

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 September 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 No. 001-38403

CRONOS GROUP INC.

(Exact name of registrant as specified in its charter)

British Columbia, Canada
(State or other jurisdiction of
incorporation or organization)

N/A
(I.R.S. Employer
Identification No.)

4491 Concession Rd 12
Stayner, Ontario
(Address of principal executive offices)

L0M 1S0
(Zip Code)

416-504-0004

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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 Shares, no par value	CRON	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or Section 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

As of November 7, 2024, there were 382,294,707 common shares of the registrant issued and outstanding.

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Unless otherwise noted or the context indicates otherwise, references in this Quarterly Report on Form 10-Q (this “Quarterly Report”) to the “Company,” “Cronos Group,” “we,” “us” and “our” refer to Cronos Group Inc., its direct and indirect wholly owned subsidiaries and, if applicable, its joint ventures and investments accounted for by the equity method; the term “cannabis” means the plant of any species or subspecies of genus *Cannabis* and any part of that plant, including all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers; the term “U.S. hemp” has the meaning given to term “hemp” in the United States (“U.S.”). Agricultural Improvement Act of 2018 (the “2018 Farm Bill”), including hemp-derived cannabidiol (“CBD”); and the term “U.S. Schedule I cannabis” means cannabis excluding U.S. hemp.

This Quarterly Report contains references to our trademarks and trade names and to trademarks and trade names belonging to other entities. Solely for convenience, trademarks and trade names referred to in this Quarterly Report may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto. We do not intend our use or display of other companies’ trademarks or trade names to imply a relationship with, or endorsement or sponsorship of us or our business by, any other companies. In addition, this Quarterly Report includes website addresses. These website addresses are intended to provide inactive, textual references only. The information on or referred to on these websites is not part of or incorporated into this Quarterly Report.

All currency amounts in this Quarterly Report are stated in U.S. dollars, which is our reporting currency, unless otherwise noted. All references to “dollars” or “\$” are to U.S. dollars; all references to “C\$” are to Canadian dollars; all references to “A\$” are to Australian dollars; and all references to “ILS” are to New Israeli Shekels.

(Exchange rates are shown as C\$ per \$)

	As of		
	September 30, 2024	September 30, 2023	December 31, 2023
Spot rate	1.3525	1.3577	1.3243
Year-to-date average rate	1.3601	1.3455	N/A

(Exchange rates are shown as ILS per \$)

	As of		
	September 30, 2024	September 30, 2023	December 31, 2023
Spot rate	3.7269	3.8138	3.6163
Year-to-date average rate	3.6994	3.6385	N/A

All summaries of agreements described herein are qualified by the full text of such agreements (certain of which have been filed as exhibits with the U.S. Securities and Exchange Commission).

PART I
FINANCIAL INFORMATION

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Item 1. Financial Statements

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Cronos Group Inc.
Condensed Consolidated Balance Sheets
(In thousands of U.S. dollars, except share amounts, unaudited)

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	As of September 30, 2024	As of December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	\$ 862,034	\$ 669,291
Short-term investments	—	192,237
Accounts receivable, net	20,480	13,984
Interest receivable	7,190	10,012
Other receivables	5,690	6,341
Current portion of loans receivable, net	233	5,541
Inventory, net	47,250	30,495
Prepays and other current assets	7,326	5,405
Held-for-sale assets	8,971	—
Total current assets	959,174	933,306
Equity method investments, net	—	19,488
Other investments	2,900	35,251
Non-current portion of loans receivable, net	16,086	69,036
Property, plant and equipment, net	162,516	59,468
Right-of-use assets	1,052	1,356
Goodwill	38,028	1,057
Intangible assets, net	4,247	21,078
Other assets	130	45
Total assets	\$ 1,184,133	\$ 1,140,085
Liabilities		
Current liabilities		
Accounts payable	\$ 6,532	\$ 12,130
Income taxes payable	94	64
Accrued liabilities	31,766	27,736
Current portion of lease obligation	980	994
Derivative liabilities	192	102
Current portion due to non-controlling interests	—	373
Total current liabilities	39,564	41,399
Non-current portion due to non-controlling interests	1,243	1,003
Non-current portion of lease obligation	872	1,559
Deferred tax liability	11,143	—
Total liabilities	52,822	43,961
Shareholders' equity		
Share capital (authorized for issue as of September 30, 2024 and December 31, 2023: unlimited; shares outstanding as of September 30, 2024 and December 31, 2023: 382,294,707 and 381,298,853, respectively)	616,403	613,725
Additional paid-in capital	51,523	48,449
Retained earnings	413,995	416,719
Accumulated other comprehensive gain (loss)	(361)	20,678
Total equity attributable to shareholders of Cronos Group	1,081,560	1,099,571
Non-controlling interests	49,751	(3,447)
Total shareholders' equity	1,131,311	1,096,124
Total liabilities and shareholders' equity	\$ 1,184,133	\$ 1,140,085

See notes to condensed consolidated interim financial statements.

Cronos Group Inc.
Condensed Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)
(In thousands of U.S. dollars, except share and per share amounts, unaudited)
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	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net revenue, before excise taxes	\$ 46,594	\$ 33,912	\$ 120,639	\$ 86,264
Excise taxes	(12,330)	(9,102)	(33,325)	(22,938)
Net revenue	34,264	24,810	87,314	63,326
Cost of sales	30,341	20,124	72,216	52,614
Inventory write-down	312	716	707	716
Gross profit	3,611	3,970	14,391	9,996
Operating expenses				
Sales and marketing	5,528	5,296	15,190	16,334
Research and development	1,242	1,246	3,201	4,392
General and administrative	12,760	14,366	34,434	39,673
Restructuring costs	—	1,423	630	1,423
Share-based compensation	2,262	1,957	6,513	6,823
Depreciation and amortization	1,098	1,457	3,237	4,515
Impairment loss on long-lived assets	14,376	—	16,350	—
Total operating expenses	37,266	25,745	79,555	73,160
Operating loss	(33,655)	(21,775)	(65,164)	(63,164)
Other income				
Interest income, net	12,460	13,375	40,156	37,021
Share of income from equity method investments	—	1,057	2,365	831
Gain on revaluation of loan receivable	11,804	—	11,804	—
Gain on revaluation of equity method investment	32,469	—	32,469	—
Loss on revaluation of financial instruments	(293)	(5,291)	(6,550)	(7,856)
Impairment loss on other investments	—	—	(25,650)	—
Foreign currency transaction gain (loss)	(7,432)	8,816	12,370	3,999
Loss on held-for-sale assets	(10,422)	—	(10,422)	—
Other, net	(315)	974	(737)	1,011
Total other income	38,271	18,931	55,805	35,006
Income (loss) before income taxes	4,616	(2,844)	(9,359)	(28,158)
Income tax benefit	(2,708)	(1,254)	(5,440)	(2,870)
Income (loss) from continuing operations	7,324	(1,590)	(3,919)	(25,288)
Loss from discontinued operations	—	(182)	—	(4,238)
Net income (loss)	7,324	(1,772)	(3,919)	(29,526)
Net loss attributable to non-controlling interest	(1,025)	(128)	(1,270)	(353)
Net income (loss) attributable to Cronos Group	\$ 8,349	\$ (1,644)	\$ (2,649)	\$ (29,173)

Cronos Group Inc.**Condensed Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)***(In thousands of U.S. dollars, except share and per share amounts, unaudited)*[Table of Contents](#)**Comprehensive income (loss)**

Net income (loss)	\$	7,324	\$	(1,772)	\$	(3,919)	\$	(29,526)
Other comprehensive income (loss)								
Foreign exchange gain (loss) on translation		12,408		(20,090)		(20,113)		(1,096)
Comprehensive income (loss)		19,732		(21,862)		(24,032)		(30,622)
Comprehensive loss attributable to non-controlling interests		(269)		(41)		(344)		(136)
Comprehensive income (loss) attributable to Cronos Group	\$	20,001	\$	(21,821)	\$	(23,688)	\$	(30,486)

Net income (loss) per share

Basic - continuing operations	\$	0.02	\$	—	\$	(0.01)	\$	(0.07)
Basic - discontinued operations		—		—		—		(0.01)
Basic net income (loss) per share attributable to Cronos Group	\$	0.02	\$	—	\$	(0.01)	\$	(0.08)
Diluted - continuing operations	\$	0.02	\$	—	\$	(0.01)	\$	(0.07)
Diluted - discontinued operations		—		—		—		(0.01)
Diluted net income (loss) per share attributable to Cronos Group	\$	0.02	\$	—	\$	(0.01)	\$	(0.08)

See notes to condensed consolidated interim financial statements.

Cronos Group Inc.**Condensed Consolidated Statements of Changes in Equity****For the nine months ended September 30, 2024 and 2023***(In thousands of U.S. dollars, except share amounts, unaudited)*

	Number of shares	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non- controlling interests	Total shareholders' equity
Balance as of December 31, 2023	381,298,853	\$ 613,725	\$ 48,449	\$ 416,719	\$ 20,678	\$ (3,447)	\$ 1,096,124
Activities relating to share-based compensation	712,325	1,900	(401)	—	—	—	1,499
Net loss	—	—	—	(2,241)	—	(243)	(2,484)
Foreign exchange gain (loss) on translation	—	—	—	—	(22,471)	110	(22,361)
Balance as of March 31, 2024	<u>382,011,178</u>	<u>\$ 615,625</u>	<u>\$ 48,048</u>	<u>\$ 414,478</u>	<u>\$ (1,793)</u>	<u>\$ (3,580)</u>	<u>\$ 1,072,778</u>
Activities relating to share-based compensation	269,547	754	1,250	(71)	—	—	1,933
Net loss	—	—	—	(8,757)	—	(2)	(8,759)
Foreign exchange gain (loss) on translation	—	—	—	—	(10,220)	60	(10,160)
Balance as of June 30, 2024	<u>382,280,725</u>	<u>\$ 616,379</u>	<u>\$ 49,298</u>	<u>\$ 405,650</u>	<u>\$ (12,013)</u>	<u>\$ (3,522)</u>	<u>\$ 1,055,792</u>
Non-controlling interest resulting from business combination	—	—	—	—	—	53,542	53,542
Activities relating to share-based compensation	13,982	24	2,225	(4)	—	—	2,245
Net income (loss)	—	—	—	8,349	—	(1,025)	7,324
Foreign exchange gain on translation	—	—	—	—	11,652	756	12,408
Balance as of September 30, 2024	<u>382,294,707</u>	<u>\$ 616,403</u>	<u>\$ 51,523</u>	<u>\$ 413,995</u>	<u>\$ (361)</u>	<u>\$ 49,751</u>	<u>\$ 1,131,311</u>

Cronos Group Inc.**Condensed Consolidated Statements of Changes in Equity****For the nine months ended September 30, 2024 and 2023***(In thousands of U.S. dollars, except share amounts, unaudited)*

	Number of shares	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interests	Total shareholders' equity
Balance as of December 31, 2022	380,575,403	\$ 611,318	\$ 42,682	\$ 490,682	\$ (797)	\$ (2,921)	\$ 1,140,964
Activities relating to share-based compensation	240,518	917	1,362	—	—	—	2,279
Net loss	—	—	—	(19,169)	—	(88)	(19,257)
Foreign exchange gain on translation	—	—	—	—	2,334	80	2,414
Balance as of March 31, 2023	380,815,921	\$ 612,235	\$ 44,044	\$ 471,513	\$ 1,537	\$ (2,929)	\$ 1,126,400
Activities relating to share-based compensation	273,436	917	1,273	—	—	—	2,190
Net loss	—	—	—	(8,360)	—	(137)	(8,497)
Foreign exchange gain on translation	—	—	—	—	16,530	50	16,580
Balance as of June 30, 2023	381,089,357	\$ 613,152	\$ 45,317	\$ 463,153	\$ 18,067	\$ (3,016)	\$ 1,136,673
Activities relating to share-based compensation	24,207	138	1,816	—	—	—	1,954
Net loss	—	—	—	(1,644)	—	(128)	(1,772)
Foreign exchange gain (loss) on translation	—	—	—	—	(20,177)	87	(20,090)
Balance as of September 30, 2023	381,113,564	\$ 613,290	\$ 47,133	\$ 461,509	\$ (2,110)	\$ (3,057)	\$ 1,116,765

See notes to condensed consolidated interim financial statements.

	Nine months ended September 30,	
	2024	2023
Operating activities		
Net loss	\$ (3,919)	\$ (29,526)
Adjustments to reconcile net loss to cash used in operating activities:		
Share-based compensation	6,513	6,840
Depreciation and amortization	6,811	6,933
Impairment loss on long-lived assets	16,350	205
Impairment loss on other investments	25,650	—
Loss from investments	4,103	7,103
Changes in expected credit losses on long-term financial assets	1,026	(1,339)
Revaluation of equity method investment	(32,469)	—
Revaluation of loan receivable	(11,804)	—
Loss on held-for-sale assets	10,422	—
Inventory step-up recorded to cost of sales	7,116	—
Foreign currency transaction gain	(12,370)	(3,999)
Other non-cash operating activities, net	(11)	(1,904)
Changes in operating assets and liabilities:		
Accounts receivable, net	(5,402)	6,976
Interest receivable	(1,018)	(14,601)
Other receivables	1,658	25
Prepays and other current assets	(1,217)	1,074
Inventory	7,162	976
Accounts payable	(9,102)	(7,595)
Income taxes payable	(9)	(32,728)
Accrued liabilities	1,633	1,910
Cash flows provided by (used in) operating activities	11,123	(59,650)
Investing activities		
Purchase of short-term investments	—	(537,186)
Proceeds from short-term investments	187,166	380,765
Cash acquired in business combinations	5,993	—
Dividends received from equity method investment	—	1,301
Dividend proceeds	—	346
Advances on loans receivable	(8,822)	—
Proceeds from repayment on loans receivable	5,290	14,151
Purchase of property, plant and equipment	(8,868)	(1,287)
Purchase of intangible assets	(578)	(344)
Other investing activities	—	862
Cash flows provided by (used in) investing activities	180,181	(141,392)
Financing activities		
Withholding taxes paid on share-based awards	(918)	(812)
Cash flows used in financing activities	(918)	(812)
Effect of foreign currency translation on cash and cash equivalents	2,357	8,866
Net change in cash and cash equivalents	192,743	(192,988)
Cash and cash equivalents, beginning of period	669,291	764,644
Cash and cash equivalents, end of period	\$ 862,034	\$ 571,656
Supplemental cash flow information		
Interest paid	\$ —	\$ —
Interest received	\$ 38,965	\$ 22,203
Income taxes paid	\$ 621	\$ 33,013

See notes to condensed consolidated interim financial statements.

1. Background, Basis of Presentation, and Summary of Significant Accounting Policies

(a) Background

Cronos Group Inc. (“Cronos” or the “Company”) is incorporated in the province of British Columbia under the *Business Corporations Act* (British Columbia) with principal executive offices at 4491 Concession Rd 12, Stayner, Ontario, L0M 1S0. The Company’s common shares are listed on the Toronto Stock Exchange (“TSX”) and Nasdaq Global Market (“Nasdaq”) under the ticker symbol “CRON.”

Cronos is an innovative global cannabinoid company committed to building disruptive intellectual property by advancing cannabis research, technology and product development. With a passion to responsibly elevate the consumer experience, Cronos is building an iconic brand portfolio. Cronos’ diverse international brand portfolio includes Spinach[®], PEACE NATURALS[®] and Lord Jones[®].

(b) Basis of presentation

These condensed consolidated interim financial statements of Cronos are unaudited. They have been prepared in accordance with Generally Accepted Accounting Principles in the United States (“U.S. GAAP”) for interim financial information and with applicable rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) relating to interim financial statements. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for any other reporting period.

These condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes included in its Annual Report on Form 10-K for the year ended December 31, 2023 (the “Annual Report”).

Certain prior period amounts have been reclassified to conform to the current year presentation of our condensed consolidated interim financial statements. These reclassifications had no effect on the reported results of operations and ending shareholders’ equity.

(c) Discontinued Operations

In the second quarter of 2023, the Company exited its U.S. hemp-derived cannabinoid product operations. The exit of the U.S. operations represented a strategic shift that had a major effect on the Company’s operations and financial results, and as such, qualifies for reporting as discontinued operations in our condensed consolidated statements of net income (loss) and comprehensive income (loss). Prior period amounts have been reclassified to reflect the discontinued operations classification of the U.S. operations. For more information, see Note 3 “*Discontinued Operations*.”

(d) Segment information

Segment reporting is prepared on the same basis that the Company’s chief operating decision maker (the “CODM”) manages the business, makes operating decisions and assesses the Company’s performance. Prior to the second quarter of 2023, the Company reported results for two reportable segments, the U.S. and Rest of World. In the second quarter of 2023, as a result of the Company’s exit of its then-existing U.S. operations, the Company determined that it has one operating segment and therefore one reportable segment, which is comprised of operations in Canada and Israel and is involved in the cultivation, manufacture, and marketing of cannabis and cannabis-derived products for the medical and adult-use markets. All prior period segment disclosure information has been reclassified to conform to the current reporting structure in this Form 10-Q. These reclassifications had no effect on our consolidated financial statements in any period presented.

(e) Revenue recognition

The following tables present the Company’s revenue by major product category for continuing operations:

	Three months ended September 30,	
	2024	2023
Cannabis flower	\$ 26,328	\$ 17,414
Cannabis extracts	7,789	7,268
Other	147	128
Net revenue	<u>\$ 34,264</u>	<u>\$ 24,810</u>

	Nine months ended September 30,	
	2024	2023
Cannabis flower	\$ 64,514	\$ 44,556
Cannabis extracts	22,580	18,495
Other	220	275
Net revenue	<u>\$ 87,314</u>	<u>\$ 63,326</u>

Net revenue attributed to a geographic region based on the location of the customer were as follows for continuing operations:

	Three months ended September 30,	
	2024	2023
Canada	\$ 24,067	\$ 18,738
Israel	7,259	5,673
Other countries	2,938	399
Net revenue	<u>\$ 34,264</u>	<u>\$ 24,810</u>

	Nine months ended September 30,	
	2024	2023
Canada	\$ 62,781	\$ 46,767
Israel	20,565	16,160
Other countries	3,968	399
Net revenue	<u>\$ 87,314</u>	<u>\$ 63,326</u>

(f) Concentration of risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its operating activities, primarily accounts receivable and other receivables, and its investing activities, including cash held with banks and financial institutions, short-term investments and loans receivable. The Company's maximum exposure to this risk is equal to the carrying amount of these financial assets, which amounted to \$911,713 and \$966,442 as of September 30, 2024 and December 31, 2023, respectively.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan and a failure to make contractual payments for a period of greater than 120 days past due. As of September 30, 2024 and December 31, 2023, the Company had \$14 and \$3, respectively, in expected credit losses that have been recognized on receivables from contracts with customers.

As of September 30, 2024, the Company assessed that there is a concentration of credit risk, as 29% of the Company's accounts receivable were due from one customer with an established credit history with the Company. As of December 31, 2023, 37% of the Company's accounts receivable were due from one customer with an established credit history with the Company.

The Company sells products to a limited number of major customers. Major customers are defined as customers that each individually accounted for greater than 10% of the Company's net revenue before excise taxes. During the three months ended September 30, 2024, the Company earned a total net revenue before excise taxes of \$21,993 from two major customers, together accounting for 48% of the Company's total net revenue before excise taxes. During the three months ended September 30, 2023, the Company earned a total net revenue before excise taxes of \$22,618 from three major customers, together accounting for 67% of the Company's total net revenue before excise taxes. During the nine months ended September 30, 2024, the Company earned a total net revenue before excise taxes of \$71,846 from three customers, together accounting for 59% of the Company's total net revenue before excise taxes. During the nine months ended September 30, 2023, the Company earned a total net revenue before excise taxes of \$57,398 from three major customers, together accounting for 67% of the Company's total net revenue before excise taxes.

(g) New accounting pronouncements not yet adopted

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (“ASU 2023-07”). ASU 2023-07 enhances reportable segment disclosures by requiring disclosures such as significant segment expenses, information on the CODM and disclosures for entities with a single reportable segment. Additionally, the amendments enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, and contain other disclosure requirements. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and we expect to adopt ASU 2023-07 retrospectively. The Company does not expect the adoption of ASU 2023-07 to have a material impact on its consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (“ASU 2023-09”). ASU 2023-09 enhances the existing income tax disclosures to provide additional information to better assess how an entity’s operations, related tax risks and tax planning, and operational opportunities affect its tax rate and prospects for future cash flows. ASU 2023-09 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and we expect to adopt ASU 2023-09 prospectively. The Company does not expect the adoption of ASU 2023-09 to have a material impact on its consolidated financial statements.

(h) Adoption of new accounting pronouncements

On January 1, 2024, the Company adopted ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (“ASU 2022-03”). ASU 2022-03 clarifies that a contractual restriction on the sale of an equity security is not considered in measuring fair value. The amendments also require additional disclosures for equity securities subject to contractual sale restrictions. The adoption of ASU 2022-03 did not have a material impact on the Company’s condensed consolidated interim financial statements. With respect to the adoption of ASU 2022-03, see Note 5 “*Investments*” for discussion of the contractual restrictions related to the PharmaCann Option (as defined below).

2. Business Combination

On July 1, 2024, the Company obtained majority control of the board of directors of Cronos Growing Company Inc. (“Cronos GrowCo”), a cannabis cultivation company, which qualified as a business combination under ASC 805 (the “Cronos GrowCo Transaction”). Prior to this date, our investment in Cronos GrowCo consisted of an investment accounted for under the equity method and loans receivable from Cronos GrowCo.

Cronos GrowCo was formed under the Canada Business Corporations Act on June 14, 2018, with the objective of cultivating and commercializing cannabis and cannabis products. Cronos GrowCo is licensed to sell certain cannabis products to other license holders in the wholesale channel, as well as to provincial cannabis control authorities. It is also licensed to export dried flower to Israel.

In connection with the Cronos GrowCo Transaction, the Company provided an approximately \$51,000 secured non-revolving credit facility to Cronos GrowCo to fund the expansion of Cronos GrowCo’s cultivation and processing facilities (the “Phase 2 Expansion”), and the Company entered into a new supply agreement (the “Supply Agreement”) with Cronos GrowCo. Pursuant to the Supply Agreement, prior to the commencement of sales from Cronos GrowCo’s Phase 2 Expansion area, the Company and its controlled affiliates (other than Cronos GrowCo) have the right, but not the obligation, to purchase an aggregate total quantity of 80% of Cronos GrowCo’s production. Thereafter, the Company and its controlled affiliates (other than Cronos GrowCo) will have the right, but not the obligation, to purchase 70% of Cronos GrowCo’s forecasted production capacity over a given period and 70% of Cronos GrowCo’s actual production in a given month. The Cronos GrowCo Transaction is intended to support the Company’s current and future biomass supply requirements.

As there was no cash consideration paid, the Cronos GrowCo Transaction has been valued with reference to the fair value of our existing equity method investment of \$53,542, as well as the effective settlement of various preexisting relationships between the Company and Cronos GrowCo. These preexisting relationships are now classified as intercompany transactions and eliminated upon consolidation. In the three and nine months ended September 30, 2024, we recorded a gain of \$32,469 on the condensed consolidated statements of net income (loss) and comprehensive income (loss) from remeasuring our equity method investment in Cronos GrowCo. We also recorded \$11,804 to gain on revaluation of loan receivable on the condensed consolidated statements of net income (loss) and comprehensive income (loss) in the three and nine months ended September 30, 2024, from remeasuring our outstanding loans receivable with Cronos GrowCo. Additionally, the consideration also included the effective settlement of various preexisting trade receivables and payables and other related accounts that are now classified as intercompany transactions and eliminated upon consolidation. The effective settlement of the preexisting trade receivables, payables, and related accounts did not result in the recognition of any gain or loss on settlement. As of the date of the Cronos GrowCo Transaction, the fair value of the non-controlling interest in Cronos GrowCo was \$53,542. The Company used the income approach to estimate both the fair value of the Company’s equity method investment in Cronos GrowCo and the fair value of the non-controlling interest in Cronos GrowCo. Under the income

approach, significant assumptions used in the discounted cash flow method that required the use of judgment were the discount rate, growth rates and cash flow projections. The Company used the income approach to estimate the fair value of the Company's loan receivable with Cronos GrowCo. Under the income approach, significant assumptions used that required the use of judgment were the credit spread and interest rate volatility.

The table below summarizes the unaudited provisional estimates of the fair values of the identifiable assets acquired and liabilities assumed in the Cronos GrowCo Transaction. The Company's preliminary estimates and the allocation of the purchase price to the assets acquired and liabilities assumed may change as the Company completes the valuation process, which may result in an adjustment, which could be material, to the preliminary values presented below. The Company expects to complete the purchase price allocation as soon as reasonably possible, but not to exceed one year from the date of completion of the Cronos GrowCo Transaction.

Cash	\$	5,993
Accounts receivable		2,437
Inventory		31,041
Prepays and other current assets		795
Goodwill		36,421
Property, plant and equipment		119,600
Accounts payable		(2,913)
Accrued liabilities		(2,757)
Deferred income tax liability		(11,738)
Total purchase price	\$	<u>178,879</u>

The inventory acquired in the Cronos GrowCo Transaction of \$31,041 includes a step-up to fair value of \$17,908. For both the three and nine months ended September 30, 2024, the Company recognized \$7,116 of this inventory step-up into cost of sales on the condensed consolidated statements of income (loss) and comprehensive income (loss).

The following table presents details of the property, plant and equipment acquired by major category:

	Fair value at date of Cronos GrowCo Transaction
Land	\$ 4,557
Building and leasehold improvements	49,356
Machinery and equipment	53,573
Furniture and fixtures	580
Construction in progress	11,534
Total	<u>\$ 119,600</u>

The Company's results of operations for the three and nine months ended September 30, 2024, included three months of the operating results of Cronos GrowCo, which was comprised of revenue of \$4,268 and loss before income taxes of \$1,606. Business combination-related costs of \$334 and \$530 were incurred in relation to the Cronos GrowCo Transaction in the three and nine months ended September 30, 2024, respectively, and were reported in general and administrative expenses on the condensed consolidated statements of net income (loss) and comprehensive income (loss).

As part of the Cronos GrowCo Transaction, the Company preliminarily recorded goodwill of \$36,421, none of which is deductible for income tax purposes. The goodwill acquired was primarily attributable to the ability to secure a long-term supply of cannabis and to take advantage of growth opportunities from the expansion of Cronos GrowCo's cultivation and processing facilities.

The following table presents unaudited supplemental pro forma results for the three and nine months ended September 30, 2024 and 2023, respectively, as if the Cronos GrowCo Transaction had occurred as of January 1, 2023. The unaudited pro forma information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the business combination had taken place at such time. The unaudited pro forma results presented below include adjustments such as amortization of inventory step-up, amortization charges for acquired intangible assets, depreciation adjustments for property, plant and equipment that has been revalued, adjustment of interest expense and interest income resulting from the effective settlement of pre-existing debt financing in connection with the Cronos GrowCo Transaction and adjustments for certain business combination-related charges.

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net revenue	\$ 34,264	\$ 31,249	\$ 94,788	\$ 76,258
Gross profit	(3,540)	3,686	14,124	(881)
Operating expenses	37,266	27,036	82,715	77,107
Other income	(6,002)	17,416	8,892	74,788
Net income (loss) attributable to Cronos Group	\$ (29,447)	\$ (3,914)	\$ (39,578)	\$ (10,786)

Material nonrecurring pro forma adjustments directly attributable to the Cronos GrowCo Transactions include the following:

- Acquired inventory fair value step-up of \$18,283 is assumed to be recorded at January 1, 2023. As such, historical amortization of the acquired inventory step-up of \$7,116 recognized in the historical three month period ended September 30, 2024 was removed from pro forma net income for the three months and nine months ended September 30, 2024. The entire inventory fair value step-up of \$18,283 was recognized as an incremental product cost in the nine months ended September 30, 2023, with \$4,583 recognized in the three months ended September 30, 2023 as the inventory acquired at the business combination date is expected to turnover within eight months.
- Pre-business combination revenues for sales from Cronos GrowCo to the Company of \$2,664 and \$15,489 were adjusted out for the three months and nine months ended September 30, 2023, respectively, and \$14,776 of pre-business combination revenues were adjusted out for the nine months ended September 30, 2024 as these amounts would have been eliminated in consolidation. Company pre-business combination cost of sales of \$4,232 and \$12,147 were adjusted out for the three and nine months ended September 30, 2023, respectively, and \$11,386 of pre-business combination cost of sales were adjusted out for the nine months ended September 30, 2024, as these amounts would have been eliminated in consolidation.
- The gain on the revaluation of the equity method investment and loan receivable relating to the Cronos GrowCo Transaction of \$32,469 and \$11,804, respectively, were adjusted out for the three months and nine months ended September 30, 2024 and added into the nine months ended September 30, 2023 as this revaluation is assumed to have occurred on January 1, 2023.

3. Discontinued Operations

In the second quarter of 2023, the Company exited its then-existing U.S. hemp-derived cannabinoid product operations. Accordingly, the net loss of the U.S. operations for the three and nine months ended September 30, 2023 are reported separately as loss from discontinued operations on the condensed consolidated statements of net income (loss) and comprehensive income (loss). There was no activity in discontinued operations for the three and nine months ended September 30, 2024.

The following table presents the major components comprising loss from discontinued operations in the condensed consolidated statements of operations for the three and nine months ended September 30, 2023:

	Three months ended September 30,	Nine months ended September 30,
	2023	
Net revenue	\$ —	\$ 1,029
Cost of sales	—	2,044
Inventory write-down ⁽ⁱ⁾	—	839
Gross profit	—	(1,854)
Operating expenses		
Sales and marketing	—	518
Research and development	—	20
General and administrative	190	926
Restructuring costs	28	562
Share-based compensation	(4)	17
Depreciation and amortization	—	13
Impairment loss on long-lived assets ⁽ⁱⁱ⁾	—	205
Total operating expenses	214	2,261
Interest income	1	9
Other, net ⁽ⁱⁱⁱ⁾	31	(132)
Total other income (loss)	32	(123)
Loss before income taxes	(182)	(4,238)
Income tax expense (benefit)	—	—
Net loss from discontinued operations	<u>\$ (182)</u>	<u>\$ (4,238)</u>

⁽ⁱ⁾ For the nine months ended September 30, 2023, Inventory write-down relates to the disposal of obsolete inventory as a result of the exit of the U.S. operations.

⁽ⁱⁱ⁾ During the nine months ended September 30, 2023, as a result of the exit of the U.S. operations, the Company recognized an impairment charge of \$205 related to the right-of-use lease assets associated with the Company's former U.S. manufacturing facility in Los Angeles, California.

⁽ⁱⁱⁱ⁾ For the three and nine months ended September 30, 2023, Other, net related to loss on disposal of assets that were part of the U.S. operations.

The following tables present the Company's discontinued operations revenue by major product category:

	Three months ended September 30,	Nine months ended September 30,
	2023	
Cannabis extracts	—	1,029
Net revenue	<u>\$ —</u>	<u>\$ 1,029</u>

The following tables summarize the Company's discontinued operations restructuring activity for the three and nine months ended September 30, 2023:

	Accrual as of June 30, 2023	Expenses	Payments/Write-offs	Accrual as of September 30, 2023
Employee Termination Benefits	\$ 219	\$ 28	\$ (169)	\$ 78
Other Restructuring Costs	92	—	(92)	—
Total	<u>\$ 311</u>	<u>\$ 28</u>	<u>\$ (261)</u>	<u>\$ 78</u>

	Accrual as of December 31, 2022	Expenses	Payments/Write-offs	Accrual as of September 30, 2023
Employee Termination Benefits	\$ —	\$ 470	\$ (392)	\$ 78
Other Restructuring Costs	—	92	(92)	—
Total	\$ —	\$ 562	\$ (484)	\$ 78

The Company had no assets or liabilities presented in the condensed consolidated balance sheets related to its discontinued operations as of both September 30, 2024 and December 31, 2023.

For the nine months ended September 30, 2024, there were no purchases of property plant and equipment related to discontinued operations. For the nine months ended September 30, 2023, purchases of property plant and equipment related to discontinued operations were \$67.

4. Inventory, net

Inventory, net is comprised of the following items:

	As of September 30, 2024	As of December 31, 2023
Raw materials	\$ 5,133	\$ 4,795
Work-in-progress	27,470	10,593
Finished goods	14,387	14,819
Supplies and consumables	260	288
Total	\$ 47,250	\$ 30,495

As a result of the Cronos GrowCo Transaction, the Company recorded a step-up to Cronos GrowCo's existing inventory of \$17,908 to bring the inventory balance acquired by the Company to its fair value. For both the three and nine months ended September 30, 2024, the Company recognized \$7,116 of this inventory step-up into cost of sales on the condensed consolidated statements of income (loss) and comprehensive income (loss). For more information, see Note 2 "Business Combination."

5. Investments

(a) Equity method investments, net

As a result of the Cronos GrowCo Transaction, the existing equity method investment in Cronos GrowCo was remeasured at its fair value. In both the three and nine months ended September 30, 2024, we recorded a gain of \$32,469 on the condensed consolidated statements of net income (loss) and comprehensive income (loss) from remeasuring our equity method investment in Cronos GrowCo. For more information, see Note 2 "Business Combination"

A reconciliation of the carrying amount of the investments in equity method investees, net is as follows:

	Ownership interest	As of September 30, 2024	As of December 31, 2023
Cronos GrowCo ⁽ⁱ⁾	50%	\$ —	\$ 19,488
		\$ —	\$ 19,488

⁽ⁱ⁾ The Company obtained control of Cronos GrowCo on July 1, 2024, and, as a result, the investment in Cronos GrowCo is now accounted for as an intercompany transaction and eliminated upon consolidation from the business combination date onwards.

The following is a summary of the Company's share of net income from equity investments accounted for under the equity method of accounting:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Cronos GrowCo ⁽ⁱ⁾	\$ —	\$ 1,057	\$ 2,365	\$ 831
	\$ —	\$ 1,057	\$ 2,365	\$ 831

⁽ⁱ⁾ The Company obtained control of Cronos GrowCo on July 1, 2024, and, as a result, the investment in Cronos GrowCo is now accounted for as an intercompany transaction and eliminated upon consolidation from the business combination date onwards.

(b) Other investments

Other investments consist of investments in common shares and options of two companies in the cannabis industry.

PharmaCann Option

On June 14, 2021, the Company purchased an option (the "PharmaCann Option") to acquire 473,787 shares of Class A Common Stock of PharmaCann, Inc. ("PharmaCann"), a vertically integrated cannabis company in the United States, at an exercise price of \$0.0001 per share, representing approximately 10.5% of PharmaCann's issued and outstanding capital stock on a fully diluted basis as of the date of the PharmaCann Option, for an aggregate purchase price of approximately \$110,392. The PharmaCann Option is classified as an investment in an equity security without a readily determinable fair value. The Company measures the PharmaCann Option at cost less accumulated impairment charges, if any, and subsequently adjusted for observable price changes in orderly transactions for the identical or a similar investment of the same issuer. As of September 30, 2024 and December 31, 2023, based on updated information provided by PharmaCann in the third quarter, the Company's ownership percentage in PharmaCann on a fully diluted basis was approximately 5.8% and 6.6%, respectively. The decrease in the Company's ownership percentage since acquisition does not materially affect the Company's rights under the PharmaCann Option. The PharmaCann Option is measured at fair value on a non-recurring basis and is a level 3 asset. See Note 13 "Fair Value Measurements" for more information on the fair value hierarchy. The PharmaCann Option is reported as Other investments on the consolidated balance sheet as of September 30, 2024 and December 31, 2023.

During the first and second quarters of 2024, the Company identified adverse forecast changes in the financial performance of PharmaCann as indicators of impairment related to the PharmaCann Option and conducted analyses comparing the PharmaCann Option's carrying amount to its estimated fair value. The fair value was estimated using the market approach. Under the market approach, the key assumptions are the selected multiples and the discount for lack of marketability. As a result of these analyses, the Company recorded non-cash impairment charges of \$12,734 and \$12,916 in the first and second quarters of 2024, respectively, as the difference between the carrying amount of the PharmaCann Option and its estimated fair value, in the condensed consolidated statements of net income (loss) and comprehensive income (loss) for the nine months ended September 30, 2024.

The Company may sell, transfer or dispose of the PharmaCann Option without PharmaCann's prior written consent, subject to the following conditions: (i) any transferee of any part of the PharmaCann Option must comply with and commit to comply with all regulations issued by a governmental entity applicable to such transferee in all material respects; (ii) any transferee of any part of the PharmaCann Option must agree to be bound by the terms of the Option Purchase Agreement, dated as of June 14, 2021 (the "Option Purchase Agreement"), as a "Purchaser" thereunder; (iii) the Company may not split and/or transfer the PharmaCann Option, in the aggregate, to more than four persons (with certain exceptions); (iv) no transferee may be a Prohibited Assignee (as defined in the Option Purchase Agreement); and (v) subject to certain exceptions, in the event that the Company (or a Permitted Transferee of the whole PharmaCann Option) transfers less than all of the PharmaCann Option to any third party that is not a Permitted Transferee, certain governance and information rights terminate immediately, unless waived by the PharmaCann board of directors in its sole and absolute discretion.

Additionally, in the event of an initial underwritten public offering of PharmaCann's common stock pursuant to an effective registration statement, to the extent that holders of PharmaCann common stock are subject to any lock-up period imposed by the underwriter in connection therewith, the Company will, if applicable, execute a customary lock-up agreement on the same material

terms and conditions as the other holders of common stock are subject to or as otherwise agreed between PharmaCann and the Company, subject to certain conditions with respect to the duration of the lock-up period.

Vitura Health Limited (formerly known as Cronos Australia)

The Company owns approximately 10% of the outstanding common shares of Vitura Health Limited (“Vitura”). The investment is considered an equity security with a readily determinable fair value. Changes in the fair value of the investment are recorded as gain (loss) on revaluation of financial instruments on the condensed consolidated statements of net income (loss) and comprehensive income (loss).

The following table summarizes the Company’s other investments activity:

	As of June 30, 2024	Unrealized loss	Impairment charges	Foreign exchange effect	As of September 30, 2024
PharmaCann	\$ —	\$ —	\$ —	\$ —	\$ —
Vitura	3,168	(371)	—	103	2,900
	<u>\$ 3,168</u>	<u>\$ (371)</u>	<u>\$ —</u>	<u>\$ 103</u>	<u>\$ 2,900</u>

	As of December 31, 2023	Unrealized loss	Impairment charges	Foreign exchange effect	As of September 30, 2024
PharmaCann	\$ 25,650	\$ —	\$ (25,650)	\$ —	\$ —
Vitura	9,601	(6,468)	—	(233)	2,900
	<u>\$ 35,251</u>	<u>\$ (6,468)</u>	<u>\$ (25,650)</u>	<u>\$ (233)</u>	<u>\$ 2,900</u>

	As of June 30, 2023	Unrealized loss	Impairment charges	Foreign exchange effect	As of September 30, 2023
PharmaCann	\$ 49,000	\$ —	\$ —	\$ —	\$ 49,000
Vitura	18,925	(5,204)	—	(578)	13,143
	<u>\$ 67,925</u>	<u>\$ (5,204)</u>	<u>\$ —</u>	<u>\$ (578)</u>	<u>\$ 62,143</u>

	As of December 31, 2022	Unrealized loss	Impairment charges	Foreign exchange effect	As of September 30, 2023
PharmaCann	\$ 49,000	\$ —	\$ —	\$ —	\$ 49,000
Vitura	21,993	(7,933)	—	(917)	13,143
	<u>\$ 70,993</u>	<u>\$ (7,933)</u>	<u>\$ —</u>	<u>\$ (917)</u>	<u>\$ 62,143</u>

6. Loans Receivable, net

Loans receivable, net consists of the following:

	As of September 30, 2024	As of December 31, 2023
GrowCo Credit Facility ⁽ⁱ⁾	\$ —	\$ 5,034
Add: Current portion of Mucci Promissory Note accrued interest	233	507
Total current portion of loans receivable, net	233	5,541
GrowCo Credit Facility ⁽ⁱ⁾	—	53,638
Mucci Promissory Note	14,081	13,379
Cannasoul Collaboration Loan	1,706	1,771
Add: Long-term portion of accrued interest	299	248
Total long-term portion of loans receivable, net	16,086	69,036
Total loans receivable, net⁽ⁱ⁾	\$ 16,319	\$ 74,577

⁽ⁱ⁾ The Company obtained control of Cronos GrowCo on July 1, 2024, and, as a result, the loans receivable from Cronos GrowCo are now accounted for as intercompany transactions and eliminated upon consolidation from the business combination date onwards.

Cronos GrowCo Credit Facility

On August 23, 2019, the Company, as lender, and Cronos GrowCo, as borrower, entered into a senior secured credit agreement for an aggregate principal amount of C\$100,000 (the “GrowCo Credit Facility”). The GrowCo Credit Facility is secured by substantially all present and after-acquired personal and real property of Cronos GrowCo. In August 2021, the GrowCo Credit Facility was amended to increase the aggregate principal amount available to C\$105,000.

In June 2024, the GrowCo Credit Facility was amended to increase the aggregate principal amount available by C\$70,000 by providing a second secured non-revolving credit facility (“Term Loan B”). The funds from Term Loan B will be used to expand Cronos GrowCo’s purpose-built cannabis facility and Term Loan B will mature 10 years after the commencement of sales from the Phase 2 Expansion area. Principal will be repaid under Term Loan B on a quarterly basis after the commencement of sales from the Phase 2 Expansion area. Interest on Term Loan B is payable on a quarterly basis until maturity beginning after the first borrowing under Term Loan B. Prior to July 1, 2024, only C\$12,000 of the C\$70,000 increased principal availability could be drawn, which Cronos GrowCo drew in full on June 20, 2024.

As of June 30, 2024 and December 31, 2023, Cronos GrowCo had drawn C\$116,000 and C\$104,000 (\$84,833 and \$78,532, respectively), respectively from the GrowCo Credit Facility. For the six months ended June 30, 2024, Cronos GrowCo repaid C\$3,333 (\$2,447) in principal and C\$3,862 (\$2,835) in interest related to the GrowCo Credit Facility. As of June 30, 2024, Cronos GrowCo had repaid an aggregate C\$14,833 (\$10,848) and C\$24,384 (\$17,832) in principal and interest, respectively, under the terms of the GrowCo Credit Facility.

As a result of the Cronos GrowCo Transaction on July 1, 2024, the existing loans receivable under the GrowCo Credit Facility were remeasured at their fair value and effectively settled. We recorded a gain of \$11,804 to revaluation gain on loan receivable on the condensed consolidated statements of net income (loss) and comprehensive income (loss) in the three and nine months ended September 30, 2024, from remeasuring our outstanding loans receivable with GrowCo. For more information, see Note 2 “*Business Combination*.”

Mucci Promissory Note

On June 28, 2019, the Company entered into a promissory note receivable agreement (the “Mucci Promissory Note”) for C\$16,350 (approximately \$12,089) with the Cronos GrowCo joint venture partner (“Mucci”). The Mucci Promissory Note is secured by a general security agreement covering all the assets of Mucci. On September 30, 2022, the Mucci Promissory Note was amended and restated to increase the interest rate from 3.95% to the Canadian Prime Rate plus 1.25%, change the interest payments from quarterly to annual, and defer Mucci’s initial cash interest payment from September 30, 2022 to July 1, 2023. On June 20, 2024, the Mucci Promissory Note was amended and restated. As a result, interest accrued on the Mucci Promissory Note between July 1, 2023 and July 1, 2024 was capitalized as part of the principal balance. As of July 1, 2024, interest is accrued and to be paid in cash beginning on July 1, 2025.

Prior to July 1, 2022, interest accrued on the Mucci Promissory Note was capitalized as part of the principal balance. As of July 1, 2022, interest was accrued and to be paid in cash beginning on July 1, 2023. Prior to 2023, there were no repayments of principal or interest on the Mucci Promissory Note. For the three and nine months ended September 30, 2023, Mucci made a payment of C\$1,750 (approximately \$1,322) under the Mucci Promissory Note, with C\$1,187 (\$897) related to accrued interest and C\$563 (\$425) related to outstanding principal. For the three and nine months ended September 30, 2024, there were no repayments of principal or interest on the Mucci Promissory Note.

Cannasoul Collaboration Loan

As of both September 30, 2024 and December 31, 2023, Cannasoul Lab Services Ltd. has received ILS 8,297 (approximately \$2,175 and \$2,294, respectively), from the Cannasoul Collaboration Loan.

Expected credit loss allowances on the Company's long-term financial assets for the nine months ended September 30, 2024 and 2023 were comprised of the following items:

	As of June 30, 2024	Increase (decrease) ⁽ⁱⁱ⁾	Foreign exchange effect	As of September 30, 2024
GrowCo Credit Facility ⁽ⁱ⁾	\$ 11,838	\$ (11,804)	\$ (34)	\$ —
Mucci Promissory Note	90	1	1	92
Cannasoul Collaboration Loan	506	4	10	520
	<u>\$ 12,434</u>	<u>\$ (11,799)</u>	<u>\$ (23)</u>	<u>\$ 612</u>

	As of December 31, 2023	Increase (decrease) ⁽ⁱⁱ⁾	Foreign exchange effect	As of September 30, 2024
GrowCo Credit Facility ⁽ⁱ⁾	\$ 11,176	\$ (10,794)	\$ (382)	\$ —
Mucci Promissory Note	89	4	(1)	92
Cannasoul Collaboration Loan	524	12	(16)	520
	<u>\$ 11,789</u>	<u>\$ (10,778)</u>	<u>\$ (399)</u>	<u>\$ 612</u>

	As of June 30, 2023	Increase (decrease) ⁽ⁱⁱⁱ⁾	Foreign exchange effect	As of September 30, 2023
GrowCo Credit Facility	\$ 11,579	\$ (199)	\$ (283)	\$ 11,097
Mucci Promissory Note	86	2	(2)	86
Cannasoul Collaboration Loan	503	4	(14)	493
	<u>\$ 12,168</u>	<u>\$ (193)</u>	<u>\$ (299)</u>	<u>\$ 11,676</u>

	As of December 31, 2022	Increase (decrease) ⁽ⁱⁱⁱ⁾	Foreign exchange effect	As of September 30, 2023
GrowCo Credit Facility	\$ 12,455	\$ (1,348)	\$ (10)	\$ 11,097
Mucci Promissory Note	89	(3)	—	86
Cannasoul Collaboration Loan	522	12	(41)	493
	<u>\$ 13,066</u>	<u>\$ (1,339)</u>	<u>\$ (51)</u>	<u>\$ 11,676</u>

⁽ⁱ⁾ The Company obtained control of Cronos GrowCo on July 1, 2024, and, as a result, the loans receivable from Cronos GrowCo are now accounted for as intercompany transactions and eliminated upon consolidation from the business combination date onwards.

⁽ⁱⁱ⁾ During the three and nine months ended September 30, 2024, \$5 and \$1,026, respectively, were recorded as increases to general and administrative expenses on the condensed consolidated statements of net income (loss) and comprehensive income (loss) as a result of adjustments to our expected credit losses. During both the three and nine months ended September 30, 2024, \$11,804 was recorded as a gain on revaluation of loans receivable on the condensed consolidated statements of net income (loss) and comprehensive income (loss) from remeasuring our outstanding loans receivable with Cronos GrowCo as a result of the Cronos GrowCo Transaction.

⁽ⁱⁱⁱ⁾ During the three and nine months ended September 30, 2023, \$193 and \$1,339, respectively, were recorded as decreases to general and administrative expenses on the condensed consolidated statements of net income (loss) and comprehensive income (loss) as a result of adjustments to our expected credit losses.

7. Property, plant and equipment, net

Property, plant and equipment, net consisted of the following:

	As of	
	September 30, 2024	December 31, 2023
Cost		
Land	\$ 6,656	\$ 2,764
Building and leasehold improvements	198,016	168,498
Machinery and Equipment	70,719	21,322
Furniture and fixtures	2,700	3,385
Construction in progress	21,401	3,269
Total Cost	299,492	199,238
Less: accumulated depreciation	(28,116)	(30,707)
Less: accumulated impairment charges	(108,860)	(109,063)
Total	\$ 162,516	\$ 59,468

During the first quarter of 2024, the Company ceased operations at its Winnipeg, Manitoba facility (“Cronos Fermentation”) and performed an assessment under ASC 360 of the recoverability of the carrying value of the Cronos Fermentation assets, and determined the carrying value of the assets was not fully recoverable. The fair value was estimated using a combination of the market and income approaches. As a result of this analysis, an impairment loss on long-lived assets of \$1,631 was recorded to the condensed consolidated statements of net income loss and comprehensive loss in the nine months ended September 30, 2024. In addition, the Cronos Fermentation assets were classified as held-for-sale in the first quarter of 2024 at a fair value less costs to sell of \$19,398. For more information, see Note 9, “Restructuring.”

For the three and nine months ended September 30, 2024, depreciation expense on property, plant and equipment was \$2,552 and \$3,861, respectively. For the three and nine months ended September 30, 2023, depreciation expense on property, plant and equipment was \$1,158 and \$3,766, respectively. This depreciation expense was included in cost of sales as well as depreciation and amortization in operating expenses on the consolidated statements of net loss and comprehensive loss.

The following table presents details of the property, plant and equipment acquired on July 1, 2024, in the Cronos GrowCo Transaction by major category:

	Fair value at date of Cronos GrowCo Transaction
Land	\$ 4,557
Building and leasehold improvements	49,356
Machinery and Equipment	53,573
Furniture and fixtures	580
Construction in progress	11,534
Total	\$ 119,600

For more information, see Note 2 “Business Combination.”

8. Goodwill and Intangible Assets, net

(a) Goodwill

As a result of the Cronos GrowCo Transaction, the Company preliminarily recorded goodwill of \$36,421, none of which is deductible for income tax purposes. The goodwill recognized was primarily attributable to the ability to secure a long-term supply of cannabis and to take advantage of growth opportunities from the expansion of Cronos GrowCo's cultivation and processing facilities. See Note 2 "Business Combination" for additional information.

Goodwill is comprised of the following items as of September 30, 2024 and December 31, 2023:

	September 30, 2024		
	Cost	Accumulated impairment charges	Net
Peace Naturals	\$ 1,035	\$ —	\$ 1,035
Cronos GrowCo	36,993	—	36,993
	<u>\$ 38,028</u>	<u>\$ —</u>	<u>\$ 38,028</u>

	As of December 31, 2023		
	Cost	Accumulated impairment charges	Net
Peace Naturals	\$ 1,057	\$ —	\$ 1,057
	<u>\$ 1,057</u>	<u>\$ —</u>	<u>\$ 1,057</u>

(b) Intangible assets, net

In the third quarter of 2024, the Company determined that it was no longer utilizing and had no current plans to utilize the intellectual property associated with its exclusive licenses with Ginkgo Bioworks Holdings, Inc. ("Ginkgo"). As a result, the remaining net book value of \$14,258 was impaired and recorded to impairment loss on long-lived assets on the condensed consolidated statements of income (loss) and comprehensive income (loss) in both the three and nine months ended September 30, 2024.

Intangible assets, net are comprised of the following items as of September 30, 2024 and December 31, 2023:

	Useful life (in years)	As of September 30, 2024			Net
		Cost	Accumulated amortization	Accumulated impairment charges	
Software	5	\$ 7,156	\$ (4,538)	\$ (76)	\$ 2,542
Health Canada licenses	17	8,287	(1,775)	(6,512)	—
Ginkgo exclusive licenses	10	27,736	(5,655)	(22,081)	—
Israeli codes ⁽ⁱ⁾	20	276	(71)	—	205
Total definite-lived intangible assets		<u>43,455</u>	<u>(12,039)</u>	<u>(28,669)</u>	<u>2,747</u>
Lord Jones [®] brand	N/A	64,000	—	(62,500)	1,500
Trademarks	N/A	142	—	(142)	—
Total intangible assets		<u>\$ 107,597</u>	<u>\$ (12,039)</u>	<u>\$ (91,311)</u>	<u>\$ 4,247</u>

	Useful life (in years)	As of December 31, 2023			
		Cost	Accumulated amortization	Accumulated impairment charges	Net
Software	5	\$ 6,860	\$ (3,508)	\$ (78)	\$ 3,274
Health Canada licenses	17	8,463	(1,813)	(6,650)	—
Ginkgo exclusive licenses	10	28,326	(4,276)	(7,968)	16,082
Israeli codes ⁽ⁱ⁾	20	284	(62)	—	222
Total definite-lived intangible assets		43,933	(9,659)	(14,696)	19,578
Lord Jones [®] brand	N/A	64,000	—	(62,500)	1,500
Trademarks	N/A	142	—	(142)	—
Total intangible assets		\$ 108,075	\$ (9,659)	\$ (77,338)	\$ 21,078

⁽ⁱ⁾ The Israeli codes were transferred by non-controlling interests to Cronos Israel in exchange for their equity interests in the Cronos Israel entities.

As of September 30, 2024, the estimated future amortization of definite-lived intangible assets is as follows:

	As of September 30, 2024
Remainder of 2024 (3 months)	\$ 360
2025	1,275
2026	719
2027	215
2028	28
2029	24
Thereafter	126
	\$ 2,747

Impairment of Intangible Assets

Accumulated impairment charges on intangible assets, net consist of:

	As of December 31, 2023	Impairment charges	Foreign exchange effect	As of September 30, 2024
Software	\$ (78)	\$ —	\$ 2	\$ (76)
Health Canada licenses	(6,650)	—	138	(6,512)
Ginkgo exclusive license	(7,968)	(14,258)	145	(22,081)
Lord Jones [®] brand	(62,500)	—	—	(62,500)
Trademarks	(142)	—	—	(142)
	\$ (77,338)	\$ (14,258)	\$ 285	\$ (91,311)

	As of December 31, 2022	Impairment charges	Foreign exchange effect	As of December 31, 2023
Software	\$ (76)	\$ —	\$ (2)	\$ (78)
Health Canada licenses	(6,498)	—	(152)	(6,650)
Ginkgo exclusive license	(4,434)	(3,366)	(168)	(7,968)
Lord Jones [®] brand	(62,500)	—	—	(62,500)
Trademarks	(142)	—	—	(142)
	\$ (73,650)	\$ (3,366)	\$ (322)	\$ (77,338)

9. Restructuring

In the first quarter of 2022, the Company initiated a strategic plan to realign the business around its brands, centralize functions and evaluate the Company's supply chain (the "Realignment"). As part of the Realignment, on February 28, 2022, the Board approved plans to leverage the Company's strategic partnerships to improve supply chain efficiencies and reduce manufacturing overhead by exiting its production facility in Stayner, Ontario, Canada (the "Peace Naturals Campus"). On February 27, 2023, the Board approved revisions to the Realignment, which were expected to result in the Company maintaining select components of its operations at the Peace Naturals Campus, namely distribution warehousing, certain research and development activities and manufacturing of certain of the Company's products, while seeking to sell and lease back all or some of the Peace Naturals Campus or to lease certain portions of the Peace Naturals Campus to third parties. In the third quarter of 2023, the Board approved revisions to the Realignment to wind-down operations at Cronos Fermentation, list the Company's Winnipeg, Manitoba facility (the "Cronos Fermentation Facility") for sale, and implement additional organization-wide cost reductions as the Company continues its Realignment initiatives. The Realignment initiatives were intended to position the Company to drive profitable and sustainable growth over time.

On November 26, 2023, the Company entered into an agreement with Future Farmco Canada Inc. for the sale and leaseback of the Peace Naturals Campus. This agreement was subsequently terminated pursuant to its terms during the second quarter of 2024. The Company is continuing to evaluate its strategic options for the Peace Naturals Campus, which may include continuing and expanding operations at the facility.

During the first quarter of 2024, the Company ceased operations at Cronos Fermentation and performed an assessment under ASC 360 of the recoverability of the carrying value of the Cronos Fermentation assets, and determined the carrying value of the assets was not fully recoverable. The fair value was estimated using a combination of the market and income approaches. As a result of this analysis, an impairment loss on long-lived assets of \$1,631 was recorded to the condensed consolidated statements of net loss and comprehensive loss in the nine months ended September 30, 2024. In addition, the Cronos Fermentation assets were classified as held-for-sale in the first quarter of 2024 at a fair value less costs to sell of \$19,398 and continue to be classified as held-for-sale as of September 30, 2024. During the third quarter of 2024, the Company adjusted its sales strategy for the Cronos Fermentation assets to market the assets to a broader buyer pool, which resulted in the recognition of a loss on held-for-sale assets of \$10,422 on the condensed consolidated statements of net income (loss) and comprehensive income (loss) in both the three and nine months ended September 30, 2024.

During the three and nine months ended September 30, 2024, the Company incurred nil and \$630 of restructuring costs in its continuing operations in connection with the Realignment. Charges related thereto include shutdown costs at the Cronos Fermentation Facility, as well as employee-related costs such as severance and other termination benefits. During both the three and nine months ended September 30, 2023, the Company incurred \$1,423 of restructuring costs in its continuing operations in connection with the Realignment. Charges related thereto include employee-related costs such as severance and other termination benefits. Restructuring costs incurred in the Company's discontinued operations during the three and nine months ended September 30, 2023 is presented in Note 3 "*Discontinued Operations*."

The following table summarizes the Company's restructuring activity for the three and nine months ended September 30, 2024:

	Accrual as of June 30, 2024	Expenses	Payments/Write-offs	Accrual as of September 30, 2024
Employee Termination Benefits	\$ 24	\$ —	\$ (24)	\$ —
Other Restructuring Costs	547	—	(547)	—
Total	\$ 571	\$ —	\$ (571)	\$ —

	Accrual as of December 31, 2023	Expenses	Payments/Write-offs	Accrual as of September 30, 2024
Employee Termination Benefits	\$ 150	\$ 62	\$ (212)	\$ —
Other Restructuring Costs	—	568	(568)	—
Total	\$ 150	\$ 630	\$ (780)	\$ —

	Accrual as of June 30, 2023	Expenses	Payments/Write-offs	Accrual as of September 30, 2023
Employee Termination Benefits	\$ 61	\$ 1,420	\$ (947)	\$ 534
Other Restructuring Costs	—	3	(3)	—
Total	\$ 61	\$ 1,423	\$ (950)	\$ 534

	Accrual as of December 31, 2022	Expenses	Payments/Write-offs	Accrual as of September 30, 2023
Employee Termination Benefits	\$ 403	\$ 1,420	\$ (1,289)	\$ 534
Other Restructuring Costs	21	3	(24)	—
Total	\$ 424	\$ 1,423	\$ (1,313)	\$ 534

10. Share-based Compensation

(a) Share-based award plans

The Company has granted stock options, restricted share units ("RSUs") and deferred share units ("DSUs") to employees and non-employee directors under the 2018 Stock Option Plan dated June 28, 2018 (the "2018 Stock Option Plan"), the Employment Inducement Award Plan #1 (the "Employment Inducement Award Plan"), the 2020 Omnibus Equity Incentive Plan dated March 29, 2020 (the "2020 Omnibus Plan") and the DSU Plan dated August 10, 2019 (the "DSU Plan"). The Company can no longer make grants under the 2018 Stock Option Plan or the Employment Inducement Award Plan.

The following table summarizes the total share-based compensation expense associated with the Company's stock options and RSUs for the three and nine months ended September 30, 2024 and 2023:

	For the three months ended September 30,		For the nine months ended September 30,	
	2024	2023	2024	2023
Stock options	\$ 34	\$ 35	\$ 101	\$ 1,141
RSUs	2,228	1,922	6,412	5,682
Total share-based compensation	\$ 2,262	\$ 1,957	\$ 6,513	\$ 6,823

(b) Stock options

Vesting conditions for grants of options are determined by the Compensation Committee of the Company's Board of Directors. The typical vesting for stock option grants made under the 2020 Omnibus Plan is annual vesting over three to five years with a maximum term of ten years. The typical vesting for stock option grants made under the 2018 Stock Option Plan is quarterly vesting over three to five years with a maximum term of seven years. The 2018 Stock Option Plan did not, and the 2020 Omnibus Plan does not, authorize grants of options with an exercise price below fair market value.

The following is a summary of the changes in stock options for the nine months ended September 30, 2024 and 2023:

	Weighted-average exercise price (C\$) ⁽ⁱ⁾	Number of options	Weighted-average remaining contractual term (years)
Balance as of December 31, 2023	\$ 14.50	2,103,201	1.84
Cancellation, forfeiture and expiry of options	19.05	(1,385,937)	
Balance as of September 30, 2024	\$ 5.63	717,264	3.90
Exercisable as of September 30, 2024	\$ 6.39	535,469	3.42
	Weighted-average exercise price (C\$) ⁽ⁱ⁾	Number of options	Weighted-average remaining contractual term (years)
Balance as of December 31, 2022	\$ 10.57	5,350,600	0.73
Issuance of options	2.96	188,317	
Cancellation, forfeiture and expiry of options	7.75	(3,435,716)	
Balance as of September 30, 2023	\$ 14.50	2,103,201	2.09
Exercisable as of September 30, 2023	\$ 16.02	1,845,841	1.50

⁽ⁱ⁾ The weighted-average exercise price reflects the conversion of foreign currency-denominated stock options translated into C\$ using the average foreign exchange rate as of the date of issuance.

The following table summarizes stock options outstanding:

	As of September 30, 2024	As of December 31, 2023
2020 Omnibus Plan	702,264	702,264
2018 Stock Option Plan	15,000	1,400,937
Total stock options outstanding	717,264	2,103,201

(c) Restricted share units

The following is a summary of the changes in RSUs for the nine months ended September 30, 2024 and 2023:

	Weighted-average grant date fair value (C\$) ⁽ⁱⁱ⁾	Number of RSUs
Balance as of December 31, 2023	\$ 3.77	7,381,541
Granted ⁽ⁱ⁾	2.95	2,503,835
Vested and issued	3.51	(1,364,864)
Cancellation and forfeitures	2.99	(125,616)
Balance as of September 30, 2024	\$ 3.53	8,394,896
	Weighted-average grant date fair value (C\$) ⁽ⁱⁱ⁾	Number of RSUs
Balance as of December 31, 2022	\$ 4.63	5,725,470
Granted ⁽ⁱ⁾	2.65	2,883,500
Vested and issued	5.13	(764,056)
Cancellation and forfeitures	3.65	(510,342)
Balance as of September 30, 2023	\$ 3.86	7,334,572

⁽ⁱ⁾ RSUs granted in the period vest annually in equal installments over a three-year period from either the grant date or after a three or five year "cliff-period." All RSUs are subject to such holder's continued employment through each vesting date. The vesting of such RSUs is not subject to the achievement of any performance criteria.

⁽ⁱⁱ⁾ The weighted-average grant date fair value reflects the conversion of foreign currency-denominated RSUs translated into C\$ using the foreign exchange rate as of the date of issuance.

(d) Deferred share units

The following is a summary of the changes in DSUs for the nine months ended September 30, 2024 and 2023:

	Financial liability	Number of DSUs
Balance as of December 31, 2023	\$ 1,092	521,679
Granting and vesting of DSUs	450	193,965
DSU liabilities settled	(359)	(155,383)
Loss on revaluation	59	—
Balance as of September 30, 2024	<u>\$ 1,242</u>	<u>560,261</u>
	Financial liability	Number of DSUs
Balance as of December 31, 2022	\$ 674	265,732
Granting and vesting of DSUs	450	255,947
Gain on revaluation	(82)	—
Balance as of September 30, 2023	<u>\$ 1,042</u>	<u>521,679</u>

11. Income (Loss) per Share

Basic and diluted income (loss) per share from continuing and discontinued operations are calculated as follows (in thousands, except share and per share amounts):

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Basic income (loss) per share computation				
Net income (loss) from continuing operations attributable to the shareholders of Cronos Group	\$ 8,349	\$ (1,462)	\$ (2,649)	\$ (24,935)
Weighted-average number of common shares outstanding for computation for basic income (loss) per share	382,285,589	381,100,005	381,963,097	380,900,334
Basic income (loss) from continuing operations per share	<u>\$ 0.02</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.07)</u>
Loss from discontinued operations attributable to the shareholders of Cronos Group	\$ —	\$ (182)	\$ —	\$ (4,238)
Weighted-average number of common shares outstanding for computation of basic loss from discontinued operations per share	382,285,589	381,100,005	381,963,097	380,900,334
Basic loss from discontinued operations per share	<u>\$ —</u>	<u>\$ (0.00)</u>	<u>\$ —</u>	<u>\$ (0.01)</u>
Diluted income (loss) per share computation				
Net income (loss) from continuing operations attributable to the shareholders of Cronos Group	\$ 8,349	\$ (1,462)	\$ (2,649)	\$ (24,935)
Weighted-average number of common shares outstanding used in the computation of basic income (loss) per share	382,285,589	381,100,005	381,963,097	380,900,334
Dilutive effect of RSUs	3,408,093	—	—	—
Dilutive effect of Top-up Rights – market price	290,725	—	—	—
Weighted-average number of common shares for computation of diluted income (loss) from continuing operations per share ⁽ⁱ⁾	385,984,407	381,100,005	381,963,097	380,900,334
Diluted income (loss) from continuing operations per share	<u>\$ 0.02</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.07)</u>
Loss from discontinued operations attributable to the shareholders of Cronos Group	\$ —	\$ (182)	\$ —	\$ (4,238)
Weighted-average number of common shares for computation of diluted loss from discontinued operations per share	385,984,407	381,100,005	381,963,097	380,900,334
Diluted loss from discontinued operations per share	<u>\$ 0.00</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.01)</u>

⁽ⁱ⁾ In computing diluted loss per share, incremental common shares 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 September 30, 2024 and 2023, total securities of 15,065,666 and 23,340,811, respectively, were not included in the computation of diluted shares outstanding because the effect would be anti-dilutive. For the nine months ended September 30, 2024 and 2023, total securities of 20,926,402 and 27,399,000, respectively, were not included in the computation of diluted shares outstanding because the effect would be anti-dilutive.

12. Commitments and Contingencies

(a) Commitments

There have been no material changes in the information regarding commitments as disclosed in the Company's Annual Report.

(b) Contingencies

The Company is subject to various legal proceedings in the ordinary course of its business and in connection with its marketing, distribution and sale of its products. Many of these legal proceedings are in the early stages of litigation and seek damages that are unspecified or not quantified. Although the outcome of these matters cannot be predicted with certainty, the Company does not believe these legal proceedings, individually or in the aggregate, will have a material adverse effect on its financial condition but could be material to its results of operations for a quarterly period depending, in part, on its results for that quarter.

(i) Class action complaints relating to restatement of 2019 interim financial statements

On March 11 and 12, 2020, two alleged shareholders of the Company separately filed two putative class action complaints in the U.S. District Court for the Eastern District of New York against the Company and its Chief Executive Officer and former Chief Financial Officer. The court consolidated the cases, and the consolidated amended complaint alleges violations of Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5, promulgated thereunder, against all defendants, and Section 20(a) of the Exchange Act against the individual defendants. The consolidated amended complaint generally alleges that certain of the Company’s prior public statements about revenue and internal controls were incorrect based on the Company’s disclosures relating to the Audit Committee of the Board of Directors’ review of the appropriateness of revenue recognized in connection with certain bulk resin purchases and sales of products through the wholesale channel. The consolidated amended complaint does not quantify a damage request. The defendants moved to dismiss on February 8, 2021. On November 17, 2023, the court entered an order granting the motion and dismissed the case with prejudice. On December 1, 2023, the shareholder plaintiffs sought reconsideration of the dismissal, requesting that the court instead dismiss the action without prejudice and permit the plaintiffs to seek leave to further amend the complaint. The reconsideration motion is pending.

On June 3, 2020, an alleged shareholder filed a Statement of Claim, as amended on August 12, 2020, in the Ontario Superior Court of Justice in Toronto, Ontario, Canada, seeking, among other things, an order certifying the action as a class action on behalf of a putative class of shareholders and damages of an unspecified amount. The Amended Statement of Claim named (i) the Company, (ii) its Chief Executive Officer, (iii) former Chief Financial Officer, (iv) former Chief Financial Officer and Chief Commercial Officer, and (v) current and former members of the Board as defendants and alleged breaches of the Ontario Securities Act, oppression under the Ontario Business Corporations Act and common law misrepresentation. The Amended Statement of Claim generally alleged that certain of the Company’s prior public statements about revenue and internal controls were misrepresentations based on the Company’s March 2, 2020 disclosure that the Audit Committee of the Board of Directors was conducting a review of the appropriateness of revenue recognized in connection with certain bulk resin purchases and sales of products through the wholesale channel, and the Company’s subsequent restatement. The Amended Statement of Claim did not quantify a damage request. On June 28, 2021, the Court dismissed motions brought by the plaintiff for leave to commence a claim for misrepresentation under the Ontario Securities Act and for certification of the action as a class action. The plaintiff appealed the Court’s dismissal of the motions only with respect to the Company, the Chief Executive Officer, and the now former Chief Financial Officer; the remaining defendants were dismissed from the matter with prejudice and the Company and all individual defendants agreed not to seek costs from plaintiff in connection with the dismissal of the motions. On September 26, 2022, the Court of Appeal for Ontario reversed the Superior Court’s dismissal of the leave and certification motions, granted the plaintiff leave to proceed to bring a claim for misrepresentation under the Ontario Securities Act, and remitted the certification motion back to the Superior Court. On April 11, 2023, the plaintiff filed a Fresh as Amended Statement of Claim, which reflected the dismissal of the defendants for which an appeal was not sought, the removal of the claims for oppression under the Ontario Business Corporations Act and common law misrepresentation, as well as shortening the proposed class period. On October 10, 2023, the Superior Court certified the action on behalf of a class of persons or entities who acquired shares in the secondary market, including on the TSX and Nasdaq, during the period from May 9, 2019 to March 30, 2020, other than certain excluded persons.

(ii) Regulatory reviews relating to restatements

On October 24, 2022, the Company announced regulatory settlements as follows:

SEC Settlement

On October 24, 2022, the SEC issued an Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8(a) of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21(c) of the Exchange Act, Making Findings, and Imposing a Cease-and-Desist Order (the “Settlement Order”) resolving the Restatements.

The Company agreed to settle with the SEC, without admitting or denying the allegations described in the Settlement Order. The Settlement Order fully and finally disposed of the investigation of the Company by the SEC into the Restatements without the payment of any civil penalty or other amount.

The Settlement Order required the Company to cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Sections 10(b), 13(a), 13(b)(2)(B) of the Exchange Act and Rules 10b-5, 13a-13, 13a-15(a), 13a-16 and 12b-20 thereunder.

As a result of the Settlement Order, the Company (i) lost its status as a well-known seasoned issuer for a period of three years, (ii) is unable to rely on the private offering exemptions provided by Regulations A and D under the Securities Act for a period of five years and (iii) is unable to rely on the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995 for a period of three years.

OSC Settlement

On October 24, 2022, the Ontario Capital Markets Tribunal approved a settlement agreement (the “Settlement Agreement”) between the Company and the staff of the Ontario Securities Commission (the “OSC”), resolving the Restatements.

Pursuant to the terms of the Settlement Agreement, which fully and finally disposed the investigation of the Company by the OSC, Cronos agreed to pay a total of C\$1.34 million to fully settle the matter, and acknowledged that it had failed to comply with the requirement under Section 77 of the Ontario Securities Act to file interim financial reports in the manner set out therein and had acted in a manner contrary to the public interest.

(iii) Litigation and regulatory inquiries relating to marketing, distribution, import and sale of products

On April 17, 2023, a group of plaintiffs led by the Green Leaf (Ale Yarok) political party filed a Statement of Claim and Request for Approval of a Class Action on behalf of a purported class of Israeli cannabis consumers in the District Court of Tel Aviv, Israel, against 26 cannabis-related parties, including three Cronos Israel entities. The Statement of Claim alleges that the defendants violated certain laws relating to the marketing of medical cannabis products, including marketing to unlicensed cannabis consumers. The lawsuit seeks a total of ILS 420 million. The Cronos Israel defendants moved to dismiss the action on August 13, 2023. The court granted the motion (and similar motions filed by other defendants) on May 16, 2024, dismissing the plaintiffs’ petition for class certification without prejudice and their individual claims with prejudice, and ordering the plaintiffs to pay ILS 10 thousand to each of the defendants for costs. On July 14, 2024, the plaintiffs appealed to the Supreme Court of Israel seeking to overturn both the dismissal of plaintiffs’ individual claims and the award of costs. The appeal is pending.

On January 18, 2024, the Company was notified that the Trade Levies Commissioner of the Israel Ministry of Economy and Industry initiated a public investigation of alleged dumping of medical cannabis imports from Canada into Israel. On July 9, 2024, the Commissioner announced a preliminary determination proposing to impose an anti-dumping duty on Canadian licensed producers. Under the proposal, the Company would have been subject to a proposed duty of 369%. The Commissioner determined not to impose a provisional duty at that time pending the conclusion of the Ministry’s investigation. The Company responded to requests for information from the Ministry. On July 25, 2024, a group of cannabis cultivators filed an administrative petition in the District Court of Jerusalem, Israel against the Trade Levies Commissioner and certain Israeli and Canadian businesses. The administrative petition seeks a court order requiring the Trade Levies Commissioner to impose a temporary duty on cannabis imported from Canada during the pendency of the investigation until the date on which a final determination is made by the Ministry whether to impose a duty. On September 9, 2024, the Company filed a motion to join the litigation; the court granted the Company’s motion on September 23, 2024. On November 10, 2024, the Trade Levies Commissioner published final findings under which the Company would be subject to a proposed duty of 175%. A provisional duty is not being imposed at this time. The Commissioner’s findings will now be evaluated by an ad hoc advisory committee, which is expected to make recommendations to the Ministers of Economy and Finance and the Finance Committee of the Knesset of whether to impose a duty. The Company cannot predict the outcome of the ad hoc committee’s review or the determinations of the Ministers of Economy or Finance, or the Finance Committee of the Knesset.

We expect litigation and regulatory proceedings relating to the marketing, distribution, import and sale of our products to increase.

13. Fair Value Measurements

The Company complies with ASC 820 *Fair Value Measurements* for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually. In general, fair values are determined by:

- Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves.
- Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis:

	September 30, 2024			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 862,034	\$ —	\$ —	\$ 862,034
Other investments ⁽ⁱ⁾	2,900	—	—	2,900
Derivative liabilities	—	—	192	192

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 669,291	\$ —	\$ —	\$ 669,291
Short-term investments	192,237	—	—	192,237
Other investments ⁽ⁱ⁾	9,601	—	—	9,601
Derivative liabilities	—	—	102	102

⁽ⁱ⁾ As of September 30, 2024 and December 31, 2023, the Company's influence on Vitura is deemed non-significant and the investment is considered an equity security with a readily determinable fair value. See Note 5 "Investments" for additional information.

There were no transfers between fair value categories during the periods presented.

The following tables present information about the Company's assets that are measured at fair value on a non-recurring basis and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value:

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Other investments ⁽ⁱ⁾	\$ —	\$ —	\$ 25,650	\$ 25,650

⁽ⁱ⁾ On June 14, 2021, the Company purchased an option to acquire 473,787 shares of Class A Common Stock of PharmaCann, a vertically integrated cannabis company in the United States, at an exercise price of \$0.0001 per share, representing approximately 10.5% of PharmaCann's issued and outstanding capital stock on a fully diluted basis as of the date of the PharmaCann Option, for an aggregate purchase price of approximately \$110,392. As of September 30, 2024 and December 31, 2023, based on updated information provided by PharmaCann in the first quarter, the Company's ownership percentage in PharmaCann on a fully diluted basis was approximately 5.8% and 6.6%. In the second quarter of, 2024, the PharmaCann Option was impaired to zero. See Note 5 "Investments."

There were no transfers between fair value categories during the periods presented.

14. Related Party Transactions

(a) Vendor Agreement

In November 2022, the Company entered into an agreement with an external vendor whereby the vendor would provide certain manufacturing services to the Company. The vendor then subcontracted out a portion of those services to another company whose chief executive officer is an immediate family member of an executive of the Company. The Company purchased \$406 and \$1,842 of products and services under this subcontracted agreement for the three and nine months ended September 30, 2023. The Company had \$0 and \$28 in outstanding payables related to the subcontracted agreement as of September 30, 2024 and December 31, 2023, respectively.

In November 2023, the Company negotiated a direct contract with the related-party vendor. During the three and nine months ended September 30, 2024, the Company purchased \$410 and \$1,346 of products and services under this agreement and had outstanding accounts payable related to the agreement of \$82 and \$11 as of September 30, 2024 and December 31, 2023, respectively.

(b) Consulting Agreement

In connection with the Cronos GrowCo Transaction, Cronos GrowCo entered into a consulting services agreement with a consulting firm managed by a member of the group of investors holding the remaining 50% ownership of Cronos GrowCo, pursuant to which the consulting firm provides management services to Cronos GrowCo. During both the three and nine months ended September 30, 2024, the Company incurred \$220 of expense under this agreement. As of September 30, 2024, the Company had \$665 in outstanding payables related to this agreement, which included \$444 that were acquired in the Cronos GrowCo Transaction.

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

The following discussion and analysis should be read together with other information, including Cronos Group's condensed consolidated interim financial statements and the related notes to those statements, included in Part I, Item 1 of this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 (this "Quarterly Report"), consolidated financial statements appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the "Annual Report"), Part I, Item 1A, Risk Factors, of the Annual Report and Part II, Item 1A, Risk Factors, of this Quarterly Report.

Forward-Looking Statements

This Quarterly Report, the documents incorporated into this Quarterly Report by reference, other reports we file with, or furnish to, the SEC and other regulatory agencies, and statements by our directors, officers, other employees and other persons authorized to speak on our behalf contain information that may constitute forward-looking information and forward-looking statements within the meaning of applicable U.S. and Canadian securities laws and court decisions (collectively, "Forward-Looking Statements"), which are based upon our current internal expectations, estimates, projections, assumptions and beliefs. All information that is not clearly historical in nature may constitute Forward-Looking Statements. In some cases, Forward-Looking Statements can be identified by the use of forward-looking terminology, such as "expect," "likely," "may," "will," "should," "intend," "anticipate," "potential," "proposed," "estimate" and other similar words, expressions and phrases, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussion of strategy. Forward-Looking Statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance or other statements that are not statements of historical fact.

Forward-Looking Statements include, but are not limited to, statements with respect to:

- the ongoing impact of the public investigation into Canadian licensed producers of alleged dumping of medical cannabis imports from Canada into Israel by the Israel Trade Levies Commissioner of the Israel Ministry of Economy and Industry (the "Anti-Dumping Investigation");
- expectations related to the conflict involving Israel, Hamas, Iran and other stakeholders in the region (the "Middle East Conflict") and its impact on our operations in Israel, the supply of product in the market and the demand for product by medical patients in Israel, as well as any regional or global escalations and their impact to global commerce and stability;
- expectations related to the German, Australian and United Kingdom ("UK") markets, including our strategic partnerships with Cansativa GmbH ("Cansativa"), Vitura Health Limited ("Vitura") and GROW[®] Pharma, respectively, and our ability to successfully distribute the PEACE NATURALS[®] brand in Germany and the UK;
- expectations related to our announcement of cost-cutting measures, including our decision to wind-down operations at our Winnipeg, Manitoba facility and list the facility for sale, the expected costs and benefits from the wind-down of production activities at the facility, challenges and effects related thereto as well as changes in strategy, metrics, investments, costs, operating expenses, employee turnover and other changes with respect thereto;
- expectations related to the impact of our decision to exit our U.S. hemp-derived cannabinoid product operations, including the costs, expenses and write-offs associated therewith, the impact on our operations and our financial statements and any future plans to re-enter the U.S. market;
- expectations related to our announced realignment (the "Realignment") and any progress, challenges and effects related thereto as well as changes in strategy, metrics, investments, reporting structure, costs, operating expenses, employee turnover and other changes with respect thereto;
- our expectations as to the use of our facility in Stayner, Ontario (the "Peace Naturals Campus");
- our ability to acquire raw materials from suppliers, including Cronos GrowCo, and the costs and timing associated therewith;
- expectations regarding the potential success of, and the costs and benefits associated with, our joint ventures, strategic alliances and equity investments;
- expectations related to the expansion of Cronos GrowCo's purpose-built cannabis facility;
- expectations related to the Cronos GrowCo Transaction and the expansion of its cultivation and processing facilities;
- our ability or plans to identify, develop, commercialize or expand our technology research and development ("R&D") initiatives in cannabinoids, or the success thereof;
- expectations regarding revenues, expenses, gross margins and capital expenditures;
- expectations regarding our future production and manufacturing strategy and operations, the costs and timing associated therewith and the receipt of applicable production and sale licenses;

- the ongoing impact of the legalization of additional cannabis product types and forms for adult-use in Canada, including federal, provincial, territorial and municipal regulations pertaining thereto, the related timing and impact thereof and our intentions to participate in such markets;
- the legalization of the use of cannabis for medical or adult-use in jurisdictions outside of Canada, including the U.S. and Germany, the related timing and impact thereof and our intentions to participate in such markets, if and when such use is legalized;
- the grant, renewal, withdrawal, suspension, delay and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;
- our ability to successfully create and launch brands and cannabis products;
- expectations related to the differentiation of our products, including through the utilization of rare cannabinoids;
- the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, including CBD and other cannabinoids;
- laws and regulations and any amendments thereto applicable to our business and the impact thereof, including uncertainty regarding the application of U.S. state and federal law to cannabis and U.S. hemp (including CBD and other U.S. hemp-derived cannabinoids) products and the scope of any regulations by the U.S. Food and Drug Administration, the U.S. Drug Enforcement Administration, the U.S. Federal Trade Commission, the U.S. Patent and Trademark Office and any state equivalent regulatory agencies over cannabis and U.S. hemp (including CBD and other U.S. hemp-derived cannabinoids) products, including the possibility marijuana is moved from Schedule I to Schedule III under the U.S. Controlled Substances Act;
- the anticipated benefits and impact of Altria Group Inc.'s investment in the Company (the "Altria Investment"), pursuant to a subscription agreement dated December 7, 2018;
- uncertainties as to our ability to exercise our option (the "PharmaCann Option") in PharmaCann Inc. ("PharmaCann"), in the near term or the future, in full or in part, including the uncertainties as to the status and future development of federal legalization of cannabis in the U.S. and our ability to realize the anticipated benefits of the transaction with PharmaCann;
- expectations regarding the implementation and effectiveness of key personnel changes;
- expectations regarding business combinations and dispositions and the anticipated benefits therefrom;
- expectations of the amount or frequency of impairment losses, including as a result of the write-down of intangible assets, including goodwill;
- the impact of the ongoing military conflict between Russia and Ukraine (and resulting sanctions) on our business, financial condition and results of operations or cash flows;
- our compliance with the terms of the settlement (the "Settlement Order") with the Securities and Exchange Commission (the "SEC") and the settlement agreement (the "Settlement Agreement") with the Ontario Securities Commission (the "OSC"); and
- the impact of the loss of our ability to rely on private offering exemptions under Regulation D of the Securities Act of 1933, as amended (the "Securities Act"), and the loss of our status as a well-known seasoned issuer, each as a result of the Settlement Order.

Certain of the Forward-Looking Statements contained herein concerning the industries in which we conduct our business are based on estimates prepared by us using data from publicly available governmental sources, market research, industry analysis and on assumptions based on data and knowledge of these industries, which we believe to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. The industries in which we conduct our business involve risks and uncertainties that are subject to change based on various factors, which are described further below.

The Forward-Looking Statements contained herein are based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including: (i) our ability to effectively navigate developments related to the Anti-Dumping Investigation and its impact on our operations in Israel; (ii) our ability to effectively navigate developments related to the Middle East Conflict and its impact on our employees and operations in Israel, the supply of product in the market and demand for product by medical patients in Israel; (iii) our ability to efficiently and effectively distribute our PEACE NATURALS® brand in Germany with our strategic partner Cansativa and in the UK with our strategic partner GROW® Pharma and our ability to efficiently and effectively distribute products in Australia with our strategic partner Vitura; (iv) our ability to realize the expected cost-savings and other benefits related to the wind-down of our operations at our Winnipeg, Manitoba facility; (v) expectations related to the impact of our decision to exit our U.S. hemp-derived cannabinoid product operations; (vi) our ability to realize the expected cost-savings, efficiencies and other benefits of our Realignment and other announced cost-cutting measures and employee turnover related thereto; (vii) our ability to efficiently and effectively change the nature of our operations at our Peace Naturals Campus and receive the benefits thereof and acquire raw materials on a timely and cost-effective basis from third parties or Cronos GrowCo; (viii) the timely completion of the expansion of Cronos GrowCo's purpose-built cannabis facility and the ability of Cronos GrowCo to repay the credit facility provided by Cronos; (ix) our ability to realize anticipated benefits, synergies or generate revenue, profits or value from our business combinations and strategic investments; (x) the production and manufacturing capabilities and output from our facilities and our joint ventures, strategic alliances and equity investments; (xi) government regulation of our activities and products including, but not limited to, the areas of cannabis taxation and environmental protection; (xii) the timely receipt of any required regulatory authorizations, approvals, consents, permits and/or licenses; (xiii) consumer interest in our products; (xiv) our ability to differentiate our products, including through the utilization of rare cannabinoids; (xv) competition; (xvi) anticipated and unanticipated costs; (xvii) our ability to generate cash flow from operations; (xviii) our ability to conduct operations in a safe, efficient and effective manner; (xix) our ability to hire and retain qualified staff, and acquire equipment and services in a timely and cost-efficient manner; (xx) our ability to exercise the PharmaCann Option and realize the anticipated benefits of the transaction with PharmaCann; (xxi) our ability to complete planned dispositions, and, if completed, obtain our anticipated sales price; (xxii) general economic, financial market, regulatory and political conditions in which we operate; (xxiii) management's perceptions of historical trends, current conditions and expected future developments; and (xxiv) other considerations that management believes to be appropriate in the circumstances. While our management considers these assumptions to be reasonable based on information currently available to management, there is no assurance that such expectations will prove to be correct.

By their nature, Forward-Looking Statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct, and that objectives, strategic goals and priorities will not be achieved. A variety of factors, including known and unknown risks, many of which are beyond our control, could cause actual results to differ materially from the Forward-Looking Statements in this Quarterly Report and other reports we file with, or furnish to, the SEC and other regulatory agencies and made by our directors, officers, other employees and other persons authorized to speak on our behalf. Such factors include, without limitation, negative impacts on our business and operations in Israel due to the Anti-Dumping Investigation, including that we may not be able to produce, import or sell our products in Israel as a result thereof; negative impacts on our employees, business and operations in Israel due to the Middle East Conflict, including that we may not be able to produce, import or sell our products or protect our people or facilities in Israel during the Middle East Conflict, the supply of product in the market and the demand for product by medical patients in Israel; that we may not be able to successfully continue to distribute our products in Germany, Australia and the UK or generate material revenue from sales in those markets; that we may not be able to achieve the anticipated benefits of the wind-down of our operations at our Winnipeg, Manitoba facility; that we may be unable to further streamline our operations and reduce expenses; that we may not be able to effectively and efficiently re-enter the U.S. market in the future; that we may not be able to access raw materials on a timely and cost-effective basis from third-parties or Cronos GrowCo; that Cronos GrowCo may not be able to complete the expansion of its purpose-built cannabis facility within a reasonable time or repay its borrowings under the Cronos GrowCo Credit Facility; the military conflict between Russia and Ukraine may disrupt our operations and those of our suppliers and distribution channels and negatively impact the demand for and use of our products; the risk that cost savings and any other synergies from the Altria Investment may not be fully realized or may take longer to realize than expected; failure to execute key personnel changes; the risks that our Realignment, the change in the nature of our operations at the Peace Naturals Campus and our further leveraging of our strategic partnerships will not result in the expected cost-savings, efficiencies and other benefits or will result in greater than anticipated turnover in personnel; lower levels of revenues; the lack of consumer demand for our products; our inability to manage disruptions in credit markets; unanticipated future levels of capital, environmental or maintenance expenditures, general and administrative and other expenses; growth opportunities not turning out as expected; the lack of cash flow necessary to execute our business plan (either within the expected timeframe or at all); difficulty raising capital; the potential adverse effects of judicial, regulatory or other proceedings, or threatened litigation or proceedings, on our business, financial condition, results of operations and cash flows; volatility in and/or degradation of general economic, market, industry or business conditions; compliance with applicable environmental, economic, health and safety, energy and other policies and regulations and in particular health concerns with respect to vaping and the use of cannabis and U.S. hemp products in vaping devices; the unexpected effects of actions of third parties such as competitors, activist investors or federal (including U.S. federal), state, provincial, territorial or local regulatory authorities or self-regulatory organizations; adverse changes in regulatory requirements in relation to our business and products; legal or regulatory obstacles that could prevent us from being able to exercise the PharmaCann Option and thereby realize the anticipated benefits of the transaction with PharmaCann; dilution of our fully diluted ownership of PharmaCann and the loss of our rights as a result of that dilution; our failure to improve our internal control environment and our systems, processes and procedures; and the factors discussed under Part I, Item 1A “Risk Factors” of the Annual Report on Form 10-K for the year ended December 31, 2023 and under Part II, Item 1A “Risk Factors” in our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2024 and June 30, 2024. Readers are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on Forward-Looking Statements.

Forward-Looking Statements are provided for the purposes of assisting the reader in understanding our financial performance, financial position and cash flows as of and for periods ended on certain dates and to present information about management’s current expectations and plans relating to the future, and the reader is cautioned not to place undue reliance on these Forward-Looking Statements because of their inherent uncertainty and to appreciate the limited purposes for which they are being used by management. While we believe that the assumptions and expectations reflected in the Forward-Looking Statements are reasonable based on information currently available to management, there is no assurance that such assumptions and expectations will prove to have been correct. Forward-Looking Statements are made as of the date they are made and are based on the beliefs, estimates, expectations and opinions of management on that date. We undertake no obligation to update or revise any Forward-Looking Statements, whether as a result of new information, estimates or opinions, future events or results or otherwise or to explain any material difference between subsequent actual events and such Forward-Looking Statements. The Forward-Looking Statements contained in this Quarterly Report and other reports we file with, or furnish to, the SEC and other regulatory agencies and made by our directors, officers, other employees and other persons authorized to speak on our behalf are expressly qualified in their entirety by these cautionary statements.

Foreign currency exchange rates

All currency amounts in this Quarterly Report are stated in U.S. dollars, which is our reporting currency, unless otherwise noted. All references to “dollars” or “\$” are to U.S. dollars. The assets and liabilities of our foreign operations are translated into dollars at the exchange rate in effect as of September 30, 2024, September 30, 2023, and December 31, 2023. Transactions affecting the shareholders’ equity (deficit) are translated at historical foreign exchange rates. The condensed consolidated statements of net income (loss) and comprehensive income (loss) and condensed consolidated statements of cash flows of our foreign operations are translated into dollars by applying the average foreign exchange rate in effect for the reporting period as reported on Bloomberg.

The exchange rates used to translate from Canadian dollars (“C\$”) to dollars is shown below:

(Exchange rates are shown as C\$ per \$)

	As of		
	September 30, 2024	September 30, 2023	December 31, 2023
Spot rate	1.3525	1.3577	1.3243
Year-to-date average rate	1.3601	1.3455	N/A

The exchange rates used to translate from New Israeli Shekels (“ILS”) to dollars is shown below:

(Exchange rates are shown as ILS per \$)

	As of		
	September 30, 2024	September 30, 2023	December 31, 2023
Spot rate	3.7269	3.8138	3.6163
Year-to-date average rate	3.6994	3.6385	N/A

Business Overview

Cronos is an innovative global cannabinoid company committed to building disruptive intellectual property by advancing cannabis research, technology and product development. With a passion to responsibly elevate the consumer experience, Cronos is building an iconic brand portfolio. Cronos’ diverse international brand portfolio includes Spinach®, PEACE NATURALS® and Lord Jones®.

Strategy

Cronos seeks to create value for shareholders by focusing on four core strategic priorities:

- growing a portfolio of iconic brands that responsibly elevate the consumer experience;
- developing a diversified global sales and distribution network;
- establishing an efficient global supply chain; and
- creating and monetizing disruptive intellectual property.

Discontinued Operations

In the second quarter of 2023, Cronos exited its U.S. hemp-derived cannabinoid product operations. The exit of the U.S. operations represented a strategic shift that has a major effect on Cronos’ operations and financial results, and as such, qualifies for reporting as discontinued operations in our condensed consolidated statements of net income (loss) and comprehensive income (loss). Prior period amounts have been reclassified to reflect the discontinued operations classification of the U.S. operations. For further detail on the discontinuation of the U.S. operations, see Note 3 “Discontinued Operations” to the condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

Business Segments

Beginning in the second quarter of 2023, following the exit of our U.S. operations, Cronos is reporting through one consolidated segment, which includes operations in both Canada and Israel. In Canada, Cronos operates one wholly owned license holder under the Cannabis Act (Canada) (the “Cannabis Act”), Peace Naturals Project Inc. (“Peace Naturals”), which has production facilities near Stayner, Ontario. In Israel, the Company operates under the IMC-GAP, IMC-GMP and IMC-GDP certifications required for the cultivation, production and marketing of dried flower, pre-rolls and oils in the Israeli medical market.

Recent Developments

Middle East Conflict

Cronos continues to monitor the Middle East Conflict and potential impacts the Middle East Conflict could have on the Company’s personnel and business in Israel and the recorded amounts of assets and liabilities related to the Company’s operations in Israel. The extent to which the Middle East Conflict may impact the Company’s personnel, business and activities will depend on future developments which remain highly uncertain and cannot be predicted. It is possible that the recorded amounts of assets and liabilities related to the Company’s operations in Israel could change materially in the near term.

Cronos GrowCo Transaction

On July 1, 2024, the Company obtained majority control of the board of directors of Cronos Growing Company Inc. (“Cronos GrowCo”), a leading cannabis cultivation company, which qualified as a business combination under ASC 805 (the “Cronos GrowCo Transaction”). As a result, the Company now consolidates the results of operations of Cronos GrowCo in our condensed consolidated

financial statements. Prior to this date, our investment in Cronos GrowCo consisted of an investment accounted for under the equity method and loans receivable from Cronos GrowCo.

Key Highlights of the Cronos GrowCo Transaction:

- **Increased Board Representation:** As of July 1, 2024, the Cronos GrowCo board of directors expanded to five members, three of whom are appointed by Cronos.
- **Financial Consolidation:** Cronos now consolidates Cronos GrowCo's results in its financial statements beginning in the third quarter of 2024.
- **Investment in Expansion:** Cronos has provided an approximately \$51 million (\$70 million CAD) secured non-revolving credit facility to Cronos GrowCo to fund the expansion of Cronos GrowCo's cultivation and processing facilities (the "Phase 2 Expansion"), enabling growth opportunities in the markets Cronos operates in today as well as enabling future growth into new markets that open.
- **New Supply Agreement:** Prior to the commencement of sales from the Phase 2 Expansion area, Cronos and its controlled affiliates (other than Cronos GrowCo) will have the right, but not the obligation to purchase up to an aggregate total quantity of 80% of Cronos GrowCo's production. Thereafter, Cronos and its controlled affiliates (other than Cronos GrowCo) will have the right, but not the obligation, to purchase 70% of Cronos GrowCo's forecasted production capacity over a given period and 70% of Cronos GrowCo's actual production in a given month.

Consolidated Results of Operations

The tables below set forth our condensed consolidated results of operations, expressed in thousands of U.S. dollars for the periods presented. Our condensed consolidated financial results for these periods are not necessarily indicative of the consolidated financial results that we will achieve in future periods.

(in thousands of USD)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net revenue, before excise taxes	\$ 46,594	\$ 33,912	\$ 120,639	\$ 86,264
Excise taxes	(12,330)	(9,102)	(33,325)	(22,938)
Net revenue	34,264	24,810	87,314	63,326
Cost of sales	30,341	20,124	72,216	52,614
Inventory write-down	312	716	707	716
Gross profit	3,611	3,970	14,391	9,996
Operating expenses				
Sales and marketing	5,528	5,296	15,190	16,334
Research and development	1,242	1,246	3,201	4,392
General and administrative	12,760	14,366	34,434	39,673
Restructuring costs	—	1,423	630	1,423
Share-based compensation	2,262	1,957	6,513	6,823
Depreciation and amortization	1,098	1,457	3,237	4,515
Impairment loss on long-lived assets	14,376	—	16,350	—
Total operating expenses	37,266	25,745	79,555	73,160
Operating loss	(33,655)	(21,775)	(65,164)	(63,164)
Other income	38,271	18,931	55,805	35,006
Income tax benefit	(2,708)	(1,254)	(5,440)	(2,870)
Loss from discontinued operations	—	(182)	—	(4,238)
Net income (loss)	7,324	(1,772)	(3,919)	(29,526)
Net loss attributable to non-controlling interest	(1,025)	(128)	(1,270)	(353)
Net income (loss) attributable to Cronos Group	\$ 8,349	\$ (1,644)	\$ (2,649)	\$ (29,173)

Summary of select financial results

(in thousands of USD)	Three months ended September 30,		Change		Nine months ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
	Net revenue	\$ 34,264	\$ 24,810	\$ 9,454	38 %	\$ 87,314	\$ 63,326	\$ 23,988
Cost of sales	30,341	20,124	10,217	51 %	72,216	52,614	19,602	37 %
Inventory write-down	312	716	(404)	(56) %	707	716	(9)	(1) %
Gross profit	3,611	3,970	(359)	(9) %	14,391	9,996	4,395	44 %
Gross margin ⁽ⁱ⁾	11 %	16 %	N/A	(5)pp	16 %	16 %	N/A	— pp

⁽ⁱ⁾ Gross margin is defined as gross profit divided by net revenue.

Net revenue

For the three months ended September 30, 2024, we reported consolidated net revenue of \$34.3 million, representing an increase of \$9.5 million from the three months ended September 30, 2023. For the nine months ended September 30, 2024, we reported consolidated net revenue of \$87.3 million, representing an increase of \$24.0 million from the nine months ended September 30, 2023. For both the three and nine month comparative periods, the increase was primarily due to higher cannabis flower and extract sales in the Canadian market, higher cannabis flower sales in Israel and higher cannabis flower sales in other countries, partially offset by an adverse price/mix in the Canadian adult-use cannabis flower category driving increased excise tax payments as a percentage of net revenue. The Cronos GrowCo Transaction contributed \$4.3 million of cannabis flower sales in both the three and nine months ended September 30, 2024. No such sales were recognized for the three and nine months ended September 30, 2023.

Inventory write-down

For the three and nine months ended September 30, 2024, we reported inventory write-downs of \$0.3 million and \$0.7 million, compared to \$0.7 million in both the three and nine months ended September 30, 2023. For both the three and nine month comparative periods, the activity was primarily due to write-downs resulting from unusable inventory that was scrapped in the period.

Cost of sales

For the three months ended September 30, 2024, we reported consolidated cost of sales of \$30.3 million, representing an increase of \$10.2 million from the three months ended September 30, 2023. For the nine months ended September 30, 2024, we reported consolidated cost of sales of \$72.2 million, representing an increase of \$19.6 million from the nine months ended September 30, 2023. For both the three and nine month comparative periods, the increase was primarily due to the impact of the inventory step-up from the Cronos GrowCo Transaction, higher cannabis flower and extract sales in the Canadian market, higher wholesale cannabis flower sales in Canada, higher cannabis flower sales in Israel and higher cannabis flower sales in other countries. For both the three and nine months ended September 30, 2024, we recognized \$7.1 million of inventory step-up from the Cronos GrowCo Transaction into cost of sales. No such costs were recognized for the three and nine months ended September 30, 2023.

Gross profit

For the three months ended September 30, 2024, we reported gross profit of \$3.6 million, representing a decrease of \$0.4 million from the three months ended September 30, 2023. For the nine months ended September 30, 2024, we reported gross profit of \$14.4 million, representing an increase of \$4.4 million from the nine months ended September 30, 2023. For the three month comparative periods, the decrease was primarily due to the impact on cost of sales from the inventory step-up from the Cronos GrowCo Transaction, partially offset by higher cannabis flower and extract sales in the Canadian market, higher cannabis flower sales in Israel and higher cannabis flower sales in other countries. For the nine month comparative periods, the increase was primarily due to higher cannabis flower and extract sales in the Canadian market, higher cannabis flower sales in Israel and higher cannabis flower sales in other countries, partially offset by the impact on cost of sales from the inventory step-up from the Cronos GrowCo Transaction. For both the three and nine months ended September 30, 2024, gross profit was reduced by \$7.1 million as a result of the impact of the inventory step-up from the Cronos GrowCo Transaction that was recorded into cost of sales.

Operating expenses

	Three months ended September 30,		Change		Nine months ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Sales and marketing	\$ 5,528	\$ 5,296	\$ 232	4 %	\$ 15,190	\$ 16,334	\$ (1,144)	(7)%
Research and development	1,242	1,246	(4)	— %	3,201	4,392	(1,191)	(27)%
General and administrative	12,760	14,366	(1,606)	(11)%	34,434	39,673	(5,239)	(13)%
Restructuring costs	—	1,423	(1,423)	N/M	630	1,423	(793)	N/M
Share-based payments	2,262	1,957	305	16 %	6,513	6,823	(310)	(5)%
Depreciation and amortization	1,098	1,457	(359)	(25)%	3,237	4,515	(1,278)	(28)%
Impairment loss on long-lived assets	14,376	—	14,376	N/A	16,350	—	16,350	N/A
Total operating expenses	<u>\$ 37,266</u>	<u>\$ 25,745</u>	<u>\$ 11,521</u>	<u>45 %</u>	<u>\$ 79,555</u>	<u>\$ 73,160</u>	<u>\$ 6,395</u>	<u>9 %</u>

Sales and marketing

For the three months ended September 30, 2024, sales and marketing expenses were \$5.5 million, representing an increase of \$0.2 million compared to the three months ended September 30, 2023. For the nine months ended September 30, 2024, sales and marketing expenses were \$15.2 million, representing a decrease of \$1.1 million compared to the nine months ended September 30, 2023. For the three month comparative periods, the increase was primarily due to higher salaries and benefits. For the nine month comparative periods, the decrease was primarily due to lower salaries and benefits and favorable advertising and marketing spend.

Research and development

For the three months ended September 30, 2024, research and development expenses were \$1.2 million, essentially unchanged from the three months ended September 30, 2023. For the nine months ended September 30, 2024, research and development expenses were \$3.2 million, representing a decrease of \$1.2 million from the nine months ended September 30, 2023. The decrease for the nine months ended September 30, 2024, was primarily due to lower costs associated with the collaboration and license agreement between Ginkgo Bioworks Holdings, Inc. (“Ginkgo”) and the Company.

General and administrative

For the three months ended September 30, 2024, general and administrative expenses were \$12.8 million, representing a decrease of \$1.6 million from the three months ended September 30, 2023. For the nine months ended September 30, 2024, general and administrative expenses were \$34.4 million, representing a decrease of \$5.2 million from the nine months ended September 30, 2023. For the three month comparative periods, the decrease was primarily due to lower professional fees, largely related to financial statement review costs in the prior year period, and lower salaries and benefits, partially offset by the impact of the Cronos GrowCo Transaction, which increased general and administrative expenses by \$1.6 million. For the nine month comparative periods, the decrease was primarily due to lower professional fees, largely related to financial statement review costs, and lower salaries and benefits and insurance costs, partially offset by the impact of the Cronos GrowCo Transaction, which increased general and administrative expenses by \$1.6 million, and \$1.2 million higher expected credit loss allowance on loans receivable related to the increased borrowings by Cronos GrowCo in the second quarter of 2024.

Restructuring costs

For the three months ended September 30, 2024, we did not incur any restructuring costs. For the nine months ended September 30, 2024, restructuring costs were \$0.6 million. For the three and nine months ended September 30, 2023, restructuring costs were \$1.4 million. For further information, see Note 9 “Restructuring” to the condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

Share-based compensation

For the three months ended September 30, 2024, share-based compensation expense was \$2.3 million, representing an increase of \$0.3 million from the three months ended September 30, 2023. For the nine months ended September 30, 2024, share-based compensation expense was \$6.5 million, representing a decrease of \$0.3 million from the nine months ended September 30, 2023. For the three month comparative periods, the increase was primarily due to new awards granted in the current year and higher forfeitures in the prior year period. For the nine month comparative periods, the decrease was primarily due to headcount reductions that occurred in the prior year period.

Depreciation and amortization

For the three months ended September 30, 2024, depreciation and amortization expenses were \$1.1 million, representing a decrease of \$0.4 million from the three months ended September 30, 2023. For the nine months ended September 30, 2024, depreciation and

amortization expenses were \$3.2 million, representing a decrease of \$1.3 million from the nine months ended September 30, 2023. For both the three and nine month comparative periods, the decrease was primarily due to lower depreciation on property, plant and equipment as a result of the reclassification of the Cronos Fermentation Facility to held-for-sale in the first quarter of 2024.

Impairment loss on long-lived assets

For the three months ended September 30, 2024, impairment loss on long-lived assets was \$14.4 million and was primarily due to the impairment of the Ginkgo exclusive licenses. For the nine months ended September 30, 2024, impairment loss on long-lived assets was \$16.4 million and was primarily due to the impairment of the Ginkgo exclusive licenses and the cessation of operations at Cronos Fermentation. There were no such impairment loss on long-lived assets for the three and nine months ended September 30, 2023. For further information, see Note 9 “Restructuring” and Note 8 “Goodwill and Intangible Assets, net” to the condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

Other income and income tax benefit

	Three months ended September 30,		Change		Nine months ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Interest income, net	\$ 12,460	\$ 13,375	\$ (915)	(7)%	\$ 40,156	\$ 37,021	\$ 3,135	8 %
Share of income from equity method investments	—	1,057	(1,057)	(100)%	2,365	831	1,534	185 %
Gain on revaluation of loan receivable	11,804	—	11,804	N/M	11,804	—	11,804	N/M
Gain on revaluation of equity method investment	32,469	—	32,469	N/M	32,469	—	32,469	N/M
Loss on revaluation of financial instruments	(293)	(5,291)	4,998	94 %	(6,550)	(7,856)	1,306	17 %
Impairment loss on other investments	—	—	—	N/M	(25,650)	—	(25,650)	N/M
Foreign currency transaction gain (loss)	(7,432)	8,816	(16,248)	N/M	12,370	3,999	8,371	209 %
Loss on held-for-sale assets	(10,422)	—	(10,422)	N/M	(10,422)	—	(10,422)	N/M
Other, net	(315)	974	(1,289)	N/M	(737)	1,011	(1,748)	N/M
Total other income	38,271	18,931	19,340	102 %	55,805	35,006	20,799	59 %
Income tax benefit	(2,708)	(1,254)	(1,454)	(116)%	(5,440)	(2,870)	(2,570)	(90)%
Income (loss) from continuing operations	7,324	(1,590)	8,914	561 %	(3,919)	(25,288)	21,369	85 %
Loss from discontinued operations	—	(182)	182	N/M	—	(4,238)	4,238	N/M
Net income (loss)	\$ 7,324	\$ (1,772)	\$ 9,096	513 %	\$ (3,919)	\$ (29,526)	\$ 25,607	87 %

⁽ⁱ⁾ “N/M” is defined as not meaningful.

Interest income, net

For the three months ended September 30, 2024, interest income, net was \$12.5 million, representing a decrease of \$0.9 million from the three months ended September 30, 2023. For the nine months ended September 30, 2024, interest income, net was \$40.2 million, representing an increase of \$3.1 million from the nine months ended September 30, 2023. For the three month comparative periods, the decrease in net interest income was primarily due to the absence of income recognized on the Cronos GrowCo loan receivable, which is eliminated in consolidation, effective July 1, 2024 and forward. For the nine month comparative periods, the increase in net interest income was primarily due to higher interest rates in the current period compared to the prior period.

Share of income from equity method investments

For the three months ended September 30, 2024, we had no income from equity method investments, compared to \$1.1 million for the three months ended September 30, 2023. For the nine months ended September 30, 2024, our share of income from equity method investments was \$2.4 million, representing an increase of \$1.5 million from the nine months ended September 30, 2023. For the three months ended September 30, 2023 and the nine months ended September 30, 2024 and 2023, the income from equity method investments was due to income pick-ups from our equity method investment in Cronos GrowCo. As a result of the Cronos GrowCo Transaction on July 1, 2024, we now consolidate Cronos GrowCo and no longer account for our investment in Cronos GrowCo as an equity method investment. For further information, see Note 5 “*Investments*” to the condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

Gain on revaluation of loans receivable

For both the three and nine months ended September 30, 2024, we recognized \$11.8 million of gain on revaluation of loans receivable related to the remeasurement of the existing loans receivable under the credit facility as a result of the Cronos GrowCo Transaction. No such gain was recognized for the three and nine months ended September 30, 2023. For further information, see Note 6 “*Loans Receivable*” to the condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

Gain on revaluation of equity method investment

For both the three and nine months ended September 30, 2024, we recognized \$32.5 million of gain on revaluation of equity method investment related to the remeasurement of the existing investment in Cronos GrowCo as a result of the Cronos GrowCo Transaction. No such gain was recognized for the three and nine months ended September 30, 2023. For further information, see Note 5 “*Investments*” to the condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

Loss on revaluation of financial instruments

For the three months ended September 30, 2024, the loss on revaluation of financial instruments was \$0.3 million, representing an improvement of \$5.0 million from the three months ended September 30, 2023. For the nine months ended September 30, 2024, the loss on revaluation of financial instruments was \$6.6 million, representing an improvement of \$1.3 million from the nine months ended September 30, 2023. The change was primarily related to the change in fair value of our investment in Vitura Health Limited (“*Vitura*”). For further information, see Note 5 “*Investments*” to the condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

Impairment loss on other investments

For the nine months ended September 30, 2024, we recognized \$25.7 million of impairment loss on other investments, driven by impairment charges recorded on our PharmaCann Option for the difference between its estimated fair value and its carrying amount. There was no such impairment loss on other investments for the three months ended September 30, 2024 or the three and nine months ended September 30, 2023. For further information, see Note 5 “*Investments*” to the condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

Foreign currency transaction gain (loss)

For the three months ended September 30, 2024, foreign currency transaction loss was \$7.4 million, representing a deterioration of \$16.2 million from the three months ended September 30, 2023. For the nine months ended September 30, 2024, foreign currency transaction gain was \$12.4 million, representing an improvement of \$8.4 million from the nine months ended September 30, 2023. For both the three and nine month comparative periods, the change was primarily due to certain foreign currency-denominated cash equivalents and certain foreign currency-denominated intercompany loans anticipated to be settled in the foreseeable future.

Gain (loss) on held-for-sale assets

For both the three and nine months ended September 30, 2024, we recognized \$10.4 million of loss on held-for-sale assets as a result of the change in the Company’s sales strategy for the Cronos Fermentation assets to market the assets to a broader buyer pool. No such gain was recognized for the three and nine months ended September 30, 2023. For further information, see Note 9 “*Restructuring*” to the condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

Other, net

Other, net primarily includes gains and losses on the disposal of assets.

Income tax benefit

For the three months ended September 30, 2024, income tax benefit was \$2.7 million, compared to \$1.3 million for the three months ended September 30, 2023. For the nine months ended September 30, 2024, income tax benefit was \$5.4 million, compared to \$2.9 million for the nine months ended September 30, 2023. For both the three and nine month comparative periods, the increased benefit was driven by higher current income tax benefits recorded on the losses that will be carried back to recover taxes paid in prior years.

Loss from discontinued operations

There was no activity in discontinued operations for the three and nine months ended September 30, 2024. For the three and nine months ended September 30, 2023, loss from discontinued operations was due to the exit of U.S. operations. For more information, see Note 3 “*Discontinued Operations*” in our condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

Non-GAAP Measures

Cronos Group reports its financial results in accordance with Generally Accepted Accounting Principles in the United States (“U.S. GAAP”). This Quarterly Report refers to measures not recognized under U.S. GAAP (“non-GAAP measures”). These non-GAAP measures do not have a standardized meaning prescribed by U.S. GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these non-GAAP measures are provided as a supplement to corresponding U.S. GAAP measures to provide additional information regarding the results of operations from management’s perspective. Accordingly, non-GAAP measures should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with U.S. GAAP. All non-GAAP measures presented in this Quarterly Report are reconciled to their closest reported U.S. GAAP measure. Reconciliations of historical adjusted financial measures to corresponding U.S. GAAP measures are provided below.

Adjusted EBITDA

Management reviews Adjusted EBITDA, a non-GAAP measure, which excludes non-cash items and items that do not reflect management’s assessment of ongoing business performance. Management defines Adjusted EBITDA as net income (loss) before interest, tax expense (benefit), depreciation and amortization adjusted for: share of (income) loss from equity method investments; impairment loss on goodwill and intangible assets; impairment loss on long-lived assets; (gain) loss on revaluation of derivative liabilities; (gain) loss on revaluation of financial instruments; gain on revaluation of loan receivable; gain on revaluation of equity method investment; transaction costs related to strategic projects; loss on held-for-sale assets; impairment loss on other investments; foreign currency transaction loss; other, net; loss from discontinued operations; restructuring costs; inventory write-downs resulting from restructuring actions; share-based compensation; purchase accounting adjustment-related inventory step-up adjustments recorded through cost of sales; and financial statement review costs and reserves related to the restatements of our 2019 and 2021 interim financial statements (the “Restatements”), including the costs related to the settlement of the SEC and the OSC investigation of the Restatements and legal costs of defending shareholder class action complaints brought against us as a result of the 2019 restatement (see Part II, Item 1 “*Legal Proceedings*” of this Quarterly Report for a discussion of the shareholder class action complaints relating to the restatement of the 2019 interim financial statements and the settlement of the SEC’s and the OSC’s investigations of the Restatements). Results are reported as total consolidated results, reflecting our reporting structure of one reportable segment.

Management believes that Adjusted EBITDA provides the most useful insight into underlying business trends and results and provides a more meaningful comparison of period-over-period results. Management uses Adjusted EBITDA for planning, forecasting and evaluating business and financial performance, including allocating resources and evaluating results relative to employee compensation targets.

The following tables set forth a reconciliation of Net income (loss) as determined in accordance with U.S. GAAP to Adjusted EBITDA for the periods indicated:

	Three months ended September 30, 2024		
	Continuing Operations	Discontinued Operations	Total
Net income	\$ 7,324	\$ —	\$ 7,324
Interest income, net	(12,460)	—	(12,460)
Income tax benefit	(2,708)	—	(2,708)
Depreciation and amortization	3,567	—	3,567
EBITDA	(4,277)	—	(4,277)
Impairment loss on long-lived assets ⁽ⁱ⁾	14,376	—	14,376
Revaluation gain on loan receivable ⁽ⁱⁱ⁾	(11,804)	—	(11,804)
Gain on revaluation of equity method investment ⁽ⁱⁱⁱ⁾	(32,469)	—	(32,469)
Loss on revaluation of financial instruments ^(iv)	293	—	293
Foreign currency transaction loss	7,432	—	7,432
Transaction costs ^(vi)	334	—	334
Loss on held-for-sale assets ^(vii)	10,422	—	10,422
Other, net ^(viii)	315	—	315
Share-based compensation ^(ix)	2,262	—	2,262
Financial statement review costs ^(xi)	(19)	—	(19)
Inventory step-up recorded to cost of sales ^(xiii)	7,116	—	7,116
Adjusted EBITDA	\$ (6,019)	\$ —	\$ (6,019)

	Three months ended September 30, 2023		
	Continuing Operations	Discontinued Operations	Total
Net loss	\$ (1,590)	\$ (182)	\$ (1,772)
Interest income, net	(13,375)	(1)	(13,376)
Income tax benefit	(1,254)	—	(1,254)
Depreciation and amortization	2,148	—	2,148
EBITDA	(14,071)	(183)	(14,254)
Share of income from equity method investments	(1,057)	—	(1,057)
Loss on revaluation of financial instruments ^(iv)	5,291	—	5,291
Foreign currency transaction gain	(8,816)	—	(8,816)
Other, net ^(viii)	(974)	(31)	(1,005)
Restructuring costs ^(ix)	1,423	28	1,451
Share-based compensation ^(x)	1,957	(4)	1,953
Financial statement review costs ^(xi)	344	—	344
Inventory write-down ^(xii)	716	—	716
Adjusted EBITDA	\$ (15,187)	\$ (190)	\$ (15,377)

	Nine months ended September 30, 2024		
	Continuing Operations	Discontinued Operations	Total
Net loss	\$ (3,919)	\$ —	\$ (3,919)
Interest income, net	(40,156)	—	(40,156)
Income tax benefit	(5,440)	—	(5,440)
Depreciation and amortization	6,811	—	6,811
EBITDA	(42,704)	—	(42,704)
Share of income from equity method investments	(2,365)	—	(2,365)
Impairment loss on long-lived assets ⁽ⁱ⁾	16,350	—	16,350
Revaluation gain on loan receivable ⁽ⁱⁱ⁾	(11,804)	—	(11,804)
Gain on revaluation of equity method investment ⁽ⁱⁱⁱ⁾	(32,469)	—	(32,469)
Loss on revaluation of financial instruments ^(iv)	6,550	—	6,550
Impairment loss on other investments ^(v)	25,650	—	25,650
Foreign currency transaction gain	(12,370)	—	(12,370)
Transaction costs ^(vi)	530	—	530
Loss on held-for-sale assets ^(vii)	10,422	—	10,422
Other, net ^(viii)	737	—	737
Restructuring costs ^(ix)	630	—	630
Share-based compensation ^(x)	6,513	—	6,513
Financial statement review costs ^(xi)	(525)	—	(525)
Inventory step-up recorded to cost of sales ^(xiii)	7,116	—	7,116
Adjusted EBITDA	\$ (27,739)	\$ —	\$ (27,739)

	Nine months ended September 30, 2023		
	Continuing Operations	Discontinued Operations	Total
Net loss	\$ (25,288)	\$ (4,238)	\$ (29,526)
Interest income, net	(37,021)	(9)	(37,030)
Income tax benefit	(2,870)	—	(2,870)
Depreciation and amortization	6,689	244	6,933
EBITDA	(58,490)	(4,003)	(62,493)
Share of income from equity method investments	(831)	—	(831)
Impairment loss on long-lived assets ⁽ⁱ⁾	—	205	205
Loss on revaluation of financial instruments ^(iv)	7,856	—	7,856
Foreign currency transaction gain	(3,999)	—	(3,999)
Other, net ^(viii)	(1,011)	132	(879)
Restructuring costs ^(ix)	1,423	562	1,985
Share-based compensation ^(x)	6,823	17	6,840
Financial statement review costs ^(xi)	739	—	739
Inventory write-down ^(xii)	716	839	1,555
Adjusted EBITDA	\$ (46,774)	\$ (2,248)	\$ (49,022)

⁽ⁱ⁾ For the three and nine months ended September 30, 2024, impairment loss on long-lived assets included \$14,258 related to the write-down of our Ginkgo exclusive licenses. For the nine months ended September 30, 2024, impairment loss on long-lived assets included \$1,631 related to the winding down of operations at the Company's Winnipeg, Manitoba facility ("Cronos Fermentation Facility"). For the nine months ended September 30, 2023, impairment loss on long-lived assets related to certain leased properties associated with the Company's U.S. operations.

⁽ⁱⁱ⁾ For the three and nine months ended September 30, 2024, a revaluation gain on loan receivable was recognized as a result of the Cronos GrowCo Transaction on July 1, 2024.

⁽ⁱⁱⁱ⁾ For the three and nine months ended September 30, 2024, the gain on revaluation of equity method investment was recognized as a result of the Cronos GrowCo Transaction on July 1, 2024.

- (iv) For the three and nine months ended September 30, 2024 and 2023, loss on revaluation of financial instruments related primarily to the Company's equity securities in Vitura.
- (v) For the nine months ended September 30, 2024, impairment loss on other investments represents the fair value change on the PharmaCann Option.
- (vi) For the three and nine months ended September 30, 2024, transaction costs represent professional fees associated with the Cronos GrowCo Transaction.
- (vii) For the three and nine months ended September 30, 2024, a loss on held-for-sale assets was recognized as a result of the change in the Company's sales strategy for the Cronos Fermentation Facility to market the assets to a broader buyer pool.
- (viii) For the three and nine months ended September 30, 2024 and 2023, other, net related to (gain) loss on disposal of assets and (gain) loss on revaluation of derivative liabilities.
- (ix) For the nine months ended September 30, 2024, restructuring costs from continuing operations related to shutdown costs at the Cronos Fermentation Facility, as well as employee-related severance costs associated with the Realignment, as described in Note 9 "Restructuring." For the three and nine months ended September 30, 2023, restructuring costs related to employee-related severance costs and other restructuring costs associated with our U.S. operations as described in Note 3 "Discontinued Operations."
- (x) For the three and nine months ended September 30, 2024 and 2023, share-based compensation related to the non-cash expenses of share-based compensation awarded to employees under the Company's share-based award plans as described in Note 10 "Share-based Compensation."
- (xi) For the three and nine months ended September 30, 2024 and 2023, financial statement review costs include costs and reserves taken related to the Restatements, costs related to the Company's responses to requests for information from various regulatory authorities relating to the Restatements and legal costs incurred defending shareholder class action complaints brought against the Company as a result of the 2019 restatement. For the three and nine months ended September 30, 2024, a credit balance is presented due to an insurance recovery.
- (xii) For the three and nine months ended September 30, 2023, inventory write-downs relate to product destruction and obsolescence associated with the exit of our U.S. operations as described in Note 3 "Discontinued Operations."
- (xiii) For the three and nine months ended September 30, 2024, inventory step-up recorded to cost of sales represents the portion of the inventory step-up from the Cronos GrowCo Transaction that was recorded through the condensed consolidated statements of income (loss) and comprehensive income (loss) in both periods.

Adjusted Gross Profit and Adjusted Gross Margin

To supplement the consolidated financial statements presented in accordance with U.S. GAAP, we have presented Adjusted Gross Profit and Adjusted Gross Margin, non-GAAP measures that exclude the impacts of inventory-related purchase accounting adjustments from the calculations of gross profit and gross margin, which resulted from the Cronos GrowCo Transaction. Results are reported as total consolidated results, reflecting our reporting structure of one reportable segment.

Management believes that Adjusted Gross Profit and Adjusted Gross Margin provide useful insight into underlying business trends to facilitate comparisons of period-over-period results by removing the impacts of inventory-related purchase accounting adjustments resulting from the Cronos GrowCo Transaction, which reflect a one-time event and do not reflect management's assessment of ongoing business performance.

The following table sets forth a reconciliation of Gross profit and Gross margin, each as determined in accordance with U.S. GAAP, to Adjusted Gross Profit and Adjusted Gross Margin, respectively, for the periods indicated:

<i>(in thousands of USD)</i>	Three months ended September 30,		Change		Nine months ended September 30,		Change	
	2024	2023	\$	%	2024	2023	\$	%
Net revenue	\$ 34,264	\$ 24,810	\$ 9,454	38 %	\$ 87,314	\$ 63,326	\$ 23,988	38 %
Gross profit	\$ 3,611	\$ 3,970	\$ (359)	(9) %	\$ 14,391	\$ 9,996	\$ 4,395	44 %
Inventory step-up recorded to cost of sales	7,116	—	7,116	N/M	7,116	—	7,116	N/M
Adjusted Gross Profit	\$ 10,727	\$ 3,970	\$ 6,757	170 %	\$ 21,507	\$ 9,996	\$ 11,511	115 %
Gross margin ⁽ⁱ⁾	11 %	16 %	N/A	(5)pp	16 %	16 %	N/A	— pp
Adjusted Gross Margin ⁽ⁱⁱ⁾	31 %	16 %	N/A	15 pp	25 %	16 %	N/A	9 pp

⁽ⁱ⁾ Gross margin is defined as gross profit divided by net revenue.

⁽ⁱⁱ⁾ Adjusted Gross Margin is defined as Adjusted Gross Profit divided by net revenue.

Constant Currency

To supplement the consolidated financial statements presented in accordance with U.S. GAAP, we have presented constant currency adjusted financial measures for net revenue, gross profit, gross profit margin, operating expenses, net income (loss) and Adjusted EBITDA for the three and nine months ended September 30, 2024, as well as cash and cash equivalents and short-term investment balances as of September 30, 2024 compared to December 31, 2023, which are considered non-GAAP financial measures. We present constant currency information to provide a framework for assessing how our underlying operations performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period income statement results in currencies other than U.S. dollars are converted into U.S. dollars using the average exchange rates from the three and nine months comparative periods in 2023 rather than the actual average exchange rates in effect during the respective current periods; constant currency current and prior comparative balance sheet information is translated at the prior year-end spot rate rather than the current period spot rate. All growth comparisons relate to the corresponding period in 2023. We have provided this non-GAAP financial information to aid investors in better understanding the performance of our operations. The non-GAAP financial measures presented in this Quarterly Report should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with U.S. GAAP. See further discussion on foreign currency risk as noted in Item 3 “Quantitative and Qualitative Disclosures About Market Risk.”

The table below sets forth certain measures of consolidated results from continuing operations on a constant currency basis for the three and nine months ended September 30, 2024 compared to the three and nine months ended September 30, 2023 as well as cash and cash equivalents and short-term investments as of September 30, 2024 and December 31, 2023, both on an as-reported and constant currency basis (in thousands):

	As Reported				As Adjusted for Constant Currency			
	Three months ended September 30,		As Reported Change		Three months ended September 30,		Constant Currency Change	
	2024	2023	\$	%	2024	\$	%	
Net revenue	\$ 34,264	\$ 24,810	\$ 9,454	38 %	\$ 34,661	\$ 9,851	40 %	
Gross profit	3,611	3,970	(359)	(9) %	3,608	(362)	(9) %	
Gross margin	11 %	16 %	N/A	(5)pp	10 %	N/A	(6)pp	
Operating expenses	37,266	25,745	11,521	45 %	38,079	12,334	48 %	
Net income (loss) from continuing operations	7,324	(1,590)	8,914	N/M	8,219	9,809	N/M	
Adjusted EBITDA	\$ (6,019)	\$ (15,187)	\$ 9,168	60 %	\$ (6,514)	\$ 8,673	57 %	
	As Reported				As Adjusted for Constant Currency			
	Nine months ended September 30,		As Reported Change		Nine months ended September 30,		Constant Currency Change	
	2024	2023	\$	%	2024	\$	%	
Net revenue	\$ 87,314	\$ 63,326	\$ 23,988	38 %	\$ 88,456	\$ 25,130	40 %	
Gross profit	14,391	9,996	4,395	44 %	14,591	4,595	46 %	
Gross margin	16 %	16 %	N/A	— pp	16 %	N/A	— pp	
Operating expenses	79,555	73,160	6,395	9 %	80,415	7,255	10 %	
Net loss from continuing operations	(3,919)	(25,288)	21,369	85 %	(2,424)	22,864	90 %	
Adjusted EBITDA	\$ (27,739)	\$ (46,774)	\$ 19,035	41 %	\$ (28,022)	\$ 18,752	40 %	
	As of September 30,	As of December 31,	As Reported Change		As of September 30,	Constant Currency Change		
	2024	2023	\$	%	2024	\$	%	
Cash and cash equivalents	\$ 862,034	\$ 669,291	\$ 192,743	29 %	\$ 865,277	\$ 195,986	29 %	
Short-term investments	—	192,237	(192,237)	(100) %	—	(192,237)	(100) %	
Total cash and cash equivalents and short-term investments	\$ 862,034	\$ 861,528	\$ 506	— %	\$ 865,277	\$ 3,749	— %	

Net revenue

	As Reported				As Adjusted for Constant Currency			
	Three months ended September 30,		As Reported Change		Three months ended September 30,		Constant Currency Change	
	2024	2023	\$	%	2024	\$	%	
Cannabis flower	\$ 26,328	\$ 17,414	\$ 8,914	51 %	\$ 26,601	\$ 9,187	53 %	
Cannabis extracts	7,789	7,268	521	7 %	7,914	646	9 %	
Other	147	128	19	15 %	146	18	14 %	
Net revenue	\$ 34,264	\$ 24,810	\$ 9,454	38 %	\$ 34,661	\$ 9,851	40 %	

	As Reported				As Adjusted for Constant Currency			
	Nine months ended September 30,		As Reported Change		Nine months ended September 30,		Constant Currency Change	
	2024	2023	\$	%	2024	\$	%	
Cannabis flower	\$ 64,514	\$ 44,556	\$ 19,958	45 %	\$ 65,413	\$ 20,857	47 %	
Cannabis extracts	22,580	18,495	4,085	22 %	22,823	4,328	23 %	
Other	220	275	(55)	(20)%	220	(55)	(20)%	
Net revenue	\$ 87,314	\$ 63,326	\$ 23,988	38 %	\$ 88,456	\$ 25,130	40 %	

	As Reported				As Adjusted for Constant Currency			
	Three months ended September 30,		As Reported Change		Three months ended September 30,		Constant Currency Change	
	2024	2023	\$	%	2024	\$	%	
Canada	\$ 24,067	\$ 18,738	\$ 5,329	28 %	\$ 24,509	\$ 5,771	31 %	
Israel	7,259	5,673	1,586	28 %	7,201	1,528	27 %	
Other countries	2,938	399	2,539	636 %	2,951	2,552	640 %	
Net revenue	\$ 34,264	\$ 24,810	\$ 9,454	38 %	\$ 34,661	\$ 9,851	40 %	

	As Reported				As Adjusted for Constant Currency			
	Nine months ended September 30,		As Reported Change		Nine months ended September 30,		Constant Currency Change	
	2024	2023	\$	%	2024	\$	%	
Canada	\$ 62,781	\$ 46,767	\$ 16,014	34 %	\$ 63,553	\$ 16,786	36 %	
Israel	20,565	16,160	4,405	27 %	20,908	4,748	29 %	
Other countries	3,968	399	3,569	894 %	3,995	3,596	901 %	
Net revenue	\$ 87,314	\$ 63,326	\$ 23,988	38 %	\$ 88,456	\$ 25,130	40 %	

For the three months ended September 30, 2024, net revenue on a constant currency basis was \$34.7 million, representing a 40% increase from the three months ended September 30, 2023. For the nine months ended September 30, 2024, net revenue on a constant currency basis was \$88.5 million, representing a 40% increase from the nine months ended September 30, 2023. On a constant currency basis, net revenue increased for the three and nine months ended September 30, 2024, primarily due to higher cannabis flower and extract sales in the Canadian market, higher cannabis flower sales in Israel and higher cannabis flower sales in other countries, partially offset by an adverse price/mix in the Canadian adult-use cannabis flower category driving increased excise tax payments as a percentage of net revenue. On a constant currency basis, the Cronos GrowCo Transaction contributed \$4.3 million of cannabis flower sales in both the three and nine months ended September 30, 2024. No such sales were recognized for the three and nine months ended September 30, 2023.

Gross profit

For the three months ended September 30, 2024, gross profit on a constant currency basis was \$3.6 million, representing a 9% decrease from the three months ended September 30, 2023. For the nine months ended September 30, 2024, gross profit on a constant currency basis was \$14.6 million, representing a 46% increase from the nine months ended September 30, 2023. On a constant currency basis, gross profit decreased for the three month comparative periods primarily due to the impact on cost of sales from the inventory step-up from the Cronos GrowCo Transaction, partially offset by higher cannabis flower and extract sales in the Canadian market, higher cannabis flower sales in Israel and higher cannabis flower sales in other countries. For the nine month comparative periods, the increase was primarily due to higher cannabis flower and extract sales in the Canadian market, higher cannabis flower sales in Israel and higher cannabis flower sales in other countries, partially offset by the impact on cost of sales from the inventory step-up from the Cronos GrowCo Transaction. On a constant currency basis, for both the three and nine months ended September 30, 2024, we recognized \$7.2 million of inventory step-up from the Cronos GrowCo Transaction in cost of sales. No such costs were recognized for the three and nine months ended September 30, 2023.

Operating expenses

For the three months ended September 30, 2024, operating expenses on a constant currency basis were \$38.1 million, representing a 48% increase from the three months ended September 30, 2023. For the nine months ended September 30, 2024, operating expenses on a constant currency basis were \$80.4 million, representing a 10% increase from the nine months ended September 30, 2023. On a constant currency basis, operating expenses increased for the three and nine months ended September 30, 2024, primarily due to the impairment of the Ginkgo exclusive licenses, partially offset by lower salaries and benefits, professional fees and restructuring costs.

Net income (loss) from continuing operations

For the three months ended September 30, 2024, net income from continuing operations on a constant currency basis was \$8.2 million, representing an improvement of \$9.8 million from the three months ended September 30, 2023. For the nine months ended September 30, 2024, net loss from continuing operations on a constant currency basis was \$2.4 million, representing an improvement of \$22.9 million from the nine months ended September 30, 2023.

Adjusted EBITDA

For the three months ended September 30, 2024, Adjusted EBITDA on a constant currency basis was \$(6.5) million, representing a 57% improvement from the three months ended September 30, 2023. For the nine months ended September 30, 2024, Adjusted EBITDA on a constant currency basis was \$(28.0) million, representing a 40% improvement from the nine months ended September 30, 2023. The improvement in Adjusted EBITDA for the three and nine months ended September 30, 2024 on a constant currency basis was driven by higher cannabis flower and extract sales in the Canadian market, higher cannabis flower sales in Israel and decreases in general and administrative expenses, partially offset by an adverse price/mix in Canada in the cannabis flower category driving increased excise tax payments as a percentage of net revenue.

Cash and cash equivalents & short-term investments

Cash and cash equivalents and short-term investments on a constant currency basis was essentially unchanged at \$865.3 million as of September 30, 2024, compared to December 31, 2023.

Liquidity and Capital Resources

As of September 30, 2024, we had \$862 million in cash and cash equivalents and no short-term investments. We believe that the existing cash and cash equivalents and short-term investments will be sufficient to fund the business operations and capital expenditures over the next twelve months. The following table summarizes the cash flows from operating, investing and financing activities:

(In thousands of U.S. dollars)

	Nine months ended September 30, 2024	
	2024	2023
Cash flows provided by (used in) operating activities	\$ 11,123	\$ (59,650)
Cash flows provided by (used in) investing activities	180,181	(141,392)
Cash flows used in financing activities	(918)	(812)
Effect of foreign currency translation on cash and cash equivalents	2,357	8,866
Net change in cash	\$ 192,743	\$ (192,988)

Comparison of cash flows between the nine months ended September 30, 2024 and the nine months ended September 30, 2023

Operating activities

During the nine months ended September 30, 2024, we generated \$11.1 million of cash from operating activities as compared to cash used of \$59.7 million in the nine months ended September 30, 2023, representing a decrease in cash used of \$70.8 million. This change is primarily driven by a \$32.8 million decrease in income taxes payable in the prior period as a result of a tax payment connected to the previously disclosed relinquishment by Altria of its warrant to purchase additional shares of the Company, a \$33.1 million increase in net income after adjusting for non-cash items during the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023, higher interest received, and higher decreases in inventory, partially offset by an increase in accounts receivable, net.

Investing activities

During the nine months ended September 30, 2024, we generated \$180.2 million of cash from investing activities, compared to \$141.4 million of cash used in investing activities during the nine months ended September 30, 2023, representing a change of \$321.6 million. This change is primarily driven by the maturity of certain short-term investments, which were reinvested as cash equivalents upon maturity, as well as cash obtained from the business combination of Cronos GrowCo, partially offset by higher advances of loans receivable, lower loan repayments, and higher purchases of property, plant and equipment in the nine months ended September 30, 2024.

Financing activities

During the nine months ended September 30, 2024, cash used in financing activities was \$0.9 million, compared to \$0.8 million of cash used in financing activities during the nine months ended September 30, 2023, representing an increase of \$0.1 million. This change is primarily driven by an increase of \$0.1 million in withholding taxes paid on share-based awards during the nine months ended September 30, 2024 compared to nine months ended September 30, 2023.

Cash Requirements

The Company's cash requirements have not changed significantly since the filing of the Annual Report.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are discussed in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report. Aside from the item listed below, our critical accounting policies and estimates have not changed significantly since the filing of the Annual Report.

Business combinations

We account for business combinations using the acquisition method of accounting whereby the identifiable assets and liabilities of the acquired business, as well as any non-controlling interest in the acquired business, are recorded at their estimated fair values as of the date that we obtain control of the acquired business. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows and discount rates, among other items.

We determine the fair values of intangible assets acquired generally in consultation with third-party valuation advisors. The fair value determination requires a number of judgments, particularly around forecasted revenue and growth rates, obsolescence, royalty rates, tax rates and discount rates.

If actual results are materially different than the assumptions we used to determine the fair value of the assets and liabilities acquired through a business combination, it is possible that adjustments to the carrying values of such assets and liabilities will have an impact on net income.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company is exposed to certain market risks, including changes from foreign currency exchange rates related to our international operations. Except as updated below, the Company's market risks have not changed significantly from the market risk disclosed in Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report.

Foreign currency risk

The Company's condensed consolidated financial statements included in Part I, Item 1. "Financial Statements" of this Quarterly Report are expressed in U.S. dollars. The Company is exposed to foreign currency risk based on its net assets, liabilities, and revenue denominated in foreign currencies, including Canadian dollars and Israeli new shekels. As a result, we are exposed to foreign currency translation gains and losses. Revenue and expenses of all foreign operations are translated into U.S. dollars at the foreign currency exchange rates that approximate the rates in effect during the period when such items are recognized. Appreciating foreign currencies relative to the U.S. dollar will positively impact operating income and net earnings, while depreciating foreign currencies relative to the U.S. dollar will have an adverse impact.

A 10% change in the exchange rates for the Canadian dollar would have affected the carrying amount of the net assets by approximately \$111.3 million and \$97.7 million as of September 30, 2024 and December 31, 2023, respectively. The corresponding impact would be recorded in accumulated other comprehensive income. We have not historically engaged in hedging transactions and do not currently contemplate engaging in hedging transactions to mitigate foreign exchange risks. As we continue to recognize gains and losses in foreign currency transactions, depending upon changes in future currency rates, such gains and losses could have a significant, and potentially adverse, effect on the Company's results of operations.

During the three and nine months ended September 30, 2024, the Company had foreign currency gain (loss) on translation of \$12.4 million and \$(20.1) million, respectively. During the three and nine months ended September 30, 2023 the Company had foreign currency loss on translation of \$20.1 million and \$1.1 million, respectively.

Interest rate risk

Interest rate risk is the risk that the value or yield of fixed-income investments may decline if interest rates change. Fluctuations in interest rates may impact the level of income and expense recorded on the cash equivalents and short-term investments, and the market value of all interest-earning assets, other than those which possess a short term to maturity. During the three months ended September 30, 2024 and 2023, we had interest income, net of \$12.5 million and \$13.4 million, respectively. During the nine months ended September 30, 2024 and September 30, 2023, we had interest income, net of \$40.2 million, and \$37.0 million, respectively. A 10% decrease in the interest rate in effect on September 30, 2024 would not have a material effect on the fair value of our cash equivalents and short-term investments as the majority of the portfolio had a maturity date of three months or less. A 10% decrease in the interest rate in effect for the three and nine months ended September 30, 2024 would have an effect of \$1.4 million and \$4.5 million, respectively, on interest income, net earned on our cash equivalents, short-term investments.

Item 4. Controls and Procedures.*(a) Evaluation of Disclosure Controls and Procedures.*

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, performed an evaluation of the disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), as of September 30, 2024. Based on that evaluation, management has concluded that, as of September 30, 2024, the disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in reports we file or submit under the Exchange Act were recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and to ensure that the information required to be disclosed by us in reports that we file or submit under the Exchange Act, is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), that occurred during the three months ended September 30, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1: Legal Proceedings.

The information set forth under Note 9(b), Contingencies, to the Company's condensed consolidated interim financial statements included in Part I, Item 1 "Financial Statements" of this Quarterly Report is incorporated herein by reference.

Item 1A: Risk Factors.

An investment in us involves a number of risks. A detailed discussion of our risk factors appears in Part I, Item 1A. Risk Factors of the Annual Report, as supplemented in Part II, Item 1A. Risk Factors of our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2024. Any of the matters highlighted in the risk factors described in these reports and the risk factors below could adversely affect our business, results of operations and financial condition, causing an investor to lose all, or part of, its, his or her investment. These risks and uncertainties are those we currently believe to be material, but they are not the only ones we face. If any of these risks and uncertainties or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows and consequently the price of our securities could be materially and adversely affected.

Wholesale price volatility could have a material adverse effect on our business.

Following the Cronos GrowCo Transaction, the financial results of Cronos GrowCo are incorporated into our results, which are in turn impacted by the market for wholesale cannabis. Wholesale prices fluctuate due to changes in supply (which itself depends on other factors such as the level of cultivation of cannabis, weather conditions, fuel, equipment and labor costs, shipping costs, and government regulations), demand and other market conditions, which are factors beyond the control of Cronos GrowCo. The market for wholesale cannabis biomass is particularly volatile compared to other commoditized markets due to the relatively nascent maturity of the industry. The lack of centralized data and large variations in product quality make it difficult to establish a universal "spot price" for wholesale cannabis biomass. A decline or general volatility in the wholesale price of cannabis biomass, may negatively impact Cronos GrowCo's operating income, which may have a material adverse effect on our results of operations.

Under the Supply Agreement, which governs our commercial arrangement with Cronos GrowCo, our option to purchase cannabis biomass from Cronos GrowCo is subject to fixed pricing. In the event of a decline in the wholesale market price of cannabis biomass, we may choose not to exercise our option to purchase biomass from Cronos GrowCo at the fixed prices set forth in the Supply Agreement. Instead, we may attempt to purchase such biomass at the prevailing market price from Cronos GrowCo or third parties. If we decline to exercise our option to purchase biomass from Cronos GrowCo, Cronos GrowCo would be under no obligation to sell to us at such lower market prices. Additionally, if we attempt to purchase biomass from third parties, there can be no assurance that we will be able to do so on a consistent basis or in the quantities, strains, grades and qualities we require.

We are anticipating shortages in raw materials and may be unable to obtain adequate supplies of raw materials in a timely manner and at commercially reasonable prices.

Our production operations require that we obtain adequate supplies of raw materials, particularly biomass, on a timely basis, at commercially reasonable prices and in the strains, grades and qualities that we require. From time to time, including presently, there have been and are now shortages of raw materials. Industry-wide shortages in the supply of raw materials could result in industry-wide raw material price adjustments and shortages.

Cronos GrowCo's production facilities are our principal source of raw materials. Therefore, our production operations are reliant on our ability to acquire such raw materials from Cronos GrowCo on a timely, cost-effective basis and in the strains, grades and qualities we require. If Cronos GrowCo is unable to meet our needs for raw materials (including by not producing the strains, grades and qualities of biomass that we anticipate in our forecasts, as well as being unable to meet demand in excess of our previous forecasts), we may be required to source additional supply from third parties.

We may not be able to find third-party suppliers capable of supplying raw materials on a timely basis at commercially reasonable prices or in the quantities, strains, grades and qualities we require. If we are unable to secure the necessary raw materials, we may experience product shortages and delays, we may be unable to launch new products and we may be required to discontinue certain products, which could have a material adverse effect on our business, financial condition and results of operations. Product shortages, discontinuations or delays could result in customers listing fewer of our products, our failure to maintain or grow our market share and reputational damage, which could materially and adversely affect our results of operations, financial condition, business and prospects.

If raw material shortages cause industry-wide prices of raw materials to rise, our costs could increase. To the extent that we are unable to offset such costs through higher prices of our products or other cost savings, our results of operations, financial condition, business and prospects could be materially and adversely affected.

Cronos GrowCo may not be able to continue cultivating cannabis at its current rates, margins and efficiency and may experience delays and other challenges in connection with increasing its cultivation capacity and production.

Cronos GrowCo's ability to continue the cultivation of cannabis biomass at its current rate or at all, and its ability to increase its cultivation capacity and production, including in connection with the construction of its Phase 2 expansion area, may be affected by a number of factors, including plant design errors, non-performance by third party contractors, increases in material or labor costs, cost overruns, construction delays and challenges, performance falling below expected levels of output or efficiency, weather conditions, contractor or operator errors or disruption, breakdowns, aging or failure of equipment or processes, labor disputes, as well as factors specifically related to indoor agricultural and processing practices, such as reliance on provision of energy and utilities to the facility. Such factors may also affect Cronos GrowCo's cost of cultivation and production.

There is no guarantee that Cronos GrowCo's expansion strategy (including receiving any required Health Canada or other regulatory approvals, licenses and permits in a timely fashion, if at all) will be completed in the currently proposed form, or at all, or that Cronos GrowCo will be able to maintain its margins and efficiency as it expands.

Our option to purchase a significant portion of Cronos GrowCo's production could strain Cronos GrowCo's ability to develop, maintain and grow profitable relationships with third party customers.

Under the Supply Agreement, we have the option to purchase a significant portion of Cronos GrowCo's production. There can be no assurance that Cronos GrowCo will be able to sell its remaining production to third parties at commercially viable prices or on commercially viable terms. Likewise, volatility in the exercise of Cronos' option could negatively impact Cronos GrowCo's ability to forecast the portion or quantity of its production available for sale to third parties, which could negatively impact Cronos GrowCo's ability to develop, maintain and grow profitable relationships with third party customers. To the extent Cronos GrowCo encounters difficulty in selling its remaining production capacity to third parties, Cronos GrowCo's results of operations may be significantly and adversely affected, which may have a material adverse effect on our results of operations.

Termination or non-renewal of the Supply Agreement could have a material negative impact on our ability to obtain cannabis biomass at commercially viable prices.

Cronos GrowCo's production facilities are our principal source of raw materials. Following an initial four-year term, the Supply Agreement is subject to automatic renewal for successive one-year periods unless either party provides notice of non-renewal, as well as various termination rights. In the event of non-renewal or termination of the Supply Agreement, we would be required to source cannabis biomass from third parties or negotiate a new supply agreement with Cronos GrowCo, and we may not be able to do so on a timely basis at commercially reasonable prices or in the quantities we require. If we are unable to secure the necessary raw materials, we may experience product shortages and delays, we may be unable to launch new products and we may be required to discontinue certain products, which could have a material adverse effect on our business, financial condition and results of operations.

We could have difficulty integrating the accounting, financial reporting and other administrative functions of Cronos GrowCo.

Following the Cronos GrowCo Transaction, we consolidated the results of operations of Cronos GrowCo in our consolidated financial statements. We could face difficulty in integrating the systems and processes of Cronos GrowCo, including accounting systems, internal controls over financial reporting, and other financial and administrative functions. Likewise, Cronos GrowCo could experience challenges in conforming to our accounting standards, procedures and policies. Any of these items could adversely affect our business, financial condition and results of operations.

The imposition of an anti-dumping duty on our imports into Israel could have a material adverse effect on our business, financial condition and results of operations.

On January 18, 2024, the Company was notified that the Trade Levies Commissioner of the Israel Ministry of Economy and Industry initiated a public investigation of alleged dumping of medical cannabis imports from Canada into Israel. On November 10, 2024, the Commissioner announced a final determination proposing to impose an anti-dumping duty on Canadian licensed producers. The Company would be subject to a proposed duty of 175%. The Commissioner's findings will now be evaluated by an ad hoc advisory committee, which is expected to make recommendations to the Ministers of Economy and Finance and the Finance Committee of the Knesset of whether to impose a duty. If a final decision is made to impose an anti-dumping duty to which the Company's imports would be subject, our ability to continue to import raw materials and cannabis products into Israel from Cronos GrowCo, the performance of our business in Israel, and our results of operations, financial condition, business and prospects could be materially and negatively impacted.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Rule 10b5-1 Trading Plans

Securities Trading Plans of Directors and Executive Officers

During the three months ended September 30, 2024, no directors or executive officers entered into, modified or terminated, contracts, instructions or written plans for the sale or purchase of the Company's securities that were intended to satisfy the affirmative defense conditions of Rule 10b5-1 or that constituted non-Rule 10b5-1 trading arrangements (as defined in Item 408(c) of Regulation S-K).

Certain of our officers or directors have made, and may from time to time make, elections to have shares withheld to cover withholding taxes or pay the exercise price of options, which may be designed to satisfy the affirmative defense conditions of Rule 10b5-1 under the Exchange Act or may constitute non-Rule 10b5-1 trading arrangements (as defined in Item 408(c) of Regulation S-K).

Item 6. Exhibits

The exhibits listed in the Exhibit Index immediately below are filed as part of this Quarterly Report, which Exhibit Index is corporate by reference herein.

Exhibit Number	Exhibit Index
3.1*	Certificate of Continuance and Articles of Cronos Group Inc.
10.1†*	Letter Agreement, dated as of August 23, 2024, by and among Cronos USA Client Services LLC, Cronos Group Inc., and Anna Shlimak.
31.1*	Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of the 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.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

† Management contract or compensatory plan or arrangement.

* Filed herewith.

** Furnished herewith and not “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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.

CRONOS GROUP INC.

By: /s/ James Holm

James Holm
Chief Financial Officer

November 12, 2024

By: /s/ Jimmy McGinness

Jimmy McGinness
Vice President, Controller, and Principal Accounting Officer

November 12, 2024



Number: C1256453

**CERTIFICATE
OF
CONTINUATION**

BUSINESS CORPORATIONS ACT

I Hereby Certify that Cronos Group Inc., has continued into British Columbia from the Jurisdiction of ONTARIO, under the Business Corporations Act, with the name CRONOS GROUP INC. on July 9, 2020 at 01:15 PM Pacific Time.

Issued under my hand at Victoria, British Columbia

On July 9, 2020

A handwritten signature in black ink, appearing to read "Carol Prest".

CAROL PREST
Registrar of Companies
Province of British Columbia
Canada



ELECTRONIC CERTIFICATE

ARTICLES
OF
Cronos Group Inc.

BUSINESS CORPORATIONS ACT
BRITISH COLUMBIA

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BUSINESS CORPORATIONS ACT

ARTICLES

of

CRONOS GROUP INC.

**ARTICLE 1
INTERPRETATION**

1.1 Definitions. In these Articles, unless the context otherwise requires:

“**Applicable Securities Laws**” means the securities legislation in Canada, the United States and any other relevant jurisdiction, as amended from time to time, the rules, regulations and forms made or promulgated under any such statutes and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commissions and similar regulatory authorities, in each case, applicable to the Company;

“**board**” means the directors or sole director of the Company, as the case may be;

“**Business Corporations Act**” means the *Business Corporations Act* (British Columbia) in force from time to time and all amendments thereto and includes all regulations and amendments thereto made pursuant to that act;

“**Company**” means Cronos Group Inc.;

“**Interpretation Act**” means the *Interpretation Act* (British Columbia) in force from time to time and all amendments thereto and includes all regulations and amendments thereto made pursuant to that act;

“**legal personal representative**” means the personal or other legal representative of the shareholder;

“**meeting of shareholders**” or “**Shareholders Meeting**” means an annual meeting of shareholders and a special meeting of shareholders of the Company;

“**registered address**” of a shareholder means the shareholder’s address as recorded in the central securities register;

“**Securities Transfer Act**” means the *Securities Transfer Act* (British Columbia) in force from time to time and all amendments thereto and includes all regulations and amendments thereto made pursuant to that Act.

- 1.1 Business Corporations Act and Interpretation Act Definitions Applicable.** The definitions in the *Business Corporations Act* and the definitions and rules of construction in the *Interpretation Act*, with the necessary changes, so far as applicable, and unless the context requires otherwise, apply to these Articles as if they were an enactment. If there is a conflict between a definition in the *Business Corporations Act* and a definition or rule in the *Interpretation Act* relating to a term used in these Articles, the definition in the *Business Corporations Act* will prevail in relation to the use of the term in these Articles. If there is a conflict between these Articles and the *Business Corporations Act*, the *Business Corporations Act* will prevail.

ARTICLE 2 SHARES AND SHARE CERTIFICATES

- 2.1 Authorized Share Structure.** The authorized share structure of the Company consists of shares of the class or classes and series, if any, described in the Notice of Articles of the Company.
- 2.2 Form of Share Certificate.** Each share certificate issued by the Company must comply with, and be signed as required by, the *Business Corporations Act*.
- 2.3 Shareholder Entitled to Certificate or Acknowledgement.** Unless the shares of which the shareholder is the registered owner are uncertificated shares within the meaning of the *Business Corporations Act*, each shareholder is entitled, without charge, to (a) one share certificate representing the shares of each class or series of shares registered in the shareholder's name or (b) a non-transferable written acknowledgement of the shareholder's right to obtain such a share certificate, provided that in respect of a share held jointly by several persons, the Company is not bound to issue more than one share certificate or acknowledgement and delivery of a share certificate or an acknowledgement to one of several joint shareholders or to one of the shareholders' duly authorized agents will be sufficient delivery to all.
- 2.4 Delivery by Mail.** Any share certificate or non-transferable written acknowledgement of a shareholder's right to obtain a share certificate may be sent to the shareholder by mail at the shareholder's registered address and neither the Company nor any director, officer or agent of the Company is liable for any loss to the shareholder because the share certificate or acknowledgement is lost in the mail or stolen.
- 2.5 Replacement of Worn Out or Defaced Certificate or Acknowledgement.** If the board or the secretary of the Company, if any, is satisfied that a share certificate or a non-transferable written acknowledgement of the shareholder's right to obtain a share certificate is worn out or defaced, they must, on production to them of the share certificate or acknowledgement, as the case may be, and on such other terms, if any, as they think fit:
- (a) order the share certificate or acknowledgement, as the case may be, to be cancelled; and

(b) issue a replacement share certificate or acknowledgement, as the case may be.

2.6 Replacement of Lost, Stolen or Destroyed Certificate or Acknowledgement. If a share certificate or a non-transferable written acknowledgement of a shareholder's right to obtain a share certificate is lost, stolen or destroyed, a replacement share certificate or acknowledgement, as the case may be, must be issued to the person entitled to that share certificate or acknowledgement, as the case may be, if the board or the secretary, if any, of the Company receives:

(a) proof satisfactory to them (which, if requested, shall include an affidavit) that the share certificate or acknowledgement is lost, stolen or destroyed; and

(b) any indemnity the board considers adequate.

2.7 Splitting Share Certificates. If a shareholder surrenders a share certificate to the Company, or to any transfer agent or other agent duly appointed for such purpose, together with a written request that the Company issue in the shareholder's name two or more share certificates, each representing a specified number of shares and in the aggregate representing the same number of shares as the share certificate so surrendered, the Company, or its agent duly appointed for such purpose, as the case may be, must cancel the surrendered share certificate and issue replacement share certificates in accordance with that request.

2.8 Certificate Fee. There must be paid to the Company, in relation to the issue of any share certificate under Articles 2.5, 2.6, or 2.7, the amount, if any, and which must not exceed the amount prescribed under the *Business Corporations Act*, determined by the board.

2.9 Recognition of Trusts. Except as required by law or statute or these Articles, no person will be recognized by the Company as holding any share upon any trust, and the Company is not bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or fraction of a share or (except as required by law or statute or these Articles or as ordered by a court of competent jurisdiction) any other rights in respect of any share except an absolute right to the entirety thereof in the shareholder.

2.10 Shares may be Uncertificated. Notwithstanding any other provision of this Article 2, the board may, by resolution, provide that

(a) the shares of any or all of the classes or series of the Company's shares may be uncertificated shares; or

(b) any specified shares may be uncertificated shares.

**ARTICLE 3
ISSUE OF SHARES**

- 3.1 Directors Authorized.** Subject to the *Business Corporations Act* and the rights, if any, of the holders of issued shares of the Company, the Company may issue, allot, sell or otherwise dispose of the unissued shares, and issued shares held by the Company, at the times, to the persons, including directors, in the manner, on the terms and conditions and for the issue prices (including any premium at which shares with par value may be issued) that the board may determine. The issue price for a share with par value must be equal to or greater than the par value of the share.
- 3.2 Commissions and Discounts.** The Company may at any time pay a reasonable commission or allow a reasonable discount to any person in consideration of that person purchasing or agreeing to purchase shares of the Company from the Company or any other person or procuring or agreeing to procure purchasers for shares of the Company.
- 3.3 Brokerage.** The Company may pay such brokerage fee or other consideration as may be lawful for or in connection with the sale or placement of its securities.
- 3.4 Conditions of Issue.** Except as provided for by the *Business Corporations Act*, no share may be issued until it is fully paid. A share is fully paid when:
- (a) consideration is provided to the Company for the issue of the share by one or more of the following:
 - (i) past services performed for the Company;
 - (ii) property; or
 - (iii) money; and
 - (b) the value of the consideration received by the Company equals or exceeds the issue price set for the share under Article 3.1.
- 3.5 Share Purchase Warrants, Options and Rights.** Subject to the *Business Corporations Act*, the Company may issue share purchase warrants, options and rights upon such terms and conditions as the board determines, which share purchase warrants, options and rights may be issued alone or in conjunction with debentures, debenture stock, bonds, shares or any other securities issued or created by the Company from time to time.

**ARTICLE 4
SHARE REGISTERS**

- 4.1 Central Securities Register.** As required by and subject to the *Business Corporations Act*, the Company must maintain a central securities register, which may be kept in electronic form. The board may, subject to the *Business Corporations Act*, appoint an agent to maintain the central securities register. The board may also appoint one or more

agents, including the agent which keeps the central securities register, as transfer agent for its shares or any class or series of its shares, as the case may be, and the same or another agent as registrar for its shares or such class or series of its shares, as the case may be. The board may terminate such appointment of any agent at any time and may appoint another agent in its place.

4.2 Closing Register. The Company must not at any time close its central securities register.

ARTICLE 5 SHARE TRANSFERS

5.1 Registering Transfers. A transfer of a share of the Company must not be registered unless:

- (a) a duly signed instrument of transfer in respect of the share has been received by the Company;
- (b) if a share certificate has been issued by the Company in respect of the share to be transferred, that share certificate has been surrendered to the Company;
- (c) if a non-transferable written acknowledgement of the shareholder's right to obtain a share certificate has been issued by the Company in respect of the share to be transferred, that acknowledgement has been surrendered to the Company; and
- (d) the satisfaction of any other conditions precedent, in favour of the Company, to which such transfer has validly been made subject (including any conditions precedent required to be satisfied in order to ensure compliance with Applicable Securities Laws).

5.2 Form of Instrument of Transfer. The instrument of transfer in respect of any share of the Company must be either in the form, if any, on the back of the Company's share certificates or in any other form that may be approved by the Company or the transfer agent for the class or series of shares to be transferred.

5.3 Transferor Remains Shareholder. Except to the extent that the *Business Corporations Act* otherwise provides, the transferor of shares is deemed to remain the holder of the shares until the name of the transferee is entered in a central securities register of the Company in respect of the transfer.

5.4 Signing of Instrument of Transfer. If a shareholder, or such shareholder's duly authorized attorney, signs an instrument of transfer in respect of shares registered in the name of the shareholder, the signed instrument of transfer constitutes a complete and sufficient authority to the Company and its directors, officers and agents of the Company to register the number of shares specified in the instrument of transfer or specified in any other manner, or, if no number is specified, all the shares represented by the share

certificates or set out in the written acknowledgements deposited with the instrument of transfer:

- (a) in the name of the person named as transferee in that instrument of transfer; or
- (b) if no person is named as transferee in that instrument of transfer, in the name of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered.

5.5 Enquiry as to Title Not Required. Neither the Company nor any director, officer or agent of the Company is bound to inquire into the title of the person named in the instrument of transfer as transferee or, if no person is named as transferee in the instrument of transfer, of the person on whose behalf the instrument is deposited for the purpose of having the transfer registered or is liable for any claim related to registering the transfer by the shareholder or by any intermediate owner or holder of the shares, of any interest in the shares, of any share certificate representing such shares or of any written acknowledgement of a right to obtain a share certificate for such shares.

5.6 Transfer Fee. Subject to the applicable rules of any stock exchange on which the securities of the Company may be listed, there must be paid to the Company, in relation to the registration of any transfer, a fee, if any, in the amount, if any, determined by the board.

ARTICLE 6 TRANSMISSION OF SHARES

6.1 Legal Personal Representative Recognized on Death. In the case of the death of a shareholder, the legal personal representative of the shareholder, or if the shareholder was a joint holder, the surviving joint holder, will be the only person recognized by the Company as having any title to the shareholder's interest in the shares. Before recognizing a person as a legal personal representative of a shareholder, the board may require proof of appointment by a court of competent jurisdiction, a grant of letters probate, letters of administration or such other evidence or documents as the board, officers or duly authorized agents of the Company consider appropriate.

6.2 Rights of Legal Personal Representative. The legal personal representative of a shareholder has the rights, privileges and obligations that attach to the shares held by the shareholder, including the right to transfer the shares in accordance with these Articles and Applicable Securities Laws, if appropriate evidence of appointment or incumbency within the meaning of the *Securities Transfer Act* has been deposited with the Company. This Article 6.2 does not apply in the case of the death of a shareholder with respect to shares registered in the shareholder's name and the name of another person in joint tenancy.

**ARTICLE 7
PURCHASE OF SHARES**

- 7.1 Company Authorized to Purchase Shares.** Subject to Article 7.2, the special rights and restrictions attached to the shares of any class or series and the *Business Corporations Act*, the Company may, if authorized by the board, purchase or otherwise acquire any of its shares at the price and upon the terms determined by the board.
- 7.2 No Purchase, Redemption or Other Acquisition When Insolvent.** The Company must not make a payment or provide any other consideration to purchase, redeem or otherwise acquire any of its shares if there are reasonable grounds for believing that:
- (a) the Company is insolvent; or
 - (b) making the payment or providing the consideration would render the Company insolvent.
- 7.3 Sale and Voting of Purchased, Redeemed or Otherwise Acquired Shares.** If the Company retains a share redeemed, purchased or otherwise acquired by it, the Company may sell, gift or otherwise dispose of the share, but, while such share is held by the Company, it:
- (a) is not entitled to vote the share at a meeting of shareholders;
 - (b) must not pay a dividend in respect of the share; and
 - (c) must not make any other distribution in respect of the share.

**ARTICLE 8
BORROWING POWERS**

- 8.1 Borrowing Powers.** The Company, if authorized by the board (it being understood, for the avoidance of doubt, that the board may delegate its power to provide such authorization to a committee, under Article 18.1, or to an officer, under Article 19.2), may:
- (a) borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that the board considers appropriate;
 - (b) issue bonds, debentures and other debt obligations either outright or as security for any liability or obligation of the Company or any other person and at such discounts or premiums and on such other terms as the board considers appropriate;
 - (c) guarantee the repayment of money by any other person or the performance of any obligation of any other person, provided that any director or authorized officer of

the Company may authorize the Company to guarantee the performance of an obligation of a wholly-owned subsidiary of the Company; and

- (d) mortgage, charge, whether by way of specific or floating charge, grant a security interest in, or give other security on, the whole or any part of the present and future assets and undertaking of the Company.

ARTICLE 9 ALTERATIONS

9.1 Alteration of Authorized Share Structure. Subject to Article 9.2, the special rights or restrictions attached to the shares of any class or series of shares and the *Business Corporations Act*, the Company may by special resolution:

- (a) create one or more classes or series of shares or, if none of the shares of a class or series of shares are allotted or issued, eliminate that class or series of shares;
- (b) increase, reduce or eliminate the maximum number of shares that the Company is authorized to issue out of any class or series of shares or establish a maximum number of shares that the Company is authorized to issue out of any class or series of shares for which no maximum is established;
- (c) subdivide or consolidate all or any of its unissued, or fully paid and issued, shares;
- (d) if the Company is authorized to issue shares of a class of shares with par value:
 - (i) decrease the par value of those shares; or
 - (ii) if none of the shares of that class of shares are allotted or issued, increase the par value of those shares;
- (e) change all or any of its unissued, or fully paid and issued, shares with par value into shares without par value or any of its unissued shares without par value into shares with par value;
- (f) alter the identifying name of any of its shares; or
- (g) otherwise alter its shares or authorized share structure when required or permitted to do so by the *Business Corporations Act*;

and, if applicable, alter its Notice of Articles and Articles accordingly.

9.2 Special Rights and Restrictions. Subject to the special rights or restrictions attached to the shares of any class or series of shares and the *Business Corporations Act*, the Company may by special resolution:

- (a) create special rights or restrictions for, and attach those special rights or restrictions to, the shares of any class or series of shares, whether or not any or all of those shares have been issued; or
- (b) vary or delete any special rights or restrictions attached to the shares of any class or series of shares, whether or not any or all of those shares have been issued;

and alter its Notice of Articles and Articles accordingly.

9.3 Change of Name. The Company may by special resolution authorize an alteration of its Notice of Articles in order to change its name.

9.4 Other Alterations. If the *Business Corporations Act* does not specify the type of resolution and these Articles do not specify another type of resolution, the Company may by ordinary resolution alter these Articles.

ARTICLE 10 MEETINGS OF SHAREHOLDERS

10.1 Annual General Meetings. Unless an annual general meeting is deferred or waived in accordance with the *Business Corporations Act*, the Company must hold its first annual general meeting within 18 months after the date on which it was incorporated or otherwise recognized, and after that must hold an annual general meeting at least once in each calendar year and not more than 15 months after the last annual reference date at such time and place as may be determined by the board.

10.2 Resolution Instead of Annual General Meeting. If all the shareholders who are entitled to vote at an annual general meeting consent by unanimous resolution under the *Business Corporations Act* to all of the business that is required to be transacted at that annual general meeting, the annual general meeting is deemed to have been held on the date of the unanimous resolution. The shareholders must, in any unanimous resolution passed under this Article 10.2, select as the Company's annual reference date a date that would be appropriate for the holding of the applicable annual general meeting.

10.3 Calling of Meetings of Shareholders. Subject to the *Business Corporations Act*, only the board may, whenever it thinks fit, call a meeting of shareholders.

10.4 Notice for Meetings of Shareholders. The Company must send notice of the date, time and location of any meeting of shareholders, in the manner provided in these Articles, or in such other manner, if any, as may be prescribed by ordinary resolution (whether previous notice of the resolution has been given or not), to each shareholder entitled to attend the meeting, to each director and to the auditor of the Company, unless these Articles otherwise provide, at least the following number of days before the meeting:

- (a) if and for so long as the Company is a public company, 21 days, and not more than 60 days;

(b) otherwise, 10 days.

10.5 Record Date for Notice and Voting. The board may set a date as the record date for the purpose of determining shareholders entitled to notice of, and to vote at, any meeting of shareholders. The record date must not precede the date on which the meeting is to be held by more than two months or, in the case of a general meeting requisitioned by shareholders under the *Business Corporations Act*, by more than four months. The record date must not precede the date on which the meeting is held by fewer than:

(a) if and for so long as the Company is a public company, 30 days;

(b) otherwise, 10 days.

If no record date is set, the record date is 5 p.m. on the day immediately preceding the first date on which the notice is sent or, if no notice is sent, the beginning of the meeting.

10.6 Failure to Give Notice and Waiver of Notice. The accidental omission to send notice of any meeting of shareholders to, or the non-receipt of any notice by, any of the persons entitled to notice does not invalidate any proceedings at that meeting. Any person entitled to notice of a meeting of shareholders may, in writing or otherwise, waive that entitlement or agree to reduce the period of that notice. Attendance of a persons at a meeting of shareholders is a waiver of entitlement to the meeting unless that person attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

10.7 Notice of Special Business at Meetings of Shareholders. If a meeting of shareholders is to consider special business within the meaning of Article 11.1, the notice of meeting must:

(a) state the general nature of the special business; and

(b) if the special business includes considering, approving, ratifying, adopting or authorizing any document or the signing of or giving of effect to any document, have attached to it a copy of the document or state that a copy of the document will be available for inspection by shareholders:

(i) at the Company's records office, or at such other reasonably accessible location in British Columbia as is specified in the notice; and

(ii) during statutory business hours on any one or more specified days before the day set for the holding of the meeting.

10.8 Location of Meetings of Shareholders. Meetings of shareholders may be held anywhere within Canada, the United States, or at such other location that the board, by resolution, may determine. To the extent not prohibited by the *Business Corporations Act*, such other location may include a virtual meeting, which shall be deemed to be held at the registered office of the Company.

ARTICLE 11
PROCEEDINGS AT MEETINGS OF SHAREHOLDERS

11.1 Special Business. At a meeting of shareholders, the following business is special business:

- (a) at a meeting of shareholders that is not an annual general meeting, all business is special business except business relating to the conduct of or voting at the meeting;
- (b) at an annual general meeting, all business is special business except for the following:
 - (i) business relating to the conduct of or voting at the meeting;
 - (ii) consideration of any financial statements of the Company presented to the meeting;
 - (iii) consideration of any reports of the board or auditor;
 - (iv) the setting or changing of the number of directors;
 - (v) the election or appointment of directors;
 - (vi) the appointment of an auditor;
 - (vii) the setting of the remuneration of an auditor;
 - (viii) any non-binding advisory vote;
 - (ix) business arising out of a report of the board not requiring the passing of a special resolution or an exceptional resolution;
 - (x) any other business which, under these Articles or the *Business Corporations Act*, may be transacted at a meeting of shareholders without prior notice of the business being given to the shareholders.

11.2 Special Majority. The majority of votes required for the Company to pass a special resolution at a meeting of shareholders is two-thirds of the votes cast on the resolution.

11.3 Quorum. Subject to the special rights and restrictions attached to the shares of any class or series of shares, the quorum for the transaction of business at a meeting of shareholders is any persons who are, or who represent by proxy, the holders of at least 33 1/3%, in the aggregate, of the issued shares entitled to be voted at the meeting.

11.4 One Shareholder May Constitute Quorum. If there is only one shareholder entitled to vote at a meeting of shareholders:

- (a) the quorum is one person who is, or who represents by proxy, that shareholder; and
- (b) that shareholder, present in person or by proxy, may constitute the meeting.

11.5 Persons Entitled to Attend Meeting. In addition to those persons who are entitled to vote at a meeting of shareholders, the only other persons entitled to be present at the meeting are the directors, the officers of the Company, any counsel for the Company, the auditor of the Company and any other persons invited by the board or by the chair of the meeting and any persons entitled or required under the *Business Corporations Act* or these Articles to attend any meeting of shareholders, but if any of those persons does attend a meeting of shareholders, that person is not to be counted in the quorum and is not entitled to vote at the meeting unless that person is a shareholder or proxy holder entitled to vote at the meeting.

11.6 Requirement of Quorum. No business, other than the election of a chair of the meeting and the adjournment of the meeting of shareholders, may be transacted at any meeting of shareholders unless a quorum of shareholders entitled to vote is present at the commencement of the meeting, but such quorum need not be present throughout the meeting.

11.7 Lack of Quorum. If, within one-half hour from the time set for the holding of a meeting of shareholders, a quorum is not present:

- (a) in the case of a meeting requisitioned by shareholders, the meeting is dissolved, and
- (b) in the case of any other meeting of shareholders, the meeting stands adjourned to the same day in the next week at the same time and place.

11.8 Lack of Quorum at Succeeding Meeting. If, at the meeting to which the meeting referred to in Article 11.7(b) was adjourned, a quorum is not present within one-half hour from the time set for the holding of the meeting, the person or persons present and being, or representing by proxy, one or more shareholders entitled to attend and vote at the meeting constitute a quorum.

11.9 Chair. The following individual is entitled to preside as chair at a meeting of shareholders:

- (a) the chair of the board, if any; or
- (b) if the chair of the board is absent or unwilling to act as chair of the meeting, the lead director of the board, if any; or
- (c) if the lead director of the board is absent or unwilling to act as chair of the meeting, the individual whom the Chief Executive Officer (or, if the Chief

Executive Officer is absent, the Chief Financial Officer) of the Company appoints.

- 11.10 Selection of Alternate Chair.** If, at any meeting of shareholders, the chair of the board, the lead director of the board or the individual whom the Chief Executive Officer (or, if the Chief Executive Officer is absent, the Chief Financial Officer) of the Company appoints, as the case may be, is not present within 15 minutes after the time set for holding the meeting, or if the chair of the board, the lead director of the board or the individual whom the Chief Executive Officer (or, if the Chief Executive Officer is absent, the Chief Financial Officer) of the Company appoints, as the case may be, is unwilling to act as chair of the meeting, or if the chair of the board, the lead director of the board or the individual whom the Chief Executive Officer (or, if the Chief Executive Officer is absent, the Chief Financial Officer) of the Company appoints, as the case may be, has advised the secretary of the Company, if any, or any director present at the meeting, that they will not be present at the meeting, the directors present must choose one of their number to be chair of the meeting or if all of the directors present decline to take the chair or fail to so choose or if no director is present, the shareholders entitled to vote at the meeting who are present in person or by proxy may choose any person present at the meeting to chair the meeting.
- 11.11 Adjournments.** The chair of a meeting of shareholders may, and if so directed by the meeting must, adjourn the meeting from time to time and from place to place, but no business may be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- 11.12 Notice of Adjourned Meeting.** It is not necessary to give any notice of an adjourned meeting of shareholders or of the business to be transacted at an adjourned meeting of shareholders except that, when a meeting is adjourned for 30 days or more, notice of the adjourned meeting must be given in the same manner as the original meeting.
- 11.13 Decision by Show of Hands or Poll.** Subject to the *Business Corporations Act*, every motion put to a vote at a meeting of shareholders will be decided on a show of hands unless a poll, before or on the declaration of the result of the vote by show of hands, is directed by the chair of the meeting or demanded by at least one shareholder entitled to vote who is present in person or by proxy.
- 11.14 Declaration of Result.** The chair of a meeting of shareholders must declare to the meeting the decision on every question in accordance with the result of the show of hands or the poll, as the case may be, and that decision must be entered in the minutes of the meeting. A declaration of the chair of the meeting that a resolution is carried by the necessary majority or is defeated is, unless a poll is directed by the chair of the meeting or demanded under Article 11.13, conclusive evidence without proof of the number or proportion of the votes recorded in favour of or against the resolution.

- 11.15 Motion Need Not be Seconded.** No motion proposed at a meeting of shareholders need be seconded unless the chair of the meeting rules otherwise, and the chair of the meeting is entitled to propose or second a motion.
- 11.16 Casting Vote.** In the case of an equality of votes, the chair of a meeting of shareholders does not, either on a show of hands or on a poll, have a second or casting vote in addition to the vote or votes to which the chair of the meeting may be entitled as a shareholder.
- 11.17 Manner of Taking Poll.** Subject to Article 11.18, if a poll is duly demanded at a meeting of shareholders:
- (a) the poll must be taken:
 - (i) at the meeting, or within seven days after the date of the meeting, as the chair of the meeting directs; and
 - (ii) in the manner, at the time and at the place that the chair of the meeting directs;
 - (b) the result of the poll is deemed to be the decision of the meeting at which the poll is demanded; and
 - (c) the demand for the poll may be withdrawn by the person who demanded it.
- 11.18 Demand for Poll on Adjournment.** A poll demanded at a meeting of shareholders on a question of adjournment must be taken immediately at the meeting.
- 11.19 Organization.** The order of business at a meeting of shareholders shall be determined by the chair of a meeting of shareholders. The chair of a meeting of shareholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts and things as are necessary or desirable for the proper conduct of the meeting of shareholders, including, without limitation, the establishment of procedures for the maintenance of order and safety, limitations on the time allotted to questions or comments on the affairs of the Company, restrictions on entry to such meeting of shareholders after the time prescribed for the commencement thereof and the opening and closing of voting polls for each item on which a vote is to be taken.
- 11.20 Chair Must Resolve Dispute.** In the case of any dispute as to the admission or rejection of a vote given on a poll, the chair of a meeting of shareholders must determine the dispute, and his or her determination made in good faith is final and conclusive.
- 11.21 Casting of Votes.** On a poll, a shareholder entitled to more than one vote need not cast all the votes in the same way.
- 11.22 No Demand for Poll on Election of Chair.** No poll may be demanded in respect of the vote by which a chair of a meeting of shareholders is elected.

11.23 Demand for Poll Not to Prevent Continuance of Meeting. The demand for a poll at a meeting of shareholders does not, unless the chair of the meeting so rules, prevent the continuation of a meeting for the transaction of any business other than the question on which a poll has been demanded.

11.24 Retention of Ballots and Proxies. The Company or its agents must, for at least three months after a meeting of shareholders, keep each ballot cast on a poll and each proxy voted at the meeting, and, during that period, make them available for inspection during normal business hours by any shareholder or proxy holder entitled to vote at the meeting. At the end of such three-month period, the Company or its agents may destroy such ballots and proxies.

11.25 Meeting by Telephone or Other Communications Medium. A shareholder or proxy holder may participate in a meeting of shareholders in person, by telephone or other communications medium if all shareholders or proxy holders participating in the meeting, whether in person, by telephone or other communications medium, are able to communicate with each other. A shareholder or proxy holder who participates in a meeting in a manner contemplated by this Article 11.25 is deemed, for all purposes of the *Business Corporations Act* and these Articles, to be present at the meeting.

ARTICLE 12 VOTES OF SHAREHOLDERS

12.1 Number of Votes by Shareholder or by Shares. Subject to any special rights or restrictions attached to any shares and to the restrictions imposed on joint shareholders under Article 12.3:

- (a) on a vote by show of hands, every person present who is a shareholder or proxy holder and entitled to vote on the matter has one vote; and
- (b) on a poll, every shareholder entitled to vote on the matter has one vote in respect of each share entitled to be voted on the matter and held by that shareholder and may exercise that vote either in person or by proxy.

12.2 Votes of Persons in Representative Capacity. A person who is not a shareholder may vote at a meeting of shareholders, whether on a show of hands or on a poll, and may appoint a proxy holder to act at the meeting, if, before doing so, the person satisfies the chair of the meeting, or the board, that the person is a legal personal representative or a trustee in bankruptcy for a shareholder who is entitled to vote at the meeting.

12.3 Votes by Joint Holders. If there are joint shareholders registered in respect of any share:

- (a) any one of the joint shareholders may vote at any meeting of shareholders, either personally or by proxy, in respect of the share as if that joint shareholder were solely entitled to it; or

- (b) if more than one of the joint shareholders is present at any meeting of shareholders, personally or by proxy, and more than one of them votes in respect of that share, then only the vote of the joint shareholder present whose name stands first on the central securities register in respect of the share will be counted.

12.4 Legal Personal Representatives as Joint Shareholders. Two or more legal personal representatives of a shareholder in whose sole name any share is registered are, for the purposes of Article 12.3, deemed to be joint shareholders.

12.5 Representative of a Corporate Shareholder. If a corporation that is not a subsidiary of the Company is a shareholder, that corporation may appoint a person to act as its representative at any meeting of shareholders, and:

- (a) for that purpose, the instrument appointing a representative must be received:
 - (i) at the registered office of the Company or at any other place specified in the notice calling the meeting for the receipt of proxies on the date that is at least the number of business days specified in the notice for the receipt of proxies or, if no number of days is specified, two business days, before the day set for the holding of the meeting; or
 - (ii) at the meeting by the chair of the meeting or to a person designated by the chair of the meeting;
- (b) if a representative is appointed under this Article 12.5:
 - (i) the representative is entitled to exercise in respect of and at that meeting the same rights on behalf of the corporation that the representative represents as that corporation could exercise if it were a shareholder who is an individual, including, without limitation, the right to appoint a proxy holder; and
 - (ii) the representative, if present at the meeting, is to be counted for the purpose of forming a quorum and is deemed to be a shareholder present in person at the meeting.

Evidence of the appointment of any such representative may be sent to the Company or its transfer agent by written instrument or any other method of transmitting legibly recorded messages.

12.6 When Proxy Provisions Do Not Apply to the Company. If and for so long as the Company is a public company, Articles 12.7 to 12.15 apply only insofar as they are not inconsistent with any Applicable Securities Laws or any rules of any exchange on which the securities of the Company are listed.

12.7 Appointment of Proxy Holders. Every shareholder of the Company, including a corporation that is a shareholder but not a subsidiary of the Company, entitled to vote at a

meeting of shareholders may, by proxy, appoint one or more (but not more than five) proxy holders to attend and act at the meeting in the manner, to the extent and with the powers conferred by the proxy.

12.8 Alternate Proxy Holders. A shareholder may appoint one or more alternate proxy holders to act in the place of an absent proxy holder.

12.9 When Proxy Holder Need Not Be Shareholder. A person must not be appointed as a proxy holder unless the person is a shareholder, although a person who is not a shareholder may be appointed as a proxy holder if:

- (a) the person appointing the proxy holder is a corporation or a representative of a corporation appointed under Article 12.5;
- (b) the Company has at the time of the meeting of shareholders for which the proxy holder is to be appointed only one shareholder entitled to vote at the meeting;
- (c) the shareholders present in person or by proxy at and entitled to vote at the meeting for which the proxy holder is to be appointed, by a resolution on which the proxy holder is not entitled to vote but in respect of which the proxy holder is to be counted in the quorum, permit the proxy holder to attend and vote at the meeting;
- (d) the Company is a public company; or
- (e) if approved by the board, the person is a director or officer of the Company.

12.10 Deposit of Proxy. A proxy for a meeting of shareholders must:

- (a) be received at the registered office of the Company or at any other place specified in the notice calling the meeting for the receipt of proxies on the date that is at least the number of business days specified in the notice, or, if no number of days is specified, two business days, before the day set for the holding of the meeting; or
- (b) unless the notice provides otherwise, be provided at the meeting to the chair of the meeting or to a person designated by the chair of the meeting.

12.11 Validity of Proxy Vote. A vote given in accordance with the terms of a proxy is valid notwithstanding the death or incapacity of the shareholder giving the proxy and despite the revocation of the proxy or the revocation of the authority under which the proxy is given, unless notice in writing of that death, incapacity or revocation is received:

- (a) at the registered office of the Company at any time up to and including the date that is at least the number of business days specified in the notice calling the meeting of shareholders at which the proxy is to be used, or, if no number of days

is specified, two business days, before the day set for the holding of such meeting; or

(b) by the chair of the meeting, before any vote in respect of which the proxy has been given has been taken.

12.12 Form of Proxy. A proxy, whether for a specified meeting of shareholders or otherwise, must be in such form as is approved by the board or the chair of the meeting.

12.13 Revocation of Proxy. Subject to Article 12.14, every proxy may be revoked by an instrument in writing that is received:

(a) at the registered office of the Company at any time up to and including the date that is at least the number of business days specified in the notice calling the meeting of shareholders at which the proxy is to be used, or, if no number of days is specified, two business days before the day set for the holding of such meeting; or

(b) by the chair of the meeting, before any vote in respect of which the proxy has been given has been taken.

12.14 Revocation of Proxy Must Be Signed. An instrument referred to in Article 12.13 must be signed as follows:

(a) if the shareholder for whom the proxy holder is appointed is an individual, the instrument must be signed by the shareholder or his or her legal personal representative or trustee in bankruptcy;

(b) if the shareholder for whom the proxy holder is appointed is a corporation, the instrument must be signed by the corporation or by a representative appointed for the corporation under Article 12.5.

12.15 Production of Evidence of Authority to Vote. The board or the chair of any meeting of shareholders may, but need not, inquire into the authority of any person to vote at the meeting and may, but need not, demand from that person production of evidence as to the existence of the authority to vote.

ARTICLE 13 DIRECTORS

13.1 First Directors; Number of Directors. The first directors are the persons designated as directors of the Company in the Notice of Articles that applies to the Company when it is recognized under the *Business Corporations Act*. The number of directors, excluding additional directors appointed under Article 14.8, is set at:

(a) subject to paragraphs (b) and (c), the number of directors that is equal to the number of the Company's first directors;

- (b) if the Company is a public company, the greater of three and the number of directors most recently set either:
 - (i) by ordinary resolution (whether or not previous notice of the resolution was given); or
 - (ii) under Article 14.4;
- (c) if the Company is not a public company, the number of directors most recently set either:
 - (i) by ordinary resolution (whether or not previous notice of the resolution was given); or
 - (ii) under Article 14.4.

13.2 Change in Number of Directors. If the number of directors is set under Articles 13.1(b)(i) or 13.1(c)(i):

- (a) the shareholders may elect or appoint the directors needed to fill any vacancies in the board up to that number; or
- (b) the board, subject to Article 14.8, may appoint, or the shareholders may elect or appoint, directors to fill those vacancies.

13.3 Directors' Acts Valid Despite Vacancy. An act or proceeding of the board is not invalid merely because fewer than the number of directors set or otherwise required under these Articles is in office.

13.4 Qualifications of Directors. A director is not required to hold a share of the Company as qualification for his or her office but must be qualified as required by the *Business Corporations Act* to become, act or continue to act as a director.

13.5 Remuneration of Directors. The directors are entitled to the remuneration for acting as directors, if any, as the board may from time to time determine. That remuneration may (only to the extent permitted by any applicable policies adopted by the board or any duly authorized committee thereof) be in addition to any salary or other remuneration paid to any officer or employee of the Company as such, who is also a director.

13.6 Reimbursement of Expenses of Directors. The Company may reimburse each director for the reasonable expenses that he or she may incur in and about the business of the Company.

13.7 Special Remuneration for Directors. If any director performs any professional or other services for the Company that in the opinion of the board are outside the ordinary duties of a director, or if any director is otherwise specially occupied in or about the Company's business, he or she may be paid remuneration fixed by the board (but only to the extent

permitted by any applicable policies adopted by the board or any duly authorized committee thereof, including but not limited to any policy of the Company applicable to related party transactions), and such remuneration may be either in addition to, or in substitution for, any other remuneration that he or she may be entitled to receive.

ARTICLE 14 ELECTION AND REMOVAL OF DIRECTORS

14.1 Election at Annual General Meeting. Subject to Article 15, at every annual general meeting and in every unanimous resolution contemplated by Article 10.2:

- (a) the shareholders entitled to vote at the annual general meeting for the election of directors must elect, or by unanimous resolution appoint, a board consisting of the number of directors that has then been set under these Articles; and
- (b) all the directors cease to hold office immediately before the election or appointment of directors under paragraph (a), but are eligible for re-election or re-appointment.

14.2 Consent to be a Director. No election, appointment or designation of an individual as a director is valid unless:

- (a) that individual consents to be a director in the manner provided for in the *Business Corporations Act*;
- (b) that individual is elected or appointed at a meeting of shareholders at which the individual is present and the individual does not refuse, at the meeting, to be a director; or
- (c) with respect to first directors, the designation is otherwise valid under the *Business Corporations Act*.

14.3 Failure to Elect or Appoint Directors. If:

- (a) the Company fails to hold an annual general meeting, and all the shareholders who are entitled to vote at an annual general meeting fail to pass the unanimous resolution contemplated by Article 10.2, on or before the date by which the annual general meeting is required to be held under the *Business Corporations Act*; or
- (b) the shareholders fail, at the annual general meeting or in the unanimous resolution contemplated by Article 10.2, to elect or appoint any directors;

then each director then in office continues to hold office until the earlier of:

- (a) the date on which his or her successor is elected or appointed; and

(b) the date on which he or she otherwise ceases to hold office under the *Business Corporations Act* or these Articles.

14.4 Places of Retiring Directors Not Filled. If, at any meeting of shareholders at which there should be an election of directors, the places of any of the retiring directors are not filled by that election, those retiring directors who are not re-elected and who are asked by the newly elected directors to continue in office will, if willing to do so, continue in office to complete the number of directors that has then been set pursuant to these Articles until further new directors are elected at a meeting of shareholders convened for that purpose. If any such election or continuance of directors does not result in the election or continuance of the number of directors that has then been set pursuant to these Articles, the number of directors is deemed to be set at the number of directors actually elected or continued in office.

14.5 Directors May Fill Casual Vacancies. Any casual vacancy occurring in the board may be filled by the board.

14.6 Remaining Directors Power to Act. The board may act notwithstanding any vacancy in the board, but if the Company has fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the board may only act for the purpose of appointing directors up to that number or of summoning a meeting of shareholders for the purpose of filling any vacancies on the board or, subject to the *Business Corporations Act*, for any other purpose.

14.7 Shareholders May Fill Vacancies. Subject to Article 15, if the Company has no directors or fewer directors in office than the number set pursuant to these Articles as the quorum of directors, the shareholders may elect or appoint directors to fill any vacancies on the board.

14.8 Additional Directors. Subject to Article 15 and notwithstanding Articles 13.1 and 13.2, between annual general meetings or unanimous resolutions contemplated by Article 10.2, the board may appoint one or more additional directors, but the number of additional directors appointed under this Article 14.8 must not at any time exceed:

- (a) one-third of the number of first directors, if, at the time of the appointments, one or more of the first directors have not yet completed their first term of office; or
- (b) in any other case, one-third of the number of the current directors who were elected or appointed as directors other than under this Article 14.8.

Any director so appointed ceases to hold office immediately before the next election or appointment of directors under Article 14.1(a), but is eligible for re-election or re-appointment.

14.9 Ceasing to be a Director. A director ceases to be a director when:

- (a) the term of office of the director expires;
- (b) the director dies;
- (c) the director resigns as a director by notice in writing provided in the manner required by the *Business Corporations Act*; or
- (d) the director is removed from office pursuant to Articles 14.10 or 14.11.

14.10 Removal of Director by Shareholders. The Company may remove any director before the expiration of his or her term of office by ordinary resolution. In that event, the shareholders may elect, or appoint by ordinary resolution, a director to fill the resulting vacancy, subject to Article 15. If the shareholders do not elect or appoint a director to fill the resulting vacancy contemporaneously with the removal, then the board may appoint or the shareholders may elect, or appoint by ordinary resolution, a director to fill that vacancy.

14.11 Removal of Director by Directors. The board may remove any director before the expiration of his or her term of office if the director is indicted or convicted in a court of law for, or upon the entering by such director of a plea of guilty or *nolo contendere* to, (x) a felony offense under U.S. state or federal law, an indictable offence under the *Criminal Code* (Canada) or a comparable offence under the law of any other jurisdiction, or (y) any crime involving moral turpitude, fraud, dishonesty, bribery or theft or if the director ceases to be qualified to act as a director of a company in accordance with the *Business Corporations Act* and does not promptly resign, and the board may appoint a director to fill the resulting vacancy.

ARTICLE 15

ADVANCE NOTICE FOR NOMINATION OF DIRECTORS

15.1 Limitation on Nominations of Directors. Subject only to the *Business Corporations Act*, only individuals who are nominated in accordance with the procedures set out in this Article 15 and who, at the discretion of the board, satisfy the qualifications of a director as set out in the *Business Corporations Act* shall be eligible for election as directors.

15.2 Nomination Procedures. Nominations of individuals for election to the board may be made at any annual Shareholders Meeting or at any special Shareholders Meeting if one of the purposes for which the special Shareholders Meeting was called was the election of directors. Such nominations may be made in the following manner:

- (a) by or at the direction of the board, including pursuant to a notice of meeting, including, for clarity, any nominees of a shareholder who are proposed by the board for election in the notice of meeting, whether pursuant to an agreement with such shareholder or otherwise;

- (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the *Business Corporations Act*, or a requisition of meeting of shareholders made in accordance with the provisions of the *Business Corporations Act*; or
- (c) by any person (a “**Nominating Shareholder**”):
 - (i) who, at the close of business on the date of the giving of the notice provided below in Article 15.3 and on the record date for notice of such meeting, is entered in the central securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and
 - i. who complies with the notice procedures set forth below in this Article 15.3.

15.3 Nominations by a Nominating Shareholder.

- (a) In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the secretary of the Company at the principal executive offices of the Company. To be timely, a Nominating Shareholder’s notice to the secretary of the Company must be made:
 - i. in the case of an annual Shareholders Meeting, not less than 30 nor more than 65 days prior to the date of the annual Shareholders Meeting; provided, however, that in the event that the annual Shareholders Meeting is to be held on a date that is less than 50 days after the date on which the first public announcement by the Company by press release (the “**Notice Date**”) of the date of the annual Shareholders Meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the 10th day following the Notice Date; and
 - ii. in the case of a special Shareholders Meeting (which is not also an annual Shareholders Meeting) called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the 15th day following the day on which the first public announcement by the Company by press release of the date of the special Shareholders Meeting was made.
- (b) In no event shall any adjournment or postponement of a Shareholder Meeting or the announcement thereof commence a new time period for the giving of a Nominating Shareholder’s notice as described above.
- (c) To be in proper written form, a Nominating Shareholder’s notice to the secretary of the Company must set forth:

- i. the identity of the Nominating Shareholder and the number of voting securities held by the Nominating Shareholder;
- ii. if the Nominating Shareholder is not the beneficial owner of all of those voting securities, the identity of the beneficial owner and the number of voting securities beneficially owned by that beneficial owner;
- iii. with respect to the Nominating Shareholder and, if applicable, any beneficial owner, the following:
 - (A) the class or series and number of any securities in the capital of the Company which are controlled, or over which control or direction is exercised, directly or indirectly, by the Nominating Shareholder or beneficial owner, and each person acting jointly or in concert with any of them (and for each such person any options or other rights to acquire shares in the capital of the Company, any derivatives or other securities, instruments or arrangements for which the price or value or delivery, payment or settlement obligations are derived from, referenced to, or based on any such shares, and any hedging transactions, short positions and borrowing or lending arrangements relating to such shares) as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice;
 - (B) any proxy, contract, agreement, arrangement, understanding or relationship pursuant to which the Nominating Shareholder or beneficial owner has a right to vote any shares in the capital of the Company on the election of directors.
 - (C) in the case of a special Shareholders Meeting called for the purpose of electing directors, a statement as to whether the Nominating Shareholder or beneficial owner intends to send an information circular and form of proxy to any shareholders in connection with the individual's nomination; and
 - (D) any other information relating to the Nominating Shareholder or beneficial owner that would be required to be disclosed in a dissident's proxy circular or other filings to be made in connection with solicitations of proxies for election of directors pursuant to the *Business Corporations Act* and Applicable Securities Laws; and
 - (E) as to each individual whom the Nominating Shareholder proposes to nominate for election as a director:

- (I) the name, age, business address and residential address of the individual;
 - (II) confirmation that the individual would consent to serve as a director if elected;
 - (III) the principal occupation or employment of the individual;
 - (IV) the class or series and number of securities in the capital of the Company which are beneficially owned, or over which control or direction is exercised, directly or indirectly, by such individual as of the record date for the Shareholders Meeting (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and
 - (V) any other information relating to the individual that would be required to be disclosed in a dissident's proxy circular or other filings to be made in connection with solicitations of proxies for election of directors pursuant to the *Business Corporations Act* and Applicable Securities Laws.
- (d) A Nominating Shareholder's notice to the secretary of the Company must also state:
- i. whether, in the opinion of the Nominating Shareholder and the proposed nominee, the proposed nominee would qualify to be an independent director under sections 5605(a)(2), 5605(c)(2) and 5605(d)(2) of the Nasdaq Listing Rules and the commentary relating thereto and Rule 10A-3(b) and Rule 10C-1(b) under the United States Securities Exchange Act of 1934, as amended, as well as any other applicable independence criterion of a stock exchange or regulatory authority that may be applicable to the Company; and
 - ii. whether, with respect to the Company, the proposed nominee has one or more of the relationships described in sections 5605(a)(2), 5605(c)(2) and 5605(d)(2) of the Nasdaq Listing Rules and the commentary relating thereto and Rule 10A-3(b) and Rule 10C-1(b) under the United States Securities Exchange Act of 1934, as amended, as well as any other applicable independence criterion of a stock exchange or regulatory authority that may be applicable to the Company.
- (e) The Company may require any proposed director nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed director nominee to serve as an independent director or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed director nominee.

- (f) In addition to the provisions of this Article 15, a Nominating Shareholder and any individual nominated by the Nominating Shareholder shall also comply with all of the applicable requirements of the *Business Corporations Act*, Applicable Securities Laws and applicable stock exchange rules regarding the matters set forth herein.
- (g) Except as otherwise provided by the special rights or restrictions attached to the shares of any class or series of the Company, no individual shall be eligible for election as a director unless nominated in accordance with the provisions of this Article 15; provided, however, that nothing in this Article 15 shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a Shareholders Meeting of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the *Business Corporations Act*. The chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded. A duly appointed proxyholder of a Nominating Shareholder shall be entitled to nominate at a Shareholders Meeting the directors nominated by the Nominating Shareholder, provided that all of the requirements of this Article 15 have been satisfied. If the Nominating Shareholder or its duly appointed proxyholder does not attend at the Shareholders Meeting to present the nomination, the nomination shall be disregarded notwithstanding that proxies in respect of such nomination may have been received by the Company.
- (h) In addition to the provisions of this Article 15, a Nominating Shareholder and any individual nominated by the Nominating Shareholder shall also comply with all of the applicable requirements of the *Business Corporations Act*, Applicable Securities Laws and applicable stock exchange rules regarding the matters set forth herein.
- (i) Notwithstanding any other provision of this Article 15, notice given to the secretary of the Company may only be given by personal delivery, and shall be deemed to have been given and made only at the time it is served by personal delivery to the secretary of the Company at the address of the principal executive offices of the Company; provided that if such delivery is made on a day which is a not a business day or later than 5:00 p.m. (Toronto time) on a day which is a business day, then such delivery shall be deemed to have been made on the subsequent day that is a business day.
- (j) Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this Article 15.
- (k) For greater certainty, nothing in this Article 15 shall limit the right of the board to fill a vacancy among the directors in accordance with these Articles.

ARTICLE 16
DISCLOSURE OF INTEREST OF DIRECTORS

- 16.1 Director Holding Other Office in the Company.** A director may hold any office or place of profit with the Company, other than the office of auditor of the Company, in addition to his or her office of director for the period and on the terms (as to remuneration or otherwise) that the board may determine.
- 16.2 No Disqualification.** No director or intended director is disqualified by his or her office from contracting with the Company either with regard to the holding of any office or place of profit the director holds with the Company or as vendor, purchaser or otherwise, and no contract or transaction entered into by or on behalf of the Company in which a director is in any way interested is liable to be voided for that reason, in each case subject to the requirements of Applicable Securities Laws.
- 16.3 Professional Services by Director or Officer.** Subject to the *Business Corporations Act* and Applicable Securities Laws, a director or officer of the Company, or any person in which a director or officer has an interest, may act in a professional capacity for the Company, except as auditor of the Company, and subject to the requirements of Applicable Securities Laws, the director or officer or such person is entitled to remuneration for professional services as if that director or officer were not a director or officer.
- 16.4 Director or Officer in Other Corporations.** Subject to the requirements of Applicable Securities Laws, a director or officer of the Company may be or become a director, officer or employee of, or otherwise interested in, any person in which the Company may be interested as a shareholder or otherwise, and, subject to the *Business Corporations Act* and Applicable Securities Laws, the director or officer of the Company is not accountable to the Company for any remuneration or other benefits received by him or her as director, officer or employee of, or from his or her interest in, such other person.

ARTICLE 17
PROCEEDINGS OF DIRECTORS

- 17.1 Meetings of Directors.** The board may meet together for the conduct of business, adjourn and otherwise regulate their meetings as they think fit, and meetings of directors held at regular intervals may be held at the place, at the time and on the notice, if any, as the board may from time to time determine.
- 17.2 Voting at Meetings.** Questions arising at any meeting of directors are to be decided by a majority of votes and, in the case of an equality of votes, the chair of the meeting does not have a second or casting vote.
- 17.3 Chair of Meetings.** The following individual is entitled to preside as chair at a meeting of directors:

- (a) the chair of the board, if any;
- (b) the lead director of the board, if any;
- (c) any other director chosen by the board if:
 - i. the chair of the board is not present at the meeting within 15 minutes after the time set for holding the meeting;
 - ii. the chair of the board is not willing to chair the meeting; or
 - iii. the chair of the board has advised the secretary of the Company, if any, or any other director, that he or she will not be present at the meeting.

17.4 Meetings by Telephone or Other Communications Medium. A director may participate in a meeting of directors or of any committee of the board in person, by telephone, or by other communications medium if all directors participating in the meeting, whether in person or by telephone or other communications medium, are able to communicate with each other. A director who participates in a meeting in a manner contemplated by this Article 17.4 is deemed for all purposes of the *Business Corporations Act* and these Articles to be present at the meeting and to have agreed to participate in that manner.

17.5 Calling of Meetings. The chair of the board or the lead director of the board may, and the secretary or an assistant secretary of the Company, if any, on the request of such chair of the board or the lead director of the board must, call a meeting of directors at any time.

17.6 Notice of Meetings. Other than for meetings held at regular intervals as determined by the board pursuant to Article 17.1 or as provided in Article 17.7, upon reasonable notice of each meeting of directors specifying the place, day and time of that meeting must be given to each of the directors by any method set out in Article 23.1 or orally or by telephone.

17.7 When Notice Not Required. It is not necessary to give notice of a meeting of directors to a director if:

- (a) the meeting is to be held immediately following a meeting of shareholders at which that director was elected or appointed, or is the meeting of directors at which that director is appointed; or
- (b) the director has waived notice of the meeting.

17.8 Meeting Valid Despite Failure to Give Notice. The accidental omission to give notice of any meeting of directors to, or the non-receipt of any notice by, any director does not invalidate any proceedings at that meeting.

17.9 Waiver of Notice of Meetings. Any director may send to the Company a document signed by him or her waiving notice of any past, present or future meeting or meetings of directors and may at any time withdraw that waiver with respect to meetings held after that withdrawal. After sending a waiver with respect to all future meetings and until that waiver is withdrawn, no notice of any meeting of directors need be given to such director and all meetings of directors so held are deemed not to be improperly called or constituted by reason of notice not having been given to such director.

Attendance of a director at a meeting of the board is a waiver of notice of the meeting, unless that director attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

17.10 Quorum. The quorum necessary for the transaction of the business of the board is a majority of the number of directors in office or such greater number as the board may determine from time to time.

17.11 Validity of Acts Where Appointment Defective. Subject to the *Business Corporations Act*, an act of a director or officer of the Company is not invalid merely because of an irregularity in the election or appointment or a defect in the qualification of that director or officer.

17.12 Consent Resolutions in Writing. A resolution of the board or of any committee of the board consented to in writing by all of the directors entitled to vote on it, whether by signed document, fax, email or any other method of transmitting legibly recorded messages, is as valid and effective as if it had been passed at a meeting of directors or of the committee of the board duly called and held. Such resolution may be in two or more counterparts which together are deemed to constitute one resolution in writing. A resolution passed in that manner is effective on the date stated in the resolution or on the latest date stated on any counterpart. A resolution of the board or of any committee of the board passed in accordance with this Article 17.12 is deemed to be a proceeding at a meeting of the board or of the committee of the board and to be as valid and effective as if it had been passed at a meeting of directors or of the committee of the board that satisfies all the requirements of the *Business Corporations Act* and all the requirements of these Articles relating to meetings of directors or of a committee of the board.

ARTICLE 18 EXECUTIVE AND OTHER COMMITTEES

18.1 Appointment and Powers of Committees. The board may, by resolution:

- (a) appoint one or more committees consisting of the director or directors that they consider appropriate;
- (b) delegate to a committee appointed under paragraph (a) any of the board's powers, except:

- i. the power to fill vacancies in the board;
 - ii. the power to remove a director or appoint additional directors;
 - iii. the power to change the membership of, or fill vacancies in, any committee of the board; and
 - iv. the power to appoint or remove officers of the Company appointed by the board; and
- (c) make any delegation referred to in paragraph (b) subject to the conditions set out in the resolution or any subsequent directors' resolution.

18.2 Obligations of Committees. Any committee appointed under Article 18.1, in the exercise of the powers delegated to it, must:

- (a) conform to any rules that may from time to time be imposed on it by the board; and
- (b) report every act or thing done in exercise of those powers at such times as the board may require.

18.3 Powers of Board. The board may, at any time, with respect to a committee appointed under Article 18.1:

- (a) revoke or alter the authority given to the committee, or override a decision made by the committee, except as to acts done before such revocation, alteration or overriding;
- (b) terminate the appointment of, or change the membership of, the committee; and
- (c) fill vacancies in the committee.

18.4 Committee Meetings. Subject to Article 18.2(a) and unless the board otherwise provides in the resolution appointing the committee or in any subsequent resolution, with respect to a committee appointed under Article 18.1:

- (a) the committee may meet and adjourn as it thinks proper;
- (b) the committee may elect a chair of its meetings but, if no chair of a meeting is elected, or if at a meeting the chair of the meeting is not present within 15 minutes after the time set for holding the meeting, the directors present who are members of the committee may choose one of their number to chair the meeting;
- (c) a majority of the members of the committee constitutes a quorum of the committee; and

- (d) questions arising at any meeting of the committee are determined by a majority of votes of the members present, and in the case of an equality of votes, the chair of the meeting does not have a second or casting vote.

ARTICLE 19 OFFICERS

19.1 Directors May Appoint Officers. The board may, from time to time, appoint such officers, if any, as the board determines and the board may, at any time, terminate any such appointment.

19.2 Functions, Duties and Powers of Officers. The board may for each officer:

- (a) determine the functions and duties of the officer;
- (b) delegate to the officer any of the powers exercisable by the board on such terms and conditions and with such restrictions as the board thinks fit; and
- (c) revoke, withdraw, alter or vary all or any of the functions, duties and powers of the officer.

In the absence of such resolution, the respective officers shall have the powers and shall discharge the duties customarily and usually held and performed by like officers of companies similar in organization and business purposes to the Company, subject to the control of the board.

19.3 Qualifications. No officer may be appointed unless that officer is qualified in accordance with the *Business Corporations Act*. One person may hold more than one position as an officer of the Company. Any person appointed as the chair of the board or as the managing director must be a director. Any other officer need not be a director.

19.4 Remuneration and Terms of Appointment. All appointments of officers are to be made on the terms and conditions and at the remuneration (whether by way of salary, fee, commission, participation in profits or otherwise) that the board thinks fit and are subject to termination at the pleasure of the board, and an officer may in addition to such remuneration be entitled to receive, after he or she ceases to hold such office or leaves the employment of the Company, a pension or gratuity. An appointment as an officer does not create any rights of employment.

19.5 Duties of Officers May be Delegated. In case any officer is absent or for any other reason that the board may deem sufficient, the Chief Executive Officer or the board may delegate for the time being the powers or duties of such officer to any other officer or to any director.

**ARTICLE 20
INDEMNIFICATION**

- 20.1 Mandatory Indemnification of Directors and Officers.** Subject to the *Business Corporations Act*, the Company must indemnify an eligible party (as defined in the *Business Corporations Act*) and his or her heirs and legal personal representatives against all eligible penalties (as defined in the *Business Corporations Act*) to which such person is or may be liable, and the Company must, after the final disposition of an eligible proceeding (as defined in the *Business Corporations Act*), pay the expenses (as defined in the *Business Corporations Act*) actually and reasonably incurred by such person in respect of that proceeding to the fullest extent permitted by the *Business Corporations Act*.
- 20.2 Further Indemnification of Directors and Officers.** In addition to the Company's obligations under Article 20.1, and subject to the *Business Corporations Act*, the Company shall, except as provided in this Article 20.2, indemnify Indemnitees to the full extent permitted by law. Expenses reasonably incurred by an Indemnitee in defending any action, suit, or proceeding, as described in this Article 20.2, shall be paid or reimbursed by the Company promptly upon receipt by it of an undertaking of such Indemnitee to repay such Expenses if it shall ultimately be determined that he or she is not entitled to be indemnified by the Company. Indemnitee's obligation to reimburse the Company shall be unsecured, and no interest shall be charged thereon. The Company shall not indemnify any Indemnitee or advance or reimburse any Indemnitee's Expenses if the action, suit or proceeding alleges (1) claims under Section 16(b) of the United States Securities Exchange Act of 1934, as amended, (2) violations of the Company's Code of Business Conduct and Ethics, Insider Trading Policy or Conflicts of Interest Policy or (3) violations of Canadian, United States or other applicable federal, provincial or state insider trading laws, unless, in each case, such Indemnitee has been successful on the merits, received the written consent to incurring the Expenses or settled the case with the written consent of the Company, in which case the Company shall indemnify and reimburse such Indemnitee.

No claim for indemnification under this Article 20.2 shall be paid by the Company unless the Company has determined that the relevant Indemnitee acted in good faith and in a manner the Indemnitee reasonably believed to be in or not opposed to the best interest of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful. Unless ordered by a court, such determinations shall be made by (1) a majority vote of the directors who are not parties to the action, suit or proceeding for which indemnification is sought, even though less than a quorum, or (2) by a committee of such directors designated by a majority vote of directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by shareholders. An Indemnitee shall be presumed to have met the relevant standard, and, if the determination is not made by the Company within 30 days of a demand by such

Indemnitee for indemnification, such Indemnitee shall be deemed to have met such standard.

An Indemnitee shall promptly notify the Company in writing upon the sooner of (a) becoming aware of an action, suit or proceeding where indemnification or the advance payment or reimbursement of Expenses may be sought, or (b) being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any matter which may be subject to indemnification or the advance payment or reimbursement of Expenses covered by this Article 20.2. The failure of an Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to such Indemnitee pursuant to this Article 20.2. No claim for indemnification or the advance payment or reimbursement of Expenses shall be made by an Indemnitee or paid by the Company unless the Indemnitee gives notice to the Company in writing of such claim for indemnification within two years after the Indemnitee received notice of the claim, action, suit or proceeding.

As a condition to indemnification or the advance payment or reimbursement of Expenses under this Article 20.2, any demand for payment by an Indemnitee under this Article 20.2 shall be in writing and shall provide reasonable accounting by such Indemnitee's legal counsel for the Expenses to be paid by the Company.

For the purposes of this Article 20.2, the term "**Indemnitee**" shall mean any person made or threatened to be made a party, or otherwise involved in any civil, criminal, administrative or investigative action, suit or proceeding by reason of the fact that such person or such person's testator or intestate is or was a director, officer, employee or agent of the Company or serves or served at the request of the Company any other enterprise as a director or officer; the term "**Company**" shall include any predecessor of the Company and any constituent corporation (including any constituent of a constituent) absorbed by the Company in an arrangement, amalgamation or similar transaction; the term "other enterprise" shall include any corporation, limited liability company, unlimited liability company, public limited company, partnership, limited partnership, joint venture, trust, employee benefit plan, fund or other enterprise; service "**at the request of the Company**" shall include service as a director or officer of the Company which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries, provided, however that such request for service is in writing; and action by a person with respect to an employee benefit plan which such person reasonably believes to be in the interest of the participants and beneficiaries of such plan shall be deemed to be action not opposed to the best interests of the Company; the term "**Expenses**" shall include all reasonable out of pocket fees, costs and expenses, including without limitation, legal counsel fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, Employee Retirement Income Security Act of 1974 excise taxes or penalties assessed on an Indemnitee with respect to an employee benefit plan, Canadian or United States federal, provincial, state, local or foreign taxes imposed as a result of the actual or deemed receipt

of any payments under this Article 20.2, penalties and all other disbursements or expenses of the types customarily incurred in connection with defending, preparing to defend, or investigating an actual or threatened action, suit or proceeding (including Indemnitee's counterclaims that directly respond to and negate the affirmative claim made against Indemnitee ("**Permitted Counterclaims**") in such action, suit or proceeding, whether civil, criminal, administrative or investigative) but shall exclude the costs of any of an Indemnitee's counterclaims, other than Permitted Counterclaims; and action, suit or proceeding shall be deemed to include the class action complaint filed in the Eastern District of New York by Donald Finch, individually and on behalf of all others similarly situated against the Company Michael Gorenstein and Jerry F. Barbato, *Finch v. Cronos Group et al.*, 2:20-cv-01324-JMA-ST (E.D.N.Y. Mar. 12, 2020) (Dkt. No. 1), and the class action complaint filed in the Eastern District of New York by Jill Witte, individually and on behalf of all others similarly situated against the Company, Michael Gorenstein and Jerry F. Barbato, *Witte v. Cronos Group et al.*, 1:20-cv-01310-ENV-SIL (E.D.N.Y. Mar. 11, 2020) (Dkt. No. 1) (together, the "**Existing Actions**"), and with respect to the Existing Actions the officers and directors party thereto or subject thereto shall be deemed entitled to advancement of expenses and indemnification in accordance with this Article 20.2.

Any action, suit or proceeding regarding indemnification or advance payment or reimbursement of Expenses arising out of this Article 20.2 must be brought and heard in the Courts of the Province of Ontario. In the event of any payment under this Article 20.2, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee (under any insurance policy or otherwise), who shall execute all papers required and shall do everything necessary to secure such rights, including the execution of such documents necessary to enable the Company to effectively bring suit to enforce such rights. Except as required by law or as otherwise becomes public (other than as a result of a breach by an Indemnitee of such Indemnitee's confidentiality obligation under this Article 20), any Indemnitee will keep confidential any information that arises in connection with this Article 20, including but not limited to, claims for indemnification or the advance payment or reimbursement of Expenses, amounts paid or payable hereunder and any communications between the parties. No amendment of these Articles shall impair the rights of any Indemnitee arising at any time with respect to events occurring prior to such amendment.

- 20.3 Deemed Contract.** Each eligible party (as defined in the *Business Corporations Act*) and each Indemnitee (as defined in Article 20.2) is deemed to have contracted with the Company on the terms of the indemnity contained in this Article 20.
- 20.4 Indemnification of Other Persons.** Subject to any restrictions in the *Business Corporations Act*, the Company may indemnify any person to the extent permitted by applicable law.

20.5 Non-Compliance with Business Corporations Act. The failure of a director or officer of the Company to comply with the *Business Corporations Act* or these Articles does not invalidate any indemnity to which he or she is entitled under this Article 20.

20.6 Company May Purchase Insurance. The Company may purchase and maintain insurance for the benefit of any person (or his or her heirs or legal personal representatives) who:

- (a) is or was a director or officer of the Company;
- (b) is or was a director or officer of a corporation at a time when the corporation is or was an affiliate of the Company;
- (c) at the request of the Company, is or was a director or officer of a corporation or of a partnership, trust, joint venture or other unincorporated entity;
- (d) at the request of the Company, holds or held a position equivalent to that of a director or officer of a partnership, trust, joint venture or other unincorporated entity;

against any liability incurred by him or her as such director or officer or person who holds or held such equivalent position.

ARTICLE 21 DIVIDENDS

21.1 Payment of Dividends Subject to Special Rights. The provisions of this Article 21 are subject to the rights, if any, of shareholders holding shares with special rights as to dividends.

21.2 Declaration of Dividends. Subject to the *Business Corporations Act* and the rights of the holders of issued shares of the Company, the board may from time to time declare and authorize payment of such dividends as they may consider appropriate.

21.3 No Notice Required. The board need not give notice to any shareholder of any declaration under Article 21.2.

21.4 Record Date. The board may set a date as the record date for the purpose of determining shareholders entitled to receive payment of a dividend. The record date must not precede the date on which the dividend is to be paid by more than two months. If no record date is set, the record date is 5 p.m. (Toronto time) on the date on which the board passes the resolution declaring the dividend.

21.5 Manner of Paying Dividend. A resolution declaring a dividend may direct payment of the dividend wholly or partly by the distribution of specific assets or of fully paid shares or of bonds, debentures or other securities of the Company, or in any one or more of those ways.

- 21.6 Settlement of Difficulties.** If any difficulty arises in regard to a distribution under Article 21.5, the board may settle the difficulty as they deem advisable, and, in particular, may:
- (a) set the value for distribution of specific assets;
 - (b) determine that cash payments in substitution for all or any part of the specific assets to which any shareholders are entitled may be made to any shareholders on the basis of the value so fixed in order to adjust the rights of all parties; and
 - (c) vest any such specific assets in trustees for the persons entitled to the dividend.
- 21.7 When Dividend Payable.** Any dividend declared by the board may be made payable on such date as is fixed by the board.
- 21.8 Dividends to be Paid in Accordance with Number of Shares.** All dividends on shares of any class or series of shares must be declared and paid according to the number of such shares held.
- 21.9 Receipt by Joint Shareholders.** If several persons are joint shareholders of any share, any one of them may give an effective receipt for any dividend, bonus or other money payable in respect of the share.
- 21.10 Dividend Bears No Interest.** No dividend bears interest against the Company.
- 21.11 Fractional Dividends.** If a dividend to which a shareholder is entitled includes a fraction of the smallest monetary unit of the currency of the dividend, that fraction may be disregarded in making payment of the dividend and that payment represents full payment of the dividend.
- 21.12 Payment of Dividends.** Any dividend or other distribution payable in money in respect of shares may be paid by cheque, made payable to the order of the person to whom it is sent, and mailed to the registered address of the shareholder, or in the case of joint shareholders, to the registered address of the joint shareholder who is first named on the central securities register, or to the person and to the address the shareholder or joint shareholders may direct in writing or by electronic transfer, if so authorized by the shareholder. The mailing of such cheque or the forwarding by electronic transfer will, to the extent of the sum represented by the cheque (plus the amount of the tax required by law to be deducted), discharge all liability for the dividend unless such cheque is not paid on presentation or the amount of tax so deducted is not paid to the appropriate taxing authority.
- 21.13 Capitalization of Retained Earnings or Surplus.** Notwithstanding anything contained in these Articles, the board may from time to time capitalize any retained earnings or surplus of the Company and may from time to time issue, as fully paid, shares or any

bonds, debentures or other securities of the Company as a dividend representing the retained earnings or surplus or any part thereof.

ARTICLE 22
DOCUMENTS, RECORDS AND REPORTS

22.1 Recording of Financial Affairs. The board must cause adequate accounting records to be kept to properly record the financial affairs and condition of the Company and to comply with the *Business Corporations Act*.

ARTICLE 23
NOTICES

23.1 Method of Giving Notice. Unless the *Business Corporations Act* or these Articles provide otherwise, a notice, statement, report or other record required or permitted by the *Business Corporations Act* or these Articles to be sent by or to a person may be sent by any one of the following methods:

- (a) mail addressed to the person at the applicable address for that person as follows:
 - i. for a record mailed to a shareholder, the shareholder's registered address;
 - ii. for a record mailed to a director or officer, the prescribed address for mailing shown for the director or officer in the records kept by the Company or the mailing address provided by the recipient for the sending of that record or records of that class;
 - iii. in any other case, the mailing address of the intended recipient;
- (b) delivery at the applicable address for that person as follows, addressed to the person:
 - i. for a record delivered to a shareholder, the shareholder's registered address;
 - ii. for a record delivered to a director or officer, the prescribed address for delivery shown for the director or officer in the records kept by the Company or the delivery address provided by the recipient for the sending of that record or records of that class;
 - iii. in any other case, the delivery address of the intended recipient;
- (c) unless the intended recipient is the Company or the auditor of the Company, sending the record by fax to the fax number provided by the intended recipient for the sending of that record or records of that class;

- (d) unless the intended recipient is the auditor of the Company, sending the record by email to the email address provided by the intended recipient for the sending of that record or records of that class;
- (e) physical delivery to the intended recipient;
- (f) creating and providing a record posted on or made available through an electronic source that is generally accessible by the intended recipient and providing written notice by and of the foregoing methods as to the availability of such record; or
- (g) as otherwise permitted by any Applicable Securities Laws.

23.2 Deemed Receipt of Mailing. A notice, statement, report or other record that is:

- (a) mailed to a person by ordinary mail to the applicable address for that person referred to in Article 23.1 is deemed to be received by the person to whom it was mailed on the day, Saturdays, Sundays and holidays excepted, following the date of mailing.
- (b) faxed to a person to the fax number provided by that person referred to in Article 23.1 is deemed to be received by the person to whom it was faxed on the day it was faxed;
- (c) emailed to a person to the email address provided by that person referred to in Article 23.1 is deemed to be received by the person to whom it was emailed on the day it was emailed; and
- (d) delivered in accordance with Article 23.1(f), is deemed to be received by the person on the day such written notice is sent.

23.3 Certificate of Sending. A certificate signed by the secretary of the Company, if any, or other officer of the Company or of any other corporation acting in that capacity on behalf of the Company stating that a notice, statement, report or other record was sent in accordance with Article 23.1 is conclusive evidence of that fact.

23.4 Notice to Joint Shareholders. A notice, statement, report or other record may be provided by the Company to the joint shareholders of a share by providing such record to the joint shareholder first named in the central securities register in respect of the share.

23.5 Notice to Legal Personal Representatives Trustees. A notice, statement, report or other record may be provided by the Company to the persons entitled to a share as a consequence of the death, bankruptcy or incapacity of a shareholder by:

- (a) mailing the record, addressed to them:

- i. by name, by the title of the legal personal representative of the deceased or incapacitated shareholder, by the title of trustee of the bankrupt shareholder or by any similar description; and
 - ii. at the address, if any, supplied to the Company for that purpose by the persons claiming to be so entitled; or
- (b) if an address referred to in paragraph (a)(ii) has not been supplied to the Company, by giving the notice in a manner in which it might have been given if the death, bankruptcy or incapacity had not occurred.

ARTICLE 24 EXECUTION OF DOCUMENTS

24.1 Execution of Documents Generally. The board may from time to time by resolution authorize any one or more persons, directors or officers of the Company for the purpose of executing, or delegating authority (with such limitations or restrictions on such authority as he or she deems appropriate) to execute, any instrument or document in the name of and on behalf of the Company (for which no seal need be affixed), and if no such person, director or officer is appointed, then any one officer or director may execute (or so delegate authority to execute) such instrument or document.

ARTICLE 25 PROHIBITIONS

25.1 Definitions. In this Article 25:

- (a) “**transfer restricted security**” means:
- i. a share of the Company;
 - ii. a security of the Company that is convertible into shares of the Company; or
 - iii. any other security of the Company which must be subject to restrictions on transfer in order for the Company to satisfy the requirement for restrictions on transfer under the “private issuer” exemption of Canadian securities legislation or under any other exemption from prospectus or registration requirements of Canadian securities legislation similar in scope and purpose to the “private issuer” exemption.
- (b) “**security**” has the meaning assigned in the *Securities Act* (British Columbia).

25.2 Application. Article 25.3 does not apply to the Company if and for so long as it is a public company.

25.3 Consent Required for Transfer of Transfer Restricted Securities. No share or other transfer restricted security may be sold, transferred or otherwise disposed of without the consent of the board and the board is not required to give any reason for refusing to consent to any such sale, transfer or other disposition.

**ARTICLE 26
GENERAL PROVISIONS**

26.1 Information Available to Shareholders.

- (a.) Except as provided by the *Business Corporations Act*, no shareholder shall be entitled to discovery of any information respecting any details or conduct of the Company's business which in the opinion of the board it would be inexpedient in the interests of the Company to communicate to the public.
- (b.) The board may from time to time, subject to rights conferred by the *Business Corporations Act*, determine whether and to what extent and at what time and place and under what conditions or regulations the documents, books and registers and accounting records of the Company or any of them shall be open to the inspection of shareholders and no shareholder shall have any right to inspect any document or book or register or accounting record of the Company except as conferred statute or authorized by the board or by a resolution of the shareholders.

[signature page follows]

The Company has as its articles these articles.

Full name and signature of a director

Date of signing

(signed) "*Michael Gorenstein*"

July 9, 2020

Director

August 23, 2024

Anna Shlimak
At the Address on file with the Company

Dear Anna,

This letter agreement (this "Letter Agreement"), effective as of August 23, 2024 (the "Effective Date"), sets forth the terms and conditions of our agreement regarding your new position as Chief Strategy Officer. Capitalized terms used in this Letter Agreement that are not defined herein have the meanings set forth in your employment agreement with Cronos USA Client Services LLC, a limited liability company incorporated in the State of Delaware (the "Company") and, solely for the purposes specified therein, Cronos Group Inc. ("Cronos Group"), a corporate organized under the laws of the Province of British Columbia, dated as of February 21, 2020 and amended pursuant to a letter agreement dated February 21, 2023 (the "Employment Agreement").

1. **Position and Reporting Relationship.**

As of the Effective Date, your employment with the Company will continue in the position of Chief Strategy Officer of Cronos Group. You will continue to be instructed by report to the Chief Executive Officer of Cronos Group.

1. **Compensation.**

As of the Effective Date: (a) the Base Salary will increase to US \$310,000, less applicable deductions and withholdings; (b) your annual target bonus opportunity for purposes of Section 5.2 of the Employment Agreement will be US \$232,200; and (c) your target annual long-term incentive opportunity over shares of Cronos Group for purposes of Section 5.3 of the Employment Agreement will be US \$270,000.

1. **General.**

Except as expressly modified by this Letter Agreement, all terms and conditions of your employment, as set out in the Employment Agreement, including, without limitation, Section 6 ("Termination of Employment") and Section 7 ("Restrictive Covenants"), remain unchanged and continue in full force and effect.

1. **Independent Legal Advice.**

You acknowledge that you have been encouraged to obtain independent legal advice regarding the execution of this Letter Agreement, and that you have either obtained such advice or voluntarily chosen not to do so, and hereby waive any objections or claims you may make resulting from any failure on your part to obtain such advice.

1. **Counterparts.**

This Letter Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Letter Agreement by electronic transmission, including in portable document format (.pdf), shall be deemed as effective as delivery of an original executed counterpart of this Letter Agreement.

If you agree that this Letter Agreement correctly memorializes our understandings, please sign and return this Agreement, which shall become a binding agreement as the Effective Date.

Sincerely,

CRONOS USA CLIENT SERVICES LLC

By: /s/ Michael Gorenstein Name: Michael Gorenstein Title: President
CRONOS GROUP INC.

By: /s/ Michael Gorenstein Name: Michael Gorenstein Title: President and Chief

Executive Officer

Accepted and Agreed:

/s/ Anna Shlimak **Anna Shlimak**

Date:

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Michael Gorenstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cronos Group 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.

/s/ Michael Gorenstein

Michael Gorenstein

President and Chief Executive Officer

(Principal Executive Officer)

Date: November 12, 2024

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, James Holm, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cronos Group 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.

/s/ James Holm

James Holm

Chief Financial Officer

(Principal Financial Officer)

Date: November 12, 2024

**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**

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2024 of Cronos Group Inc. (the “Company”) as filed with the U.S. Securities and Exchange Commission (the “SEC”) on the date hereof (the “Report”), I, Michael Gorenstein, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael Gorenstein

Michael Gorenstein

President and Chief Executive Officer

(Principal Executive Officer)

Date: November 12, 2024

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

**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**

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2024 of Cronos Group Inc. (the "Company") as filed with the U.S. Securities and Exchange Commission (the "SEC") on the date hereof (the "Report"), I, James Holm, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James Holm

James Holm

Chief Financial Officer

(Principal Financial Officer)

Date: November 12, 2024

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.