 2024, compared to ($1.0) million and ($1.2) million, for the prior period, and was mainly comprised of a gain of $0.7 million resulting from the exchange transaction of the TLRY 27 Note, see Note 17 (Convertible debentures payable) and a loss of ($1.0) million to settle outstanding notes with the non-controlling interest shareholder.

**Reconciliation of Non-GAAP Financial Measures to GAAP Measures**

**Adjusted EBITDA**

Adjusted EBITDA is a non-GAAP financial measure that does not have any standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies. The Company calculates adjusted EBITDA as net loss/net income before income taxes, net interest expense, depreciation and amortization, equity in net loss of equity-method investees, purchase price accounting step-up on inventory, stock-based compensation, impairments, other than temporary change in fair value of convertible notes receivable, restructuring costs, transaction (income) costs net, litigation costs net of recoveries, change in fair value of contingent consideration, unrealized currency gains and losses and other adjustments.

We believe that this presentation provides useful information to management, analysts and investors regarding certain additional financial and business trends relating to its results of operations and financial condition. In addition, management uses this measure for reviewing the financial results of the Company and as a component of performance-based executive compensation.

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

For three and six months ended November 30, 2024, adjusted EBITDA decreased to $9.0 million and $18.4 million compared to $10.1 million and $20.8 million for the prior year period as we continue to integrate our recent craft beverage acquisitions.

| Adjusted EBITDA reconciliation: | For the three months ended November 30, 2024 | For the three months ended November 30, 2023 | Change 2024 vs. 2023 | % Change 2024 vs. 2023 | For the six months ended November 30, 2024 | For the six months ended November 30, 2023 | Change 2024 vs. 2023 | % Change 2024 vs. 2023 |
|---|---|---|---|---|---|---|---|---|
| Net loss | $ (85,275) | $ (46,183) | $ (39,092) | 85% | $ (119,927) | $ (102,046) | $ (17,881) | 18% |
| Income tax expense (recovery), net | 2,036 | (3,380) | 5,416 | (160)% | 2,922 | 3,884 | (962) | (25)% |
| Interest expense, net | 7,766 | 8,625 | (859) | (10)% | 17,608 | 18,460 | (852) | (5)% |
| Non-operating income (expense), net | 33,255 | (821) | 34,076 | (4,151)% | 20,609 | 3,581 | 17,028 | 476% |
| Amortization | 34,050 | 31,552 | 2,498 | 8% | 65,864 | 62,341 | 3,523 | 6% |
| Stock-based compensation | 7,237 | 8,201 | (964) | (12)% | 14,154 | 16,458 | (2,304) | (14)% |
| Change in fair value of contingent consideration | — | 300 | (300) | (100)% | — | (10,807) | 10,807 | (100)% |
| Purchase price accounting step-up | 1,376 | 4,701 | (3,325) | (71)% | 1,551 | 9,807 | (8,256) | (84)% |
| Facility start-up and closure costs | — | 300 | (300) | (100)% | — | 900 | (900) | (100)% |
| Litigation costs, net of recoveries | 901 | 3,042 | (2,141) | (70)% | 2,496 | 5,076 | (2,580) | (51)% |
| Restructuring costs | 6,869 | 2,655 | 4,214 | 159% | 11,116 | 3,570 | 7,546 | 211% |
| Transaction costs (income), net | 802 | 1,094 | (292) | (27)% | 1,958 | 9,596 | (7,638) | (80)% |
| Adjusted EBITDA | $ 9,017 | $ 10,086 | $ (1,069) | (11)% | $ 18,351 | $ 20,820 | $ (2,469) | (12)% |

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

- Non-cash amortization expenses and, although these are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future;
- Stock-based compensation expenses, a non-cash expense and are an important part of our compensation strategy;
- Non-cash impairment charges, as the charges are not expected to be a recurring business activity;
- Non-cash other than temporary write-down of convertible notes receivable, as the charges are not expected to be a recurring business activity;
- Non-cash foreign exchange gains or losses, which accounts for the effect of both realized and unrealized foreign exchange transactions. Unrealized gains or losses represent foreign exchange revaluation of foreign denominated monetary assets and liabilities;
- Non-cash change in fair value of warrant liability;
- Interest expense, net;
- Costs incurred to start up new facilities, and to fund emerging market operations;
- Transaction (income) costs, net which includes acquisition related income and expenses, related legal, financial advisor and due diligence cost and expenses and transaction related compensation, which vary significantly by transaction and are excluded to evaluate ongoing operating results;
- Restructuring charges;
- Litigation costs, net of favorable recoveries and the third party fees associated with defending these claims, includes costs related to legacy and non-operational litigation matters, legal settlements and recoveries;
- Amortization of purchase accounting fair value step-up in inventory value included in costs of goods sold; and
- Current and deferred income tax expenses and recoveries, which could be a significant recurring expense or recovery in our business in the future and reduce or increase cash available to us.

**Adjusted Gross Profit and Adjusted Gross Margin**

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

**Liquidity and Capital Resources**

We actively manage our cash and investments in order to internally fund operating needs, make scheduled interest and principal payments on our borrowings, and complete acquisitions. We believe that existing cash, cash equivalents, marketable securities and cash generated by operations, together with access to external sources of funds, will be sufficient to meet our domestic and foreign capital needs for the short and long term outlook.

For the Company's short-term liquidity requirements, we are focused on generating positive cash flows from operations and being free cash flow positive. As a result of delays in legalization across multiple markets, management continues to optimize our operating structure, headcount, as well as the elimination of other discretionary operational costs. Additionally, the Company continues to invest our excess cash in the short-term in marketable securities which are comprised of U.S. treasury bills and term deposits with major Canadian, European and Australian banks.

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

On May 17, 2024, the Company entered into an equity distribution agreement with TD Securities (USA) LLC ("TD Securities") and Jefferies LLC ("Jefferies") in connection with an aggregate offering value of up to $250 million from time to time through an at-the-market equity program ("ATM Program"). During the three and six months ended November 30, 2024, the Company issued 67,210,864 shares under the ATM program generating gross proceeds of $114.3 million. The Company paid $2.8 million in commissions and other fees associated with these issuances generating net proceeds of $111.5 million. See Note 27 (Subsequent events) for additional transactions. The Company intends to use the net proceeds from the ATM Program to fund strategic and accretive acquisitions or investments in businesses and capital expenditures for acquired businesses, including potential acquisitions of assets in the U.S. and internationally in order to capitalize on expected regulatory advancements or expansion opportunities.

Additionally, we are committed to optimizing our capital structure and enhancing financial flexibility as we intend to continue to opportunistically purchase or exchange equity for the TLRY 27 Notes prior to their underlying maturity date in June 2027, subject to market conditions.

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

| | For the three months ended | | For the six months ended | |
|---|---|---|---|---|
| | November 30, 2024 | November 30, 2023 | November 30, 2024 | November 30, 2023 |
| Net cash provided by (used in) operating activities | $ (40,724) | $ (30,409) | $ (76,031) | $ (46,251) |
| Net cash provided by (used in) investing activities | (10,725) | 81,497 | (60,120) | 55,207 |
| Net cash provided by financing activities | 38,203 | (85,366) | 98,793 | (71,348) |
| Effect on cash of foreign currency translation | (2,242) | 95 | (1,284) | 709 |
| Cash and cash equivalents, beginning of period | 205,186 | 179,132 | 228,340 | 206,632 |
| Cash and cash equivalents, end of period | $ 189,698 | $ 144,949 | $ 189,698 | $ 144,949 |
| Marketable securities | 62,551 | 116,418 | 62,551 | 116,418 |
| Less: Restricted cash | — | (1,576) | — | (1,576) |
| Cash and marketable securities(1) | $ 252,249 | $ 259,791 | $ 252,249 | $ 259,791 |

*(1) Cash and marketable securities are non-GAAP financial measures. See "Use of Non-GAAP Measures" above for additional discussion regarding these non-GAAP measures. The Company combines the Cash and cash equivalent financial statement line item, and the Marketable securities financial statement line item as an aggregate total as reconciled in the liquidity and capital resource section below. The Company's management believes that this presentation provides useful information to management, analysts and investors regarding certain additional financial and business trends relating to its short-term liquidity position by combing these three GAAP metrics.*

*Cash flows from operating activities*

The change in net cash used in operating activities was ($40.7) million and ($76.0) million for three and six months ended November 30, 2024 compared to ($30.4) million and ($46.3) million for the prior year period and was a result of additional working capital requirements as we continued to scale up our operations, including the Craft Acquisition II in September 2024.

*Cash flows from investing activities*

The change in net cash used in investing activities was ($10.7) million and ($60.1) million for three and six months ended November 30, 2024 compared to $81.5 million and $55.2 million for the prior period, and was a result of the purchase of marketable securities in the current year compared to the sale of marketable securities in the prior period, and the differences in cash paid for the Craft Acquisition II in the current year compared to HEXO, Truss and the Craft Acquisition in the prior period.

*Cash flows from financing activities*

The change in cash provided by financing activities was $38.2 million and $98.8 million for three and six months ended November 30, 2024 compared to ($85.4) million and ($71.3) million for the prior year period. In the current period, cash was provided by funds from the ATM program that did not occur in the prior period. In the prior period ended November 30, 2023, the Company received proceeds of $21.6 million for the overallotment issuance of TLRY 27 Notes and proceeds from the delayed draw on the ABC Credit Facility, offset by the $107.3 million repayment of the TLRY 23 and APHA 24 Notes.

**Subsequent Events**

Refer to Part I, Financial Information, Note 27 *Subsequent Events*.

**Contingencies**

In addition to the litigation described in the Part II, Item 1 - Legal Proceedings, the Company is and may be a defendant in lawsuits from time to time in the normal course of business. While the results of litigation and claims cannot be predicted with certainty, the Company believes the reasonably possible losses of such matters, individually and in the aggregate, are not material. Additionally, the Company believes the probable final outcome of such matters will not have a material adverse effect on the Company's consolidated results of operations, financial position, cash flows or liquidity.

**Critical Accounting Estimates**

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States. The accounting principles we use require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and amounts of income and expenses during the reporting periods presented. We believe in the quality and reasonableness of our critical accounting policies, however, materially different amounts may be reported under different conditions or using assumptions different from those that we have applied. The accounting estimates that have been identified as critical to our business operations and to understanding the results of our operations pertain to revenue recognition, valuation of inventory, valuation of long-lived assets, goodwill and intangible assets, stock-based compensation and valuation allowances for deferred tax assets. The application of each of these critical accounting policies and estimates is discussed in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the fiscal year ended May 31, 2024.

**Recently Issued Accounting Pronouncements**

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in "Part I, Item 1. Note 1 – Basis of presentation and summary of significant accounting policies" to our financial statements appearing elsewhere in this Quarterly Report on Form 10-Q.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

There have been no material changes in market risk from those addressed in the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2024 during the six months ended November 30, 2024. See the information set forth in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, of the Company's Annual Report on Form 10-K for the fiscal year ended May 31, 2024.

**Item 4. Controls and Procedures.**

*Disclosure Controls and Procedures*

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, and summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report was made under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer.

Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of November 30, 2024, our disclosure controls and procedures (a) are effective to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is timely recorded, processed, summarized and reported and (b) include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Consistent with guidance issued by the SEC, the scope of management's assessment of the effectiveness of our disclosure controls and procedures did not include the internal controls over financial reporting of our recently acquired businesses from the Craft Acquisition II, which was effective on September 1, 2024. The acquired businesses represented 0.6% of our consolidated assets and 2.6% of our consolidated net revenues as of and for the six months ended November 30, 2024.

*Changes in Internal Control over Financial Reporting*

There have been no changes in our "internal control over financial reporting" (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As mentioned above, the Company acquired the eight beer and beverage brands on September 29, 2023. The Company is in the process of reviewing the internal control structure of the eight beer and, beverage brands and if necessary, will make appropriate changes as it integrates them into the Company's overall internal control over financial reporting process.

## PART II—OTHER INFORMATION

### Item 1. 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, our management believes that it has established appropriate legal reserves. Any 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.

"Item 3. Legal Proceedings" of our Annual Report on Form 10-K for the fiscal year ended May 31, 2024 includes a discussion of our legal proceedings. There have been no material changes from the legal proceedings described in our Form 10-K, except with respect to the matters disclosed and incorporated herein by reference to Note 19 (Commitments and contingencies), in the Notes to the Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

**Item 1A. Risk Factors.**

"Item 1A. Risk Factors" of our Annual Report on Form 10-K for the fiscal year ended May 31, 2024 includes a discussion of our known material risk factors, other than risks that could apply to any issuer or offering. A summary of our risk factors is included below. Except for the below risk factors, there have been no material changes from the risk factors described in our Form 10-K.

- We may not achieve the expected revenue or other benefits from the craft beer operations acquired.
- We may experience difficulties integrating operations and realizing the expected benefits of recent acquisitions, including the HEXO arrangement and the Craft brands acquisitions.
- We may have to recognize significant impairments in the carrying value of our investment in the MedMen secured convertible notes as a result of MedMen's potential restructuring or liquidation undertakings.
- Additional impairments of our goodwill, impairments of our intangible and other long-lived assets, and changes in the estimated useful lives of intangible assets could have a material adverse impact on our financial results.
- Our business is dependent upon regulatory approvals and licenses, ongoing compliance and reporting obligations, and timely renewals.
- Government regulation is evolving, and unfavorable changes or lack of commercial legalization could impact our ability to carry on our business as currently conducted and the potential expansion of our business.
- Our production and processing facilities are integral to our business and adverse changes or developments affecting our facilities may have an adverse impact on our business.
- We face intense competition, and anticipate competition will increase, which could hurt our business.
- Regulations constrain our ability to market and distribute our products in Canada.
- United States regulations relating to hemp-derived products, including Delta 9 beverages, are new and rapidly evolving, and changes may not develop in the timeframe or manner most favorable to our business objectives.
- Changes in consumer preferences or public attitudes about alcohol could decrease demand for our beverage alcohol products.
- SweetWater Brewing, Breckenridge Distillery, Montauk Brewing and our recently-acquired craft beer brands each face substantial competition in the beer industry or the broader market for alcoholic beverage products which could impact our business and financial results.
- We have a limited operating history and a history of net losses, and we may not achieve or maintain profitability in the future.
- We are subject to litigation, arbitration and demands, which could result in significant liability and costs, and impact our resources and reputation.
- Our strategic alliances and other third-party business relationships may not achieve the intended beneficial impact and expose us to risks.
- We may not be able to successfully identify and execute future acquisitions, dispositions or other equity transactions or to successfully manage the impacts of such transactions on our operations.
- We are subject to risks inherent in an agricultural business, including the risk of crop failure.
- We depend on significant customers for a substantial portion of our revenue. If we fail to retain or expand our customer relationships or significant customers reduce their purchases, our revenue could decline significantly.
- Our products may be subject to recalls for a variety of reasons, which could require us to expend significant management and capital resources.
- Significant interruptions in our access to certain supply chains for key inputs such as raw materials, supplies, electricity, water and other utilities may impair our operations.
- Management may not be able to successfully establish and maintain effective internal controls over financial reporting.
- The price of our Common Stock in public markets has experienced and may continue to experience severe volatility and fluctuations.
- The volatility of our stock and the stockholder base may hinder or prevent us from engaging in beneficial corporate initiatives.
- The terms of our outstanding warrants may limit our ability to raise additional equity capital or pursue acquisitions, which may impact funding of our ongoing operations and cause significant dilution to existing stockholders.
- We may not have the ability to raise the funds necessary to settle conversions of the convertible securities in cash or to repurchase the convertible securities upon a fundamental change.
- We are subject to other risks generally applicable to our industry and the conduct of our business.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

### Recent Sales of Unregistered Equity Securities

On September 16, 2024, Tilray entered into an assignment and assumption agreement with Double Diamond Holdings Ltd. (“DDH”), an Ontario corporation, pursuant to which, among other things, Tilray acquired from DDH a promissory note in the amount of $23,792 (the “Note”) payable by 1974568 Ontario Limited (“Aphria Diamond”). DDH is a joint venturer with Aphria Inc. (Tilray’s wholly-owned subsidiary) in Aphria Diamond. As consideration for the Note, Tilray issued 13,217,588 shares of its Common Stock to DDH.

## Item 3. Defaults Upon Senior Securities.

Not applicable.

## Item 4. Mine Safety Disclosures.

Not applicable.

## Item 5. Other Information.

On November 4, 2024, the Company repurchased $9,000 of its TLRY 27 Notes for cancellation by issuing 5,550,395 shares. After cancellation, the outstanding principal balance of the TLRY 27 Notes was $156,000. See Note 13 (Convertible debentures payable).

**Item 6. Exhibits.**

| Exhibit Number | Description |
|---|---|
| 3.1* | Fifth Amended and Restated Certificate of Incorporation of Tilray Brands, Inc., dated as of December 19, 2024. |
| 10.1* | Promissory note in the amount of $23,791,657 payable by Aphria Diamond Inc. |
| 10.2 | Fourth Amendment and Consent to Credit Agreement, dated as of October 30, 2024 (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the U.S. Securities and Exchange Commission on November 1, 2024). |
| 31.1* | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

| Exhibit Number | Description |
|---|---|
| 32.2** | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101* | The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended November 30, 2024, formatted in Inline XBRL: (i) Consolidated Statements of Financial Position, (ii) Consolidated Statements of Loss and Comprehensive Loss , (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Condensed Interim Consolidated Financial Statements, tagged as blocks of text and including detailed tags. |
| 104* | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

* Filed herewith.
** Furnished herewith.
† Schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

| | | |
|---|---|---|
| | Tilray Brands, Inc. | |
| Date: January 10, 2025 | By: | /s/ Irwin D. Simon<br>**Irwin D. Simon**<br>**Chairman and Chief Executive Officer** |
| Date: January 10, 2025 | By: | /s/ Carl Merton<br>**Carl Merton**<br>**Chief Financial Officer** |

**EXHIBIT 3.1**

**FIFTH AMENDED AND RESTATED**
**CERTIFICATE OF INCORPORATION**
**OF**
**TILRAY BRANDS, INC.**
**December 19, 2024**

The undersigned, for the purposes of amending and restating the certificate of incorporation of Tilray Brands, Inc. (the "***Corporation***"), does hereby certify that:

**ONE:** The present name of the Corporation is Tilray Brands, Inc. The Corporation was originally incorporated under the name "Tilray, Inc.," by the filing of the original certificate of incorporation of the Corporation (the "***Original Certificate***") with the Secretary of State of the State of Delaware on January 24, 2018, thereby causing the Corporation to become organized and existing under and by virtue of the General Corporation Law of the State of Delaware, as amended (the "***DGCL***").

**TWO:** The amended and restated certificate of incorporation of the Corporation (the "***First Amended and Restated Certificate***"), which amended and restated in its entirety the Original Certificate, was filed with the Secretary of State of the State of Delaware on July 23, 2018.

**THREE:** The amended and restated certificate of incorporation of the Corporation (the "***Second Amended and Restated Certificate***"), which amended and restated in its entirety the First Amended and Restated Certificate, was filed with the Secretary of State of the State of Delaware on December 12, 2019.

**FOUR:** The certificate of retirement of Class 1 common stock of the Corporation (the "***Certificate of Retirement***"), which amended certain provisions of the Second Amended and Restated Certificate, was filed with the Secretary of State of the State of Delaware on October 1, 2020.

**FIVE:** The certificate of amendment (the "***First Certificate of Amendment***"), which amended certain provisions of the Second Amended and Restated Certificate, was filed with the Secretary of State of the State of Delaware on September 10, 2021.

**SIX:** The second certificate of amendment (the "***Second Certificate of Amendment***"), which amended certain provisions of the Second Amended and Restated Certificate, was filed with the Secretary of State of the State of Delaware on January 10, 2022, and a Certificate of Designation of Series A Preferred Stock (the "***Certificate of Designation***"), which designated 120,000 shares of Preferred Stock as "Series A Preferred Stock" that have already automatically converted into shares of Common Stock in accordance with the terms of the Certificate of Designation, was filed with the Secretary of State of the State of Delaware on February 21, 2023.

**SEVEN**: The third amended and restated certificate of incorporation (the "***Third Amended and Restated Certificate***"), which amended and restated in its entirety the Second Amended and Restated Certificate, was filed with the Secretary of State of the State of Delaware on March 20, 2023.

**EIGHT**: The fourth amended and restated certificate of incorporation (the "***Existing Certificate***"), which amended and restated in its entirety the Third Amended and Restated Certificate, was filed with the Secretary of State of the State of Delaware on December 4, 2023.

**NINE:** This fifth amended and restated certificate of incorporation (this "***Amended and Restated Certificate of Incorporation***" or "***Restated Certificate***"), which amends and restates the Existing Certificate in its entirety, was duly adopted in accordance with Sections 242 and 245 of the DGCL, and by the Corporation's stockholders in accordance with Section 212 of the DGCL.

**TEN:** This Amended and Restated Certificate of Incorporation shall become effective upon filing with the Secretary of State of the State of Delaware (the "***Effective Time***").

**ELEVEN:** The Existing Certificate is hereby amended and restated to read as follows:

**I.**

The name of this corporation shall be **Tilray Brands, Inc.** (the "***Company***").

**II.**

The address of the registered office of the Company in the State of Delaware is to be 251 Little Falls Drive, Wilmington, DE 19808, County of New Castle and the name of the registered agent of the Company in the State of Delaware at such address is Corporation Service Company.

**III.**

The purpose of the Company is to engage in any lawful act or activity for which a corporation may be organized under the DGCL.

**IV.**

**A.** The Company is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares that the Company is authorized to issue is One Billion Four Hundred Twenty-Six Million (1,426,000,000) shares of which One Billion Four Hundred Sixteen Million (1,416,000,000) shares shall be Common Stock ("***Common Stock***"), and Ten Million (10,000,000) shares of which shall be Preferred Stock (the "***Preferred Stock***"). The Preferred Stock shall have a par value of $0.0001 per share, and the Common Stock shall have a par value of $0.0001 per share.

The Company previously reclassified each share of Class 2 common stock, par value $0.0001 per share, of the Company as one fully paid and nonassessable share of Common Stock.

**B.** The number of authorized shares of Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares of Common Stock, or Preferred Stock then outstanding) by the affirmative vote of the holders of a majority of the voting power of all of the outstanding shares of stock of the Company entitled to vote thereon, without a vote of the holders of the Preferred Stock, or of any series thereof, or Common Stock unless a vote of any such holders is required pursuant to the terms of any certificate of designation filed with respect to any series of Preferred Stock (a "***Certificate of Designation***").

**C.** The Preferred Stock authorized by this Amended and Restated Certificate of Incorporation may be issued from time to time in one or more series. The board of directors of the Company (the "***Board of Directors***") is hereby expressly authorized to provide for the issue of all or any of the shares of the Preferred Stock in one or more series, and to fix the number of shares and to determine or alter for each such series, such voting powers, full or limited, or no voting powers, and such designation, preferences, and relative, participating, optional, or other rights and such qualifications, limitations, or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such shares and as may be permitted by the DGCL. The Board of Directors is also expressly authorized to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be decreased in accordance with the foregoing sentence, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series.

**D.** Except as provided above, the rights, preferences, privileges, restrictions and other matters relating to the Common Stock are as follows:

**1.** **Definitions**. For purposes of this Article IV(D), the following definitions shall apply:

**(a.)** ***"Change of Control Transaction***" means (i) the sale, lease, exchange, or other disposition (other than liens and encumbrances created in the ordinary course of business, including liens or encumbrances to secure indebtedness for borrowed money that are approved by the Board of Directors, so long as no foreclosure occurs in respect of any such lien or encumbrance) of all or substantially all of the Company's property and assets (which shall for such purpose include the property and assets of any direct or indirect subsidiary of the Company), provided that any sale, lease, exchange or other disposition of property or assets exclusively between or among the Company and any direct or indirect subsidiary or subsidiaries of the Company shall not be

deemed a "Change of Control Transaction"; (ii) the merger, consolidation, business combination, or other similar transaction of the Company with any other entity, other than a merger, consolidation, business combination, or other similar transaction that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) more than fifty percent (50%) of the total voting power represented by the voting securities of the Company and more than fifty percent (50%) of the total number of outstanding shares of the Company's capital stock, in each case as outstanding immediately after such merger, consolidation, business combination, or other similar transaction, and the stockholders of the Company immediately prior to the merger, consolidation, business combination, or other similar transaction own voting securities of the Company, the surviving entity or its parent immediately following the merger, consolidation, business combination, or other similar transaction in substantially the same proportions (vis a vis each other) as such stockholders owned the voting securities of the Company immediately prior to the transaction; and (iii) the recapitalization, liquidation, dissolution, or other similar transaction involving the Company, other than a recapitalization, liquidation, dissolution, or other similar transaction that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity or its parent) more than fifty percent (50%) of the total voting power represented by the voting securities of the Company and more than fifty percent of the total number of outstanding shares of the Company's capital stock, in each case as outstanding immediately after such recapitalization, liquidation, dissolution or other similar transaction, and the stockholders of the Company immediately prior to the recapitalization, liquidation, dissolution or other similar transaction own voting securities of the Company, the surviving entity or its parent immediately following the recapitalization, liquidation, dissolution or other similar transaction in substantially the same proportions (vis a vis each other) as such stockholders owned the voting securities of the Company immediately prior to the transaction.

**(b)** ***"Distribution***" means (i) any dividend or distribution of cash, property or shares of the Company's capital stock; and (ii) any distribution following or in connection with any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary.

**(c)** ***"IPO***" means the Company's first firmly underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, covering the offer and sale of Common Stock for the account of the Company.

**2.** **Rights relating to Distributions, Subdivisions, Combinations and Change of Control.**

**(a)** Any Distributions paid or payable to the holders of shares of Common Stock shall be paid pro rata in accordance with the number of shares of Common Stock held by each such holder as of the record date of such Distribution; *provided, however*, that in the event a Distribution is paid in the form of Common Stock (or any option, warrant, conversion right or contractual right of any kind to acquire shares of Common Stock), then the holders of Common Stock shall receive Common Stock (or any option, warrant, conversion right or contractual right of any kind to acquire shares of Common Stock).

**(b)** In connection with any Change in Control Transaction, shares of Common Stock shall be treated equally, identically and ratably, on a per-share basis, with respect to any consideration into which such shares are converted or any consideration paid or otherwise distributed to stockholders of the Company.

**3.** **Voting Rights.**

**(a)** **Common Stock**. Each holder of shares of Common Stock shall be entitled to one (1) vote for each share thereof held.

**(b)** **General**. Except as otherwise expressly provided herein or as required by law, the holders of Preferred Stock and Common Stock shall vote together and not as separate series or classes.

**V.**

**A.** The liability of the directors of the Company for monetary damages shall be eliminated to the fullest extent under applicable law.

**B.** To the fullest extent permitted by applicable law, the Company is authorized to provide indemnification of (and advancement of expenses to) directors, officers and agents of the Company (and any other persons to which applicable law permits the Company to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise in excess of the indemnification and advancement otherwise permitted by Section 145 of the DGCL and, if applicable, Section 317 of the California General Corporation Law. If the DGCL or any other law of the State of Delaware is amended after approval by the stockholders of this Article V to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director to the Company shall be eliminated or limited to the fullest extent permitted by the DGCL as so amended.

**C.** Any repeal or modification of this Article V shall only be prospective and shall not affect the rights or protections or increase the liability of any director under this Article V in effect at the time of the alleged occurrence of any action or omission to act giving rise to liability or indemnification.

**D.** Unless the Company consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company; (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company to the Company or the Company's stockholders; (iii) any action asserting a claim against the Company arising pursuant to any provision of the DGCL, the certificate of incorporation or the Bylaws of the Company; or (iv) any action asserting a claim against the Company governed by the internal affairs doctrine. Unless the Company consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Company shall be deemed to have notice of and to have consented to the provisions of this Section D of Article V.

**VI.**

For the management of the business and for the conduct of the affairs of the Company, and in further definition, limitation and regulation of the powers of the Company, of its directors and of its stockholders or any class thereof, as the case may be, it is further *provided* that:

**A. Board of Directors.**

**1.** Generally. The management of the business and the conduct of the affairs of the Company shall be vested in its Board of Directors. The number of directors that shall constitute the Board of Directors shall be fixed exclusively by resolutions adopted by a majority of the authorized number of directors constituting the Board of Directors.

**2. Election.**

**(a)** Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, following the closing of the IPO, and for so long as permitted by applicable law, the directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. The Board of Directors is authorized to assign members of the Board of Directors already in office to such classes at the time the classification becomes effective. At the first annual meeting of stockholders following the closing of the IPO, the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the IPO, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the IPO, the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.
At any time that applicable law prohibits a classified board as described in Article VI, Section (A)(2)(a), all directors shall be elected at each annual meeting of stockholders to hold office until the next annual meeting. The directors of the Company need not be elected by written ballot unless the Bylaws so provide.

**(b)** No stockholder entitled to vote at an election for directors may cumulate votes to which such stockholder is entitled unless required by applicable law at the time of such election. During such time or times that applicable law requires cumulative voting, every stockholder entitled to vote at an election for directors may cumulate such stockholder's votes and give one candidate a

number of votes equal to the number of directors to be elected multiplied by the number of votes to which such stockholder's shares are otherwise entitled, or distribute the stockholder's votes on the same principle among as many candidates as such stockholder thinks fit. No stockholder, however, shall be entitled to so cumulate such stockholder's votes unless (i) the names of such candidate or candidates have been placed in nomination prior to the voting and (ii) the stockholder has given notice at the meeting, prior to the voting, of such stockholder's intention to cumulate such stockholder's votes. If any stockholder has given proper notice to cumulate votes, all stockholders may cumulate their votes for any candidates who have been properly placed in nomination. Under cumulative voting, the candidates receiving the highest number of votes, up to the number of directors to be elected, are elected.

**(c)** Notwithstanding the foregoing provisions of this section, each director shall serve until his or her successor is duly elected and qualified or until his earlier death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

**3.** **Removal of Directors.** Subject to any limitations imposed by applicable law and subject to the rights of the holders of any series of Preferred Stock, any individual director or directors may be removed (a) with or without cause, by the affirmative vote of the holders of a majority of the voting power of all then-outstanding shares of capital stock of the Company entitled to vote generally at an election of directors, or (b) with cause by the affirmative vote of the holders of at least 66 2/3% of the voting power of all then-outstanding shares of capital stock of the Company entitled to vote generally at an election of directors.

**4.** **Vacancies.** Subject to any limitations imposed by applicable law and subject to the rights of the holders of any series of Preferred Stock, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors, shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders and except as otherwise provided by applicable law, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors, and not by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified or until his earlier death, resignation or removal.

**B.** **Stockholder Actions.** No action shall be taken by the stockholders of the Company except at an annual or special meeting of stockholders called in accordance with the Bylaws, and action shall be taken by the stockholders by written consent or electronic transmission. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Company shall be given in the manner provided in the Bylaws of the Company and subject to applicable law.

**C.** **Bylaws.** The Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws of the Company. Any adoption, amendment or repeal of the Bylaws of the Company by the Board of Directors shall require the approval of a majority of the authorized number of directors. The stockholders shall also have power to adopt, amend or repeal the Bylaws of the Company; *provided, however,* that, in addition to any vote of the holders of any class or series of stock of the Company required by law or by this Amended and Restated Certificate of Incorporation, such action by stockholders shall require the affirmative vote of the holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of the capital stock of the Company entitled to vote generally in the election of directors, voting together as a single class.

**VII.**

**A.** The Company renounces any interest or expectancy of the Company or any of its Affiliated Companies in, or in being offered an opportunity to participate in, any Dual Opportunity about which a Dual Role Person acquires knowledge. A Dual Role Person shall have no duty to communicate or offer to the Company or any of its Affiliated Companies any Dual Opportunity that such Dual Role Person has communicated or offered to the Investment Fund, shall not be prohibited from communicating or offering any Dual Opportunity to the Investment Fund, and shall not be liable to the Company or its stockholders for breach of any fiduciary duty as a stockholder, director or officer of the Company, as the case may be, resulting from (i) the failure to communicate or offer to the Company or any of its Affiliated Companies any Dual

Opportunity that such Dual Role Person has communicated or offered to the Investment Fund or (ii) the communication or offer to the Investment Fund of any Dual Opportunity, so long as (x) the Dual Opportunity does not become known to the Dual Role Person expressly and solely in his or her capacity as a director or officer of the Company, and (y) the Dual Opportunity is not presented by the Dual Role Person to any party other than the Investment Fund and the Dual Role Person does not pursue the Dual Opportunity individually.

**B.** In addition to and notwithstanding the foregoing provisions of this Article VII, the Company renounces any interest or expectancy of the Company or any of its Affiliated Companies in, or in being offered an opportunity to participate in, any business opportunity that the Company is not financially able or contractually permitted or legally able to undertake. Moreover, nothing in this Article VII shall amend or modify in any respect any written contractual agreement now existing or entered into after the date hereof between the Investment Fund, on the one hand, and the Company or any of its Affiliated Companies, on the other hand.

**C.** For purposes of this Article VII:

***"Affiliate***" means with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with such Person. For purposes of the foregoing definition, the term "controls," "is controlled by," or "is under common control with" means the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of clarification, the Company and any Investment Fund are deemed not to be Affiliates.

***"Affiliated Company***" means (i) with respect to the Company, any Person controlled by the Company and (ii) with respect to an Investment Fund, any Person controlled by such Investment Fund. For purposes of the foregoing definition, the term "controlled by" means the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. For purposes of clarification, the Company and any Investment Fund are deemed not to be Affiliated Companies.

***"Dual Opportunity***" means any potential transaction or matter which may be a corporate opportunity for both the Investment Fund or its Affiliated Companies, on the one hand, and the Company or any of its Affiliated Companies, on the other hand.

***"Dual Role Person***" means any individual who is an officer or director of the Company and an officer, director, or general partner of the Investment Fund.

***"Investment Fund***" means one or more Persons (other than the Company and any Affiliated Company of the Company) which a Dual Role Person has established or may in the future establish (together with other Dual Role Persons or other Persons) for purpose of pursuing investment opportunities in areas broadly similar to the areas of the Company's current and anticipated business focus.

***"Person***" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

**D.** The provisions of this Article VII shall have no further force or effect with respect to the Investment Fund at such time as (i) the Company and the Investment Fund are no longer Affiliates and (ii) none of the directors and/or officers and/or general partners of the Investment Fund serve as directors and/or officers of the Company and its Affiliated Companies; provided, however, that any such termination shall not terminate the effect of the provisions of this Article VII with respect to any agreement, arrangement or other understanding between the Company or an Affiliated Company thereof, on the one hand, and the Investment Fund, on the other hand, that was entered into before such time or any transaction entered into in the performance of such agreement, arrangement or other understanding, whether entered into before or after such time.

**E.** Any person or entity purchasing or otherwise acquiring or obtaining any interest in any capital stock of the Company shall be deemed to have notice and to have consented to the provisions of this Article VII.

**F.** The invalidity or unenforceability of any particular provision, or part of any provision, of this Article VII shall not affect the other provisions or parts hereof, and this Article VII shall be construed in all respects as if such invalid or unenforceable provisions or parts were omitted.

**VIII.**

**A.** The Company reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate, in the manner now or hereafter prescribed by statute, except as provided in Section B of this Article VIII, and all rights conferred upon the stockholders herein are granted subject to this reservation.

**B.** Notwithstanding any other provisions of this Restated Certificate or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the Company required by law or by this Restated Certificate or any Certificate of Designation, the affirmative vote of either (a) the holders of a majority of the voting power of all then-outstanding shares of capital stock entitled to vote generally at an election of directors, voting together as a single class or (b) the holders of at least 66 2/3% of the voting power of all of the then outstanding shares of capital stock of the Company entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend or repeal Articles V, VI, and VIII.

* * * *

**TWELVE:** This Amended and Restated Certificate of Incorporation has been duly approved by the Board of Directors of this Corporation.

**THIRTEEN:** This Amended and Restated Certificate of Incorporation was approved by the holders of the requisite number of shares of this Corporation in accordance with Section 228 of the DGCL. This Amended and Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Sections 242 and 245 of the DGCL by the stockholders of this Corporation.

Tilray Brands, Inc. has caused this Amended and Restated Certificate of Incorporation to be duly executed and acknowledged in its name and on its behalf by the undersigned officer, thereunto duly authorized, as of the date first set forth above.

**TILRAY BRANDS, INC.**
/s/ Mitchell Gendel
Name: Mitchell Gendel
Title: Global General Counsel and Corporate Secretary

**EXHIBIT 10.1**

**PROMISSORY NOTE**
**NON INTEREST-BEARING DEMAND**

Amount: USD $23,791,657 Due: On Demand

**FOR VALUE RECEIVED** the undersigned, Aphria Diamond Inc. (the "**Corporation**"), acknowledges itself indebted to and unconditionally promises to pay to the order of Double Diamond Holdings Ltd. (the "**Shareholder**"), the principal amount of USD $23,791,657 without interest, ON DEMAND.

The Corporation may at any time, without notice, bonus or penalty, pay all or part of the amount outstanding under the promissory note. This promissory note is non-assignable and non- transferable without the prior written consent of the Corporation.

This promissory note is issued pursuant to and shall be interpreted and enforced in accordance with, and the obligations of the Corporation shall be governed by, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

The Corporation hereby waives presentment for payment, notice of dishonour, protest and notice of protest, bringing of suit and diligence in taking any action.

**IN WITNESS WHEREOF** the Corporation has duly executed and delivered this promissory note.

**DATED** as of September 16, 2024.

**APHRIA DIAMOND INC.**
By:
*Authorized Signing Officer*

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO**
**RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,**
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Irwin D. Simon, certify that:

1. I have reviewed this Form 10-Q of Tilray Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 10, 2025

By: /s/ Irwin D. Simon
**Irwin D. Simon**
**Chairman and Chief Executive Officer**

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Carl A. Merton, certify that:

1. I have reviewed this Form 10-Q of Tilray Brands, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 10, 2025

By: /s/ Carl A. Merton
**Carl A. Merton**
**Chief Financial Officer**

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Tilray Brands, Inc. (the “Company”) on Form 10-Q for the period ending November 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: January 10, 2025

By: /s/ Irwin D. Simon
**Irwin D. Simon**
**Chairman and Chief Executive Officer**

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Tilray Brands, Inc. (the "Company") on Form 10-Q for the period ending November 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: January 10, 2025

By: /s/ Carl A. Merton
**Carl A. Merton**
**Chief Financial Officer**