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 June 30, 2022

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	**N/A**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
111 Peter St. Suite 300 Toronto, Ontario	**M5V 2H1**
(Address of principal executive offices)	**(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 x No o

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 x No o

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	x	Accelerated filer	☐
Non-accelerated filer	o	Smaller reporting company	☐
		Emerging growth company	☐

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

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

As of August 5, 2022, there were 377,896,371 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		
	June 30, 2022	**June 30, 2021**	**December 31, 2021**
Quarter-to-date average rate	1.2765	1.2293	N/A
Spot rate	1.2874	1.2395	1.2746
Year-to-date average rate	1.2715	1.2481	1.2541

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)

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		As of June 30, 2022		As of December 31, 2021
Assets		*(Unaudited)*		*(Audited)*
Current assets				
Cash and cash equivalents	$	789,543	$	886,973
Short-term investments		155,352		117,684
Accounts receivable, net		19,375		22,067
Other receivables		2,175		5,765
Current portion of loans receivable, net		7,613		5,460
Inventory, net		39,842		32,802
Prepaids and other current assets		12,150		8,967
Total current assets		1,026,050		1,079,718
Equity method investments, net		21,731		16,764
Other investments		108,669		118,392
Non-current portion of loans receivable, net		78,436		80,635
Property, plant and equipment, net		66,316		74,070
Right-of-use assets		6,113		8,882
Goodwill		1,087		1,098
Intangible assets, net		23,722		18,079
Other		89		100
Total assets	$	1,332,213	$	1,397,738
Liabilities				
Current liabilities				
Accounts payable	$	12,449	$	11,218
Accrued liabilities		23,905		26,069
Current portion of lease obligation		2,267		2,711
Derivative liabilities		574		14,375
Total current liabilities		39,195		54,373
Due to non-controlling interests		1,356		1,913
Non-current portion of lease obligation		6,653		7,095
Deferred income tax liability		46		81
Total liabilities		47,250		63,462
Shareholders' equity				
Share capital (authorized for issue as of June 30, 2022 and December 31, 2021: unlimited; shares outstanding as of June 30, 2022 and December 31, 2021: 377,896,371 and 374,952,693, respectively)		604,626		595,497
Additional paid-in capital		35,198		32,465
Retained earnings		606,557		659,416
Accumulated other comprehensive income		41,688		49,865
Total equity attributable to shareholders of Cronos Group		1,288,069		1,337,243
Non-controlling interests		(3,106)		(2,967)
Total shareholders' equity		1,284,963		1,334,276
Total liabilities and shareholders' equity	$	1,332,213	$	1,397,738

See notes to condensed consolidated interim financial statements.

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

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Net revenue, before excise taxes	$ 28,554	$ 18,848	$ 57,960	$ 33,502
Excise taxes	(5,493)	(3,226)	(9,866)	(5,269)
Net revenue	23,061	15,622	48,094	28,233
Cost of sales	18,941	19,445	37,048	35,019
Inventory write-down	—	11,961	—	11,961
Gross profit	4,120	(15,784)	11,046	(18,747)
Operating expenses				
Sales and marketing	5,582	13,209	10,594	23,463
Research and development	4,302	5,199	8,341	10,301
General and administrative	17,005	22,417	39,373	44,323
Restructuring costs	1,270	—	4,354	—
Share-based compensation	2,616	2,565	6,302	5,064
Depreciation and amortization	1,411	1,043	2,704	1,778
Impairment loss on goodwill and indefinite-lived intangible assets	—	234,914	—	234,914
Impairment loss on long-lived assets	—	1,214	3,493	2,955
Total operating expenses	32,186	280,561	75,161	322,798
Operating loss	(28,066)	(296,345)	(64,115)	(341,545)
Other income				
Interest income, net	3,775	2,293	5,821	4,622
Gain (loss) on revaluation of derivative liabilities	3,410	115,248	13,829	(1,626)
Share of income (loss) from equity method investments	5,197	(1,115)	5,197	(2,758)
Gain (loss) on revaluation of financial instruments	(2,112)	77	2,156	(123)
Impairment loss on other investments	—	—	(11,238)	—
Foreign currency transaction loss	(2,852)	—	(4,724)	—
Other, net	2	1,050	137	1,034
Total other income	7,420	117,553	11,178	1,149
Loss before income taxes	(20,646)	(178,792)	(52,937)	(340,396)
Income tax expense (benefit)	(308)	—	54	—
Loss from continuing operations	(20,338)	(178,792)	(52,991)	(340,396)
Loss from discontinued operations	—	(561)	—	(582)
Net loss	(20,338)	(179,353)	(52,991)	(340,978)
Net loss attributable to non-controlling interest	(117)	(279)	(132)	(592)
Net loss attributable to Cronos Group	$ (20,221)	$ (179,074)	$ (52,859)	$ (340,386)
Comprehensive loss				
Net loss	$ (20,338)	$ (179,353)	$ (52,991)	$ (340,978)
Other comprehensive income (loss)				
Foreign exchange gain (loss) on translation	(24,161)	13,470	(8,184)	29,754
Comprehensive loss	(44,499)	(165,883)	(61,175)	(311,224)
Comprehensive income (loss) attributable to non-controlling interests	122	(394)	(139)	432
Comprehensive loss attributable to Cronos Group	$ (44,621)	$ (165,489)	$ (61,036)	$ (311,656)
Net loss from continuing operations per share				
Basic - continuing operations	$ (0.05)	$ (0.48)	$ (0.14)	$ (0.92)
Diluted - continuing operations	$ (0.05)	$ (0.48)	$ (0.14)	$ (0.92)

See notes to condensed consolidated interim financial statements.

Cronos Group Inc.

Condensed Consolidated Statements of Changes in Equity

For the three and six months ended June 30, 2022 and 2021

(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 January 1, 2022	374,952,693	$ 595,497	$ 32,465	$ 659,416	$ 49,865	$ (2,967)	$ 1,334,276
Activities relating to share-based compensation	347,287	871	2,900	—	—	—	3,771
Net loss	—	—	—	(32,638)	—	(15)	(32,653)
Foreign exchange gain (loss) on translation	—	—	—	—	16,223	(246)	15,977
Balance as of March 31, 2022	375,299,980	$ 596,368	$ 35,365	$ 626,778	$ 66,088	$ (3,228)	$ 1,321,371
Activities relating to share-based compensation	395,156	2,251	(167)	—	—	—	2,084
Share issuance pursuant to research and development milestones	2,201,235	6,007	—	—	—	—	6,007
Net loss	—	—	—	(20,221)	—	(117)	(20,338)
Foreign exchange gain (loss) on translation	—	—	—	—	(24,400)	239	(24,161)
Balance as of June 30, 2022	377,896,371	$ 604,626	$ 35,198	$ 606,557	$ 41,688	$ (3,106)	$ 1,284,963

	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 January 1, 2021	360,253,332	$ 569,260	$ 34,596	$ 1,064,509	$ 42,999	$ (3,196)	$ 1,708,168
Activities relating to share-based compensation	11,403,258	15,652	(2,506)	(7,694)	—	—	5,452
Net loss	—	—	—	(161,312)	—	(313)	(161,625)
Foreign exchange gain on translation	—	—	—	—	15,145	1,139	16,284
Balance as of March 31, 2021	371,656,590	$ 584,912	$ 32,090	$ 895,503	$ 58,144	$ (2,370)	$ 1,568,279
Activities relating to share-based compensation	148,957	2,451	278	(63)	—	—	2,666
Top-up rights out-of-period adjustment	—	(14,505)	—	3,227	—	—	(11,278)
Net loss	—	—	—	(179,074)	—	(279)	(179,353)
Foreign exchange gain (loss) on translation	—	—	—	—	13,585	(115)	13,470
Balance as of June 30, 2021	371,805,547	$ 572,858	$ 32,368	$ 719,593	$ 71,729	$ (2,764)	$ 1,393,784

See notes to condensed consolidated interim financial statements.

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

	Six months ended June 30,	
	2022	2021
Operating activities		
Net loss	$ (52,991)	$ (340,978)
Adjustments to reconcile net loss to cash used in operating activities:		
Share-based compensation	6,302	5,064
Depreciation and amortization	7,051	5,083
Impairment loss on goodwill and indefinite-lived intangible assets	—	234,914
Impairment loss on long-lived assets	3,493	2,955
Impairment loss on other investments	11,238	—
(Income) loss from investments	(7,193)	2,758
(Gain) loss on revaluation of derivative liabilities	(13,829)	1,626
Changes in expected credit losses on long-term financial assets	(655)	—
Foreign currency transaction loss	4,724	—
Other non-cash operating activities, net	(1,956)	(1,192)
Changes in operating assets and liabilities:		
Accounts receivable, net	1,981	(2,194)
Other receivables	3,590	6,960
Prepaids and other current assets	(3,759)	1,268
Inventory	(8,145)	10,951
Accounts payable and accrued liabilities	(1,042)	(13,412)
Cash flows used in operating activities	(51,191)	(86,197)
Investing activities		
Purchase of short-term investments	(157,300)	(120,180)
Proceeds from short-term investments	117,975	136,204
Purchase of other investments	—	(110,392)
(Advances) repayments on loan receivables	1,573	(5,064)
Purchase of property, plant and equipment	(2,218)	(8,347)
Purchase of intangible assets	(421)	(843)
Other investing activities	70	2,059
Cash flows used in investing activities	(40,321)	(106,563)
Financing activities		
Withholding taxes paid on share-based awards	(2,080)	(8,919)
Other financing activities, net	46	12
Cash flows used in financing activities	(2,034)	(8,907)
Effect of foreign currency translation on cash and cash equivalents	(3,884)	18,825
Net change in cash and cash equivalents	(97,430)	(182,842)
Cash and cash equivalents, beginning of period	886,973	1,078,023
Cash and cash equivalents, end of period	$ 789,543	$ 895,181
Supplemental cash flow information		
Interest paid	$ —	$ —
Interest received	3,490	2,961
Income taxes paid	140	858

See notes to condensed consolidated interim financial statements.

1. Background, Basis of Presentation and Accounting Policies

(a) Background

Cronos Group Inc. ("Cronos Group" or the "Company") is incorporated in the province of British Columbia and under the *Business Corporations Act* (British Columbia) with principal executive offices at 111 Peter St., Suite 300, Toronto, Ontario, M5V 2H1. The Company's common shares are currently listed on the Toronto Stock Exchange ("TSX") and Nasdaq Global Market ("Nasdaq") under the ticker symbol "CRON."

Cronos Group is an innovative global cannabinoid company committed to building disruptive intellectual property by advancing cannabis research, technology and product development and is seeking to build an iconic brand portfolio. Cronos Group's diverse international brand portfolio includes Spinach®, PEACE NATURALS®, Lord Jones®, Happy Dance® and PEACE+®.

(b) Basis of presentation

The condensed consolidated interim financial statements of Cronos Group 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 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 accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2022 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, 2021 (the "Annual Report").

Certain prior year 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) 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. The Company determined that it has the following two reportable segments: U.S. (the "U.S. segment") and ROW (the "ROW segment"). The U.S. operating segment consists of the manufacture and distribution of U.S. hemp-derived cannabinoid infused products. The ROW operating segment is involved in the cultivation, manufacture, and marketing of cannabis and cannabis-derived products for the medical and adult-use markets. These two segments represent the geographic regions in which the Company operates and the different product offerings within each geographic region. The results of each segment are regularly reviewed by the CODM to assess the performance of the segment and make decisions regarding the allocation of resources using Adjusted EBITDA (as defined below) as the measure of segment profit or loss. Adjusted EBITDA is defined as earnings before interest, tax, depreciation, non-cash items and items that do not reflect management's assessment of ongoing business performance.

(d) 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, loans receivable, and advances to joint ventures. The Company's maximum exposure to this risk is equal to the carrying amount of these financial assets, which amounted to $1,052,494 and $1,118,684 as of June 30, 2022 and December 31, 2021, 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 June 30, 2022 and December 31, 2021, the Company had $2 and $8, respectively, in expected credit losses that have been recognized on receivables from contracts with customers in the ROW segment. As of June 30, 2022 and December 31, 2021, the Company had $165 and $104, respectively, in expected credit losses that have been recognized on receivables from contracts with customers in the U.S. segment.

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As of June 30, 2022, the Company assessed that there is a concentration of credit risk, as 70% of the Company's accounts receivable were due from three customers with an established credit history with the Company. As of December 31, 2021, 88% of the Company's accounts receivable were due from four customers 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 revenue. During the three months ended June 30, 2022, the Company earned a total net revenue before excise taxes of $12,767 from three major customers in the ROW segment, together accounting for 56% of the Company's total net revenues before excise taxes. During the three months ended June 30, 2021, the ROW segment earned a total net revenue before excise taxes of $8,497 from three major customers, together accounting for 45% of the Company's total net revenues before excise taxes. During the six months ended June 30, 2022, the Company earned a total net revenue before excise taxes of $24,690 from three major customers in the ROW segment, together accounting for 51% of the Company's total net revenue before excise taxes. During the six months ended June 30, 2021, the ROW segment earned a total net revenue before excise taxes of $18,250 from four major customers, together accounting for 54% of the Company's total net revenues before excise taxes. During the three and six months ended June 30, 2022 and 2021, the U.S. segment had no major customers.

(e) Adoption of new accounting pronouncements

On January 1, 2022, the Company adopted ASU No. 2020-06, Debt –Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815–40) ("ASU No. 2020-06"). ASU No. 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. ASU No. 2020-06 is part of the Financial Accounting Standards Board's ("FASB") simplification initiative, which aims to reduce unnecessary complexity in U.S. GAAP. The adoption of ASU No. 2020-06 did not have an impact on the Company's condensed consolidated interim financial statements.

(f) New accounting pronouncements not yet adopted

In March 2022, the FASB issued ASU 2022-02, Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures ("ASU No. 2022-02"). ASU No. 2022-02 eliminates the existing troubled debt restructuring recognition and measurement guidance, and instead aligns the accounting treatment to that of other loan modifications. The amendments enhance existing disclosure requirements and introduce new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. ASU No. 2022-02 also requires that entities disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases. ASU No. 2022-02 is effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years, and is to be adopted prospectively. The Company does not expect the adoption of ASU No. 2022-02 to have a material impact on its condensed consolidated interim financial statements.

In June 2022, the FASB issued ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions ("ASU No. 2022-03"). ASU No. 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. ASU 2022-03 is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, and is to be adopted prospectively. The Company does not expect the adoption of ASU No. 2022-03 to have a material impact on its condensed consolidated interim financial statements.

2. Inventory, net

Inventory, net is comprised of the following items:

	As of June 30, 2022	As of December 31, 2021
Raw materials	$ 7,435	$ 9,211
Work-in-progress	14,548	12,405
Finished goods	16,926	10,778
Supplies and consumables	933	408
Total	$ 39,842	$ 32,802

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

3. Investments

(a) Variable interest entities and equity method investments, net

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

	Ownership interest	As of June 30, 2022	As of December 31, 2021
Cronos Growing Company Inc. ("Cronos GrowCo")	50%	$ 21,731	$ 16,764
NatuEra S.à.r.l. ("Natuera")	50%	—	—
		$ 21,731	$ 16,764

The following is a summary of the Company's share of net income (loss) from equity method investments:

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
Cronos GrowCo	5,197	(459)	$ 5,197	$ (758)
Natuera	—	(656)	—	(2,000)
	$ 5,197	$ (1,115)	$ 5,197	$ (2,758)

(b) Other investments

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

PharmaCann, Inc.

In 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, which represented an ownership interest of approximately 10.5% as of December 31, 2021. The PharmaCann Option is classified as an equity security without a readily determinable fair value. The Company has elected to measure the fair value of the PharmaCann Option at cost less impairment, if any, and subsequently adjusted for observable price changes in orderly transactions for the identical or a similar investment of the same issuer. On February 28, 2022, PharmaCann closed the previously announced transaction with LivWell Holdings, Inc. ("LivWell") pursuant to which PharmaCann acquired LivWell (the "LivWell Transaction"). LivWell is a multi-state cannabis cultivation and retail leader based in Colorado. As a result of the LivWell Transaction, the Company's ownership percentage in PharmaCann on a fully-diluted basis decreased to approximately 6.4%. The decrease in ownership percentage does not materially affect the Company's rights under the PharmaCann Option.

Cronos Australia Limited

The Company owns approximately 10% of the outstanding common shares of Cronos Australia Limited ("Cronos Australia"). 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 loss and comprehensive loss.

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

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

	As of April 1, 2022	Unrealized loss	Impairment charges	Foreign exchange effect	As of June 30, 2022
PharmaCann	$ 99,154	$ —	$ —	$ —	$ 99,154
Cronos Australia	12,607	(2,200)	—	(892)	9,515
	$ 111,761	$ (2,200)	$ —	$ (892)	$ 108,669

	As of January 1, 2022	Unrealized gain	Impairment charges	Foreign exchange effect	As of June 30, 2022
PharmaCann	$ 110,392	$ —	$ (11,238)	$ —	$ 99,154
Cronos Australia	8,000	1,996	—	(481)	9,515
	$ 118,392	$ 1,996	$ (11,238)	$ (481)	$ 108,669

During the three months ended March 31, 2022, the Company identified indicators of impairment related to the PharmaCann Option and conducted an analysis comparing the PharmaCann Option's carrying amount to its estimated fair value. The fair value was estimated using a combination of the market and income approaches. Under the income approach, significant inputs used in the discounted cash flow method include discount rate, growth rates, and cash flow projections. As a result of this analysis, the Company recorded a non-cash impairment charge of $11,238, as the difference between the carrying amount of the PharmaCann Option and its estimated fair value in the condensed consolidated statements of net loss and comprehensive loss.

During the three and six months ended June 30, 2021, the Company had no gain or loss on revaluation of other investments. As of June 30, 2022 and December 31, 2021, the Company did not hold any additional other investments.

4. Loans Receivable, net

Loans receivable, net consists of the following:

	As of June 30, 2022	As of December 31, 2021
GrowCo Facility[(i)]	$ 3,625	$ 3,138
Add: Current portion of accrued interest	3,988	2,322
Total current portion of loans receivable	7,613	5,460
GrowCo Facility[(i)]	62,310	64,367
Mucci Promissory Note	14,127	14,019
Cannasoul Collaboration Loan[(ii)]	1,999	2,249
Total long-term portion of loans receivable	78,436	80,635
Total loans receivable, net	$ 86,049	$ 86,095

(i) 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 Facility"). In August 2021, the GrowCo Facility was amended to increase the aggregate principal amount available to C$105,000. As of June 30, 2022 and December 31, 2021, Cronos GrowCo had outstanding borrowings of C$102,000 ($79,228) and C$104,000 ($81,598), respectively, from the GrowCo Facility. As of June 30, 2022, Cronos GrowCo had repaid C$2,000 ($1,554) under the terms of the GrowCo Facility. The available borrowing capacity under the GrowCo Facility was C$1,000 ($777) at June 30, 2022 and December 31, 2021.

(ii) As of June 30, 2022 and December 31, 2021, Cannasoul Lab Services Ltd. has received ILS 8,297 ($2,376) and ILS 8,297 ($2,664), respectively, from the Cannasoul Collaboration Loan.

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Expected credit loss allowances on the Company's long-term financial assets for the three and six months ended June 30, 2022 and 2021 were comprised of the following items:

	As of April 1, 2022	Increase (decrease)[i]	Foreign exchange effect	As of June 30, 2022
GrowCo Facility	$ 14,354	$ (660)	$ (401)	$ 13,293
Mucci Promissory Note	93	1	(3)	91
Cannasoul Collaboration Loan	409	4	(36)	377
	$ 14,856	$ (655)	$ (440)	$ 13,761

	As of April 1, 2021	Increase (decrease)	Foreign exchange effect	As of June 30, 2021
GrowCo Facility	$ 1,569	$ —	$ 21	$ 1,590
Natuera Series A Loan[ii]	1,151	(1,153)	2	—
Mucci Promissory Note	274	—	4	278
Cannasoul Collaboration Loan	26	—	13	39
	$ 3,020	$ (1,153)	$ 40	$ 1,907

	As of January 1, 2022	Increase (decrease)[i]	Foreign exchange effect	As of June 30, 2022
GrowCo Facility	$ 14,089	$ (664)	$ (132)	$ 13,293
Mucci Promissory Note	90	2	(1)	91
Cannasoul Collaboration Loan	415	7	(45)	377
	$ 14,594	$ (655)	$ (178)	$ 13,761

	As of January 1, 2021	Increase (decrease)	Foreign exchange effect	As of June 30, 2021
GrowCo Facility	$ 1,546	$ —	$ 44	$ 1,590
Natuera Series A Loan[ii]	721	(737)	16	—
Mucci Promissory Note	270	—	8	278
Cannasoul Collaboration Loan	26	—	13	39
	$ 2,563	$ (737)	$ 81	$ 1,907

(i) During both the three and six months ended June 30, 2022, $655 was recorded as a decrease to general and administrative expenses on the condensed consolidated statements of net loss and comprehensive loss as a result of adjustments to our expected credit losses. There were no such adjustments during the three and six months ended June 30, 2021.

(ii) On April 1, 2021, the Company and an affiliate of Agroidea, the other joint venture partner of Natuera, converted all advances made to Natuera under the master loan agreement entered into with Natuera on September 27, 2019, plus accrued interest, into equity of Natuera. As a result, the Company decreased its credit loss allowances by $1,153 and $737 for the three and six months ended June 30, 2021, respectively. As of June 30, 2022 and December 31, 2021, loans receivable, net for the Natuera Series A Loan was $nil.

5. Intangible Assets, net

Intangible assets, net are comprised of the following items as of June 30, 2022 and December 31, 2021:

		As of June 30, 2022			
	Useful life (in years)	Cost	Accumulated amortization	Accumulated impairment charges	Net
Software	5	$ 6,065	$ (2,137)	$ (80)	$ 3,848
Health Canada licenses	17	8,706	(1,865)	(6,841)	—
Ginkgo exclusive licenses[i]	10	23,655	(865)	(4,668)	18,122
Israeli codes[ii]	20	294	(42)	—	252
Total definite-lived intangible assets		38,720	(4,909)	(11,589)	22,222
Lord Jones® brand	N/A	64,000	—	(62,500)	1,500
Total intangible assets		$ 102,720	$ (4,909)	$ (74,089)	$ 23,722

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

	Useful life (in years)	As of December 31, 2021 Cost	Accumulated amortization	Accumulated impairment charges	Net
Software	5	$ 5,644	$ (1,595)	$ (4)	$ 4,045
Health Canada licenses	17	8,793	(1,883)	(6,910)	—
Ginkgo exclusive licenses	10	17,330	(335)	(4,752)	12,243
Israeli codes[ii]	20	330	(39)	—	291
Total definite-lived intangible assets		32,097	(3,852)	(11,666)	16,579
Lord Jones® brand	N/A	64,000	—	(62,500)	1,500
Trademarks	N/A	142	—	(142)	—
Total intangible assets		$ 96,239	$ (3,852)	$ (74,308)	$ 18,079

(i) In June 2022, the Company announced the achievement of the final productivity target in respect of tetrahydrocannabivarin ("THCV") under its collaboration and license agreement (the "Ginkgo Collaboration Agreement") with Ginkgo Bioworks Holdings, Inc. ("Ginkgo"). As a result of the achievement of the final productivity target for THCV, the Company issued 2,201,236 common shares at a share price of C$3.47, and made a cash payment of $600, for total consideration of C$8,412 ($6,522) to Ginkgo through the Ginkgo Collaboration Agreement. The definite-lived intangible asset is being amortized using the straight-line method over its estimated useful life of ten years.

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

Amortization expense was $606 and $274 for the three months ended June 30, 2022 and 2021, respectively and $1,121 and $443 for the six months ended June 30, 2022 and 2021, respectively.

As of June 30, 2022, the estimated future amortization of definite-lived intangible assets is as follows:

	As of June 30, 2022
Remainder of 2022 (6 months)	$ 1,539
2023	3,034
2024	3,016
2025	2,716
2026	2,109
2027	1,924
Thereafter	7,884
	$ 22,222

For the three and six months ended June 30, 2021, the Company recorded an impairment charge of $56,500 on its Lord Jones® brand intangible asset. There were no impairment charges on intangible assets for the three and six months ended June 30, 2022.

6. Derivative Liabilities

As of June 30, 2022, Altria Group Inc. ("Altria") beneficially held 156,573,537 of the Company's common shares, an approximate 41% ownership interest in the Company (calculated on a non-diluted basis) and one warrant of the Company (the "Altria Warrant"). As summarized in this note, if exercised in full on such date, the exercise of the Altria Warrant would have resulted in Altria holding a total ownership interest in the Company of approximately 52% (calculated on a non-diluted basis). Pursuant to the investor rights agreement between the Company and Altria (the "Investor Rights Agreement"), entered into in connection with the closing of Altria's investment in the Company (the "Altria Investment") pursuant to a subscription agreement dated December 7, 2018, the Company granted Altria certain rights, among others, summarized in this note.

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The summaries below are qualified entirely by the terms and conditions fully set out in the Investor Rights Agreement and the Altria Warrant, as applicable.

a. The Altria Warrant entitles the holder, subject to certain qualifications and limitations, to subscribe for and purchase up to an additional 10% of the common shares of Cronos (83,976,971 common shares as of June 30, 2022) at a per share exercise price of C$19.00, which expires on March 8, 2023.

b. The Company granted to Altria, subject to certain qualifications and limitations, upon the occurrence of certain issuances of common shares of the Company executed by the Company (including issuances pursuant to the research and development ("R&D") partnership (the "Ginkgo Strategic Partnership") with Ginkgo), the right to purchase up to such number of common shares of the Company in order to maintain their ownership percentage of issued and outstanding common shares of the Company immediately preceding any issuance of shares by the Company ("Pre-emptive Rights"), at the same price per common share of the Company at which the common shares are sold in the relevant issuance; provided that if the consideration paid in connection with any such issuance is non-cash, the price per common share of the Company that would have been received had such common shares been issued for cash consideration will be determined by an independent committee (acting reasonably and in good faith); provided further that the price per common share of the Company to be paid by Altria pursuant to its exercise of its Pre-emptive Rights related to the Ginkgo Strategic Partnership will be C$16.25 per common share. These rights may not be exercised if Altria's ownership percentage of the issued and outstanding shares of the Company falls below 20%.

c. In addition to (and without duplication of) the Pre-emptive Rights, the Company granted to Altria, subject to certain qualifications and limitations, the right to subscribe for common shares of the Company issuable in connection with the exercise, conversion or exchange of convertible securities of the Company issued prior to March 8, 2019 or thereafter (excluding any convertible securities of the Company owned by Altria or any of its subsidiaries), a share incentive plan of the Company, the exercise of any right granted by the Company pro rata to all shareholders of the Company to purchase additional common shares and/or securities of the Company, bona fide bank debt, equipment financing or non-equity interim financing transactions that contemplate an equity component or bona fide acquisitions (including acquisitions of assets or rights under a license or otherwise), mergers or similar business combination transactions or joint ventures involving the Company in order to maintain their ownership percentage of issued and outstanding common shares of the Company immediately preceding any such transactions ("Top-up Rights").

Reconciliation of the Company's derivative liabilities activity are as follows:

	As of April 1, 2022	Revaluation gain	Exercise of rights	Foreign exchange effect	As of June 30, 2022
(a) Altria Warrant	$ 3,845	$ (3,245)	$ —	$ (109)	$ 491
(b) Pre-emptive Rights	67	(49)	—	(2)	16
(c) Top-up Rights	187	(116)	—	(4)	67
	$ 4,099	$ (3,410)	$ —	$ (115)	$ 574

	As of April 1, 2021	Revaluation gain	Out-of-period adjustment	Foreign exchange effect	As of June 30, 2021
(a) Altria Warrant	$ 234,656	$ (85,778)	$ —	$ 1,205	$ 150,083
(b) Pre-emptive Rights	20,173	(6,360)	—	113	13,926
(c) Top-up Rights	17,471	(23,110)	11,278	(85)	5,554
	$ 272,300	$ (115,248)	$ 11,278	$ 1,233	$ 169,563

	As of January 1, 2022	Revaluation gain	Exercise of rights	Foreign exchange effect	As of June 30, 2022
(a) Altria Warrant	$ 13,720	$ (13,256)	$ —	$ 27	$ 491
(b) Pre-emptive Rights	180	(164)	—	—	16
(c) Top-up Rights	475	(409)	—	1	67
	$ 14,375	$ (13,829)	$ —	$ 28	$ 574

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	As of January 1, 2021	Revaluation (gain)/loss	Exercise of rights	Foreign exchange effect	As of June 30, 2021
(a) Altria Warrant	$ 138,858	$ 7,186	$ —	$ 4,039	$ 150,083
(b) Pre-emptive Rights	12,095	1,473	—	358	13,926
(c) Top-up Rights	12,457	(7,033)	—	130	5,554
	$ 163,410	$ 1,626	$ —	$ 4,527	$ 169,563

Fluctuations in the Company's share price and the expected life of the derivative instruments are primary drivers for the changes in the derivative valuations during each reporting period. As the share price decreases and the expected period of time the derivative liability is expected to be outstanding decreases, the fair value typically decreases for each related derivative instrument. Share price and weighted-average expected life are two of the significant observable inputs used in the fair value measurement of each of the Company's derivative instruments.

The fair values of the derivative liabilities were determined using the Black-Scholes pricing model using the following inputs:

	As of June 30, 2022		
	Altria Warrant	Pre-emptive Rights	Top-up Rights
Share price at valuation date (per share in C$)	$3.60	$3.60	$3.60
Subscription price (per share in C$)	$19.00	$16.25	$16.25
Weighted-average risk-free interest rate[(i)]	2.74%	2.47%	2.51%
Weighted-average expected life (in years)[(ii)]	0.69	0.45	0.63
Expected annualized volatility[(iii)]	77%	77%	77%
Expected dividend yield	—%	—%	—%

	As of December 31, 2021		
	Altria Warrant	Pre-emptive Rights	Top-up Rights
Share price at valuation date (per share in C$)	$4.98	$4.98	$4.98
Subscription price (per share in C$)	$19.00	$16.25	$16.25
Weighted-average risk-free interest rate[(i)]	0.79%	0.39%	0.50%
Weighted-average expected life (in years)[(ii)]	1.18	0.50	0.80
Expected annualized volatility[(iii)]	80%	80%	80%
Expected dividend yield	—%	—%	—%

(i) The risk-free interest rate was based on Bank of Canada government treasury bills and bonds with a remaining term equal to the expected life of the derivative liabilities. As of June 30, 2022 and December 31, 2021, the risk-free interest rate uses a range of approximately 2.06% to 3.09% and 0.16% to 1.10%, respectively, for the Pre-emptive Rights and Top-up Rights.

(ii) The expected life represents the period of time, in years, that the derivative liabilities are expected to be outstanding. The expected life of the Pre-emptive Rights and Top-up Rights is determined based on the expected term of the underlying options, warrants, and shares, to which the Pre-emptive Rights and Top-up Rights are linked. As of June 30, 2022 and December 31, 2021, the expected life uses a range of approximately 0.25 years to 3.25 years and 0.25 years to 3.75 years, respectively, for the Pre-emptive Rights and Top-up Rights.

(iii) Volatility was based on an equally weighted blended historical and implied volatility level of the underlying equity securities of the Company.

The following table quantifies each of the significant inputs described above and provides a sensitivity analysis of the impact on the reported values of the derivative liabilities. The sensitivity analysis for each significant input is performed by assuming a 10% decrease in the input while other significant inputs remain constant at management's best estimate as of the respective dates. While a decrease in the inputs noted below would cause a decrease in the carrying amount of the derivative liability, there would also be an equal and opposite impact on net income (loss).

	10% decrease as of June 30, 2022		
	Altria Warrant	Pre-emptive Rights	Top-up Rights
Share price	$ 219	$ 8	$ 19
Weighted-average expected life	196	16	24
Expected annualized volatility	318	11	27

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	10% decrease as of December 31, 2021		
	Altria Warrant	Pre-emptive Rights	Top-up Rights
Share price	$ 3,970	$ 80	$ 123
Weighted-average expected life	2,971	171	133
Expected annualized volatility	5,402	96	155

These inputs are classified as Level 3 on the fair value hierarchy and are subject to volatility and several factors outside the Company's control, which could significantly affect the fair value of these derivative liabilities in future periods.

7. 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 Company's Board of Directors (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 "Stayner Facility"). The Realignment initiatives being undertaken are intended to position the Company to drive profitable and sustainable growth over time.

The Company expects to incur approximately $6,400 in connection with the Realignment, including the planned exit of the Stayner Facility, of which $4,354 has been incurred as of June 30, 2022. Estimated charges related to the exit of the Stayner Facility include employee-related costs such as severance, relocation and other termination benefits, as well as contract termination and other related costs. The Company expects to incur approximately $2,000 in additional charges related to the Realignment, including the planned exit of the Stayner Facility.

The Company incurred the following restructuring costs by reportable segment:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Rest of World	$ 978	$ —	$ 3,009	$ —
United States	292	—	1,345	—
Total	$ 1,270	$ —	$ 4,354	$ —

The following table summarizes the Company's restructuring activity for the three and six months ended June 30, 2022:

	Accrual as of April 1, 2022	Expenses	Payments/Write-offs	Accrual as of June 30, 2022
Employee termination benefits	$ 1,254	$ 432	$ (798)	$ 888
Other restructuring costs	144	838	(961)	21
Total	$ 1,398	$ 1,270	$ (1,759)	$ 909

	Accrual as of January 1, 2022	Expenses	Payments/Write-offs	Accrual as of June 30, 2022
Employee termination benefits	$ —	$ 2,935	$ (2,047)	$ 888
Other restructuring costs	—	1,419	(1,398)	21
Total	$ —	$ 4,354	$ (3,445)	$ 909

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8. 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 Stock Option Plan dated May 26, 2015 (the "2015 Stock Option Plan"), the 2018 Stock Option Plan dated June 28, 2018 (the "2018 Stock Option Plan" and, together with the 2015 Stock Option Plan, the "Prior Option Plans"), 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 Prior Option Plans 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 six months ended June 30, 2022:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Stock options	$ 1,141	$ 1,864	$ 2,870	$ 3,928
RSUs	1,475	701	3,432	1,136
Total share-based compensation	$ 2,616	$ 2,565	$ 6,302	$ 5,064

(b) Stock options

Vesting conditions for grants of options are determined by the Compensation Committee of the Board. 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 Prior Option Plans is quarterly vesting over three to five years with a maximum term of seven years. The Prior Option Plans 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 six months ended June 30, 2022 and 2021:

	Weighted-average exercise price (C$) (i)	Number of options	Weighted-average remaining contractual term (years)
Balance as of January 1, 2022	$ 7.75	8,939,330	2.70
Exercise of options	3.11	(1,481,004)	
Cancellation, forfeiture and expiry of options	13.56	(89,251)	
Balance as of June 30, 2022	$ 8.61	7,369,075	1.53
Exercisable as of June 30, 2022	$ 8.28	4,686,991	1.04

	Weighted-average exercise price (C$) (i)	Number of options	Weighted-average remaining contractual term (years)
Balance as of January 1, 2021	$ 5.40	13,755,148	2.30
Exercise of options	2.14	(5,349,818)	
Cancellation, forfeiture and expiry of options	14.86	(33,699)	
Balance as of June 30, 2021	$ 7.45	8,371,631	2.66
Exercisable as of June 30, 2021	$ 6.49	4,679,240	1.43

(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 June 30, 2022	As of December 31, 2021
2020 Omnibus Plan	2,900,000	2,900,000
2018 Stock Option Plan	1,492,010	1,550,074
2015 Stock Option Plan	2,977,065	4,489,256
Total stock options outstanding	7,369,075	8,939,330

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

(c) Restricted share units

The following is a summary of the changes in RSUs for the six months ended June 30, 2022 and 2021:

	Weighted-average grant date fair value (C$)[ii]	Number of RSUs
Balance as of January 1, 2022	$ 9.22	1,225,870
Granted[i]	4.32	4,513,992
Vested and issued	8.58	(722,721)
Cancellation and forfeitures	8.32	(101,561)
Balance as of June 30, 2022	$ 4.84	4,915,580

	Weighted-average grant date fair value (C$)[ii]	Number of RSUs
Balance as of January 1, 2021	$ 7.66	948,357
Granted[i]	11.29	515,433
Vested and issued	$ 7.52	(89,912)
Balance as of June 30, 2021	$ 9.03	1,373,878

(i) RSUs granted in the period vest annually in equal installments over a three-year period from the grant date or vest 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 six months ended June 30, 2022 and 2021:

	Financial liability	Number of DSUs
Balance as of January 1, 2022	$ 408	104,442
Gain on revaluation	(161)	—
Balance as of June 30, 2022	$ 247	104,442

	Financial liability	Number of DSUs
Balance as of January 1, 2021	$ 577	83,293
Loss on revaluation	141	—
Balance as of June 30, 2021	$ 718	83,293

(e) Warrants

The following is a summary of the changes in warrants for the six months ended June 30, 2021:

	Weighted-average exercise price (C$)	Number of warrants
Balance as of January 1, 2021	$ 0.25	7,987,349
Exercise of warrants	0.25	(7,987,349)
Balance as of June 30, 2021	$ —	—

As of June 30, 2022, there are no warrants outstanding other than the Altria Warrant. See Note 6 "*Derivative Liabilities*" for further description of the Altria Warrant.

9. Earnings (Loss) per Share

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Basic and diluted earnings (loss) per share computation				
Net loss from continuing operations attributable to the shareholders of Cronos Group	$ (20,221)	$ (178,513)	$ (52,859)	$ (339,804)
Weighted-average number of common shares outstanding for computation for basic and diluted earnings per share(i)	376,031,860	371,721,382	375,530,077	367,391,118
Basic loss from continuing operations per share	$ (0.05)	$ (0.48)	$ (0.14)	$ (0.92)
Diluted loss per share from continuing operations	$ (0.05)	$ (0.48)	$ (0.14)	$ (0.92)
Loss from discontinued operations attributable to the shareholders of Cronos Group	$ —	$ (561)	$ —	$ (582)
Weighted-average number of common shares outstanding from computation for basic and diluted earnings per share	376,031,860	371,721,382	375,530,077	367,391,118
Basic earnings (loss) from discontinued operations per share	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Diluted earnings (loss) from discontinued operations per share	$ 0.00	$ 0.00	$ 0.00	$ 0.00

(i) In computing diluted earnings 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 June 30, 2022 and 2021, total securities of 119,589,123 and 120,491,183, respectively, and for the six months ended June 30, 2022 and 2021, total securities of 118,906,603 and 128,373,444, respectively, were not included in the computation of diluted shares outstanding, because the effect would be anti-dilutive.

10. Segment Information

The tables below set forth our condensed consolidated results of operations by segment. The Company's condensed consolidated financial results for these periods are not necessarily indicative of the consolidated financial results that the Company will achieve in future periods. Segment data was as follows for the three and six months ended June 30, 2022 and 2021:

	Three months ended June 30, 2022			
	United States	Rest of World	Corporate	Total
Cannabis flower	$ —	$ 15,739	$ —	$ 15,739
Cannabis extracts	1,459	5,582	—	7,041
Other	—	281	—	281
Net revenue	$ 1,459	$ 21,602	$ —	$ 23,061
Share of income from equity method investments	$ —	$ 5,197	$ —	$ 5,197
Total assets	$ 430,455	$ 285,902	$ 615,856	$ 1,332,213
Depreciation and amortization	$ 87	$ 1,324	$ —	$ 1,411
Adjusted EBITDA	(3,877)	(8,995)	(5,927)	(18,799)

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

	Three months ended June 30, 2021			
	United States	Rest of World	Corporate	Total
Cannabis flower	$ —	$ 11,597	$ —	$ 11,597
Cannabis extracts	2,227	1,531	—	3,758
Other	—	267	—	267
Net revenue	$ 2,227	$ 13,395	$ —	$ 15,622
Share of loss from equity method investments	$ —	$ (1,115)	$ —	$ (1,115)
Total assets	$ 473,828	$ 386,805	$ 741,850	$ 1,602,483
Depreciation and amortization	68	975	—	1,043
Adjusted EBITDA	(10,711)	(32,605)	(6,443)	(49,759)

	Six months ended June 30, 2022			
	United States	Rest of World	Corporate	Total
Cannabis flower	$ —	$ 34,364	$ —	$ 34,364
Cannabis extracts	3,787	9,570	—	13,357
Other	—	373	—	373
Net revenue	$ 3,787	$ 44,307	$ —	$ 48,094
Share of income from equity method investments	$ —	$ 5,197	$ —	$ 5,197
Total assets	$ 430,455	$ 285,902	$ 615,856	$ 1,332,213
Depreciation and amortization	183	2,521	—	2,704
Adjusted EBITDA	(10,963)	(12,420)	(14,316)	(37,699)

	Six months ended June 30, 2021			
	United States	Rest of World	Corporate	Total
Cannabis flower	$ —	$ 21,031	$ —	$ 21,031
Cannabis extracts	4,668	2,234	—	6,902
Other	—	300	—	300
Net revenue	$ 4,668	$ 23,565	$ —	$ 28,233
Share of loss from equity method investments	$ —	$ (2,758)	$ —	$ (2,758)
Total assets	$ 473,828	$ 386,805	$ 741,850	$ 1,602,483
Depreciation and amortization	139	1,639	—	1,778
Adjusted EBITDA	(20,221)	(54,789)	(11,323)	(86,333)

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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 June 30, 2022			
	United States	Rest of World	Corporate	Total
Net loss	$ (4,498)	$ (8,759)	$ (7,081)	$ (20,338)
Interest income, net	(426)	(3,349)	—	(3,775)
Income tax benefit	—	(308)	—	(308)
Share of income from equity method investments	—	(5,197)	—	(5,197)
Gain on revaluation of derivative liabilities(iii)	—	(3,410)	—	(3,410)
Loss on revaluation of financial instruments(v)	—	2,112	—	2,112
Foreign currency transaction loss	—	2,852	—	2,852
Other, net(vii)	—	(2)	—	(2)
Restructuring costs(ix)	292	978	—	1,270
Share-based compensation(x)	473	2,143	—	2,616
Financial statement review costs(xi)	—	—	1,154	1,154
Depreciation and amortization	282	3,945	—	4,227
Adjusted EBITDA	$ (3,877)	$ (8,995)	$ (5,927)	$ (18,799)

	Three months ended June 30, 2021			
	United States	Rest of World	Corporate	Total
Net income (loss)	$ (247,847)	$ 79,627	$ (11,133)	$ (179,353)
Interest income, net	(20)	(2,273)	—	(2,293)
Share of loss from equity method investments	—	1,115	—	1,115
Impairment loss on goodwill and indefinite-lived intangible assets(i)	234,914	—	—	234,914
Impairment loss on long-lived assets(ii)	1,214	—	—	1,214
Gain on revaluation of derivative liabilities(iii)	—	(115,248)	—	(115,248)
Transaction costs(iv)	—	—	2,758	2,758
Gain on revaluation of financial instruments(v)	—	(77)	—	(77)
Other, net(vii)	—	(1,050)	—	(1,050)
Loss from discontinued operations(viii)	—	561	—	561
Share-based compensation(x)	822	1,743	—	2,565
Financial statement review costs(xi)	—	—	1,932	1,932
Depreciation and amortization	206	2,997	—	3,203
Adjusted EBITDA	$ (10,711)	$ (32,605)	$ (6,443)	$ (49,759)

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

	Six months ended June 30, 2022			
	United States	Rest of World	Corporate	Total
Net loss	$ (26,714)	$ (6,745)	$ (19,532)	$ (52,991)
Interest income, net	(455)	(5,366)	—	(5,821)
Income tax expense	—	54	—	54
Share of income from equity method investments	—	(5,197)	—	(5,197)
Impairment loss on long-lived assets(ii)	—	3,493	—	3,493
Gain on revaluation of derivative liabilities(iii)	—	(13,829)	—	(13,829)
Gain on revaluation of financial instruments(v)	—	(2,156)	—	(2,156)
Impairment loss on other investment(vi)	11,238	—	—	11,238
Foreign currency transaction loss	—	4,724	—	4,724
Other, net(vii)	—	(137)	—	(137)
Restructuring costs(ix)	1,345	3,009	—	4,354
Share-based compensation(x)	2,909	3,393	—	6,302
Financial statement review costs(xi)	—	—	5,216	5,216
Depreciation and amortization	714	6,337	—	7,051
Adjusted EBITDA	$ (10,963)	$ (12,420)	$ (14,316)	$ (37,699)

	Six months ended June 30, 2021			
	United States	Rest of World	Corporate	Total
Net loss	$ (259,939)	$ (62,520)	$ (18,519)	$ (340,978)
Interest income, net	(23)	(4,599)	—	(4,622)
Share of loss from equity method investments	—	2,758	—	2,758
Impairment loss on goodwill and indefinite-lived intangible assets(i)	234,914	—	—	234,914
Impairment loss on long-lived assets(ii)	2,955	—	—	2,955
Loss on revaluation of derivative liabilities(iii)	—	1,626	—	1,626
Transaction costs(iv)	—	—	3,259	3,259
Loss on revaluation of financial instruments(v)	—	123	—	123
Other, net(vii)	—	(1,034)	—	(1,034)
Loss from discontinued operations(viii)	—	582	—	582
Share-based compensation(x)	1,567	3,497	—	5,064
Financial statement review costs(xi)	—	—	3,937	3,937
Depreciation and amortization	305	4,778	—	5,083
Adjusted EBITDA	$ (20,221)	$ (54,789)	$ (11,323)	$ (86,333)

(i) For the three and six months ended June 30, 2021, impairment on goodwill and indefinite-lived intangible assets relates to impairment on goodwill and indefinite-lived intangible assets related to the Company's U.S. segment.

(ii) For the six months ended June 30, 2022, impairment loss on long-lived assets related to the Company's decision to seek a sublease for leased office space in Toronto, Ontario, Canada during the first quarter of 2022. For the three months ended June 30, 2021, impairment loss on long-lived assets relates to an impairment on property, plant and equipment in the U.S. segment. For the six months ended June 30, 2021, impairment loss on long-lived assets relates to the aforementioned impairment loss on property, plant and equipment as well as an impairment loss on leased premises in the U.S. segment from the first quarter of 2021. See Note 13 "*Impairment Loss on Long-lived Assets*."

(iii) For the three and six months ended June 30, 2022 and 2021, (gain) loss on revaluation of derivative liabilities represents the fair value changes on the derivative liabilities. See Note 6 "*Derivative Liabilities*."

(iv) For the three and six months ended June 30, 2021, transaction costs represent legal, financial and other advisory fees and expenses incurred in connection with various strategic investments. These costs are included in general and administrative expenses on the condensed consolidated statements of net income (loss) and comprehensive income (loss).

(v) For the three and six months ended June 30, 2022, (gain) loss on revaluation of financial instruments related primarily to the Company's equity securities in Cronos Australia. For three and six months ended June 30, 2021, (gain) loss on revaluation of financial instruments related primarily to revaluations of financial liabilities resulting from DSUs.

(vi) For the six months ended June 30, 2022, impairment loss on other investments related to the PharmaCann Option for the difference between its fair value and carrying amount. See Note 3 "*Investments.*"

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(vii) For the three and six months ended June 30, 2022, other, net related to (gain) loss on disposal of assets. For the three and six months ended June 30, 2021, other, net primarily related to gain recorded on sale of the Company's Winnipeg facility previously designated as held-for-sale in the first quarter of 2021.

(viii) For the three and six months ended June 30, 2021, loss from discontinued operations related to the discontinuance of Original B.C. Ltd. ("OGBC").

(ix) For the three and six months ended June 30, 2022, restructuring costs related to the employee-related severance costs and other restructuring costs associated with the Realignment, including the planned exit of the Stayner Facility. See Note 7 "*Restructuring.*"

(x) For the three and six months ended June 30, 2022 and 2021, share-based compensation related to the vesting expenses of share-based compensation awarded to employees under the Company's share-based award plans as described in Note 8 "*Share-based Compensation*."

(xi) For the three and six months ended June 30, 2022 and 2021, financial statement review costs include costs and reserves taken related to the restatements of the Company's 2019 and second quarter 2021 interim financial statements, costs related to the Company's responses to requests for information from various regulatory authorities relating to such restatements and legal costs defending shareholder class action complaints brought against the Company as a result of the 2019 restatement.

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Canada	$ 14,388	$ 10,664	$ 27,965	$ 18,246
Israel	7,214	2,310	16,342	4,828
United States	1,459	2,227	3,787	4,668
Other countries	—	421	—	491
Net revenue	$ 23,061	$ 15,622	$ 48,094	$ 28,233

11. 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 now former Chief Financial Officer. The court has 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 revenues and internal control were incorrect based on the Company's disclosures relating to the Audit Committee of the Board's 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. Defendants moved to dismiss on February 8, 2021.

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 names (i) the Company, (ii) its Chief Executive Officer, (iii) now 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 alleges breaches of the Ontario Securities Act, oppression under the Ontario Business Corporations Act and common law misrepresentation. The Amended Statement of Claim generally alleges that certain of the Company's prior public statements about revenues and internal control were misrepresentations based on the Company's March 2, 2020 disclosure that the Audit Committee of the Board 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 does 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 has 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.

(ii) Regulatory reviews relating to restatements

The Company has been responding to requests for information from various regulatory authorities relating to its previously disclosed restatement of its financial statements for the first three quarters of 2019 as well as the previously disclosed restatement of the second quarter of 2021 interim financial statements. The Company is responding to all such requests for information and cooperating with all regulatory authorities. The Company cannot predict the outcome of any such regulatory review or investigation and it is possible that additional investigations or one or more formal proceedings may be commenced against the Company and its current and former officers and directors in connection with these regulatory reviews and investigations.

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

On June 16, 2020, an alleged consumer filed a Statement of Claim on behalf of a class in the Court of Queen's Bench of Alberta in Alberta, Canada, against the Company and other Canadian cannabis manufacturers and/or distributors. On December 4, 2020, a Third Amended Statement of Claim was filed, which added a second alleged consumer. The Third Amended Statement of Claim alleges claims related to the defendants' advertised content of cannabinoids in cannabis products for medicinal use on or after June 16, 2010 and cannabis products for adult use on or after October 17, 2018. The Third Amended Statement of Claim seeks a total of C$500 million for breach of contract, compensatory damages, and unjust enrichment or such other amount as may be proven in trial and C$5 million in punitive damages against each defendant, including the Company. The Third Amended Statement of Claim also seeks interest and costs associated with the action. The Company has not responded to the Third Amended Statement of Claim. On January 31, 2022, upon consent of the Company and the plaintiffs, the court dismissed the case in its entirety as to the Company.

A number of claims, including purported class actions, have been brought in the U.S. against companies engaged in the U.S. hemp business alleging, among other things, violations of state consumer protection, health and advertising laws. On April 8, 2020, a putative class action complaint was filed in the U.S. District Court for the Central District of California against Redwood Holding Group, LLC ("Redwood"), alleging violations of California's Unfair Competition Law, False Advertising Law, Consumers Legal Remedies Act, and breaches of the California Commercial Code for breach of express warranties and implied warranty of merchantability with respect to Redwood's marketing and sale of U.S. hemp products. The complaint did not quantify a damage request. On April 10, 2020, the class action complaint was dismissed for certain pleading deficiencies and the plaintiff was granted leave until April 24, 2020 to amend the complaint to establish federal subject matter jurisdiction. On April 28, 2020, the action was dismissed without prejudice for failure to prosecute and for failure to comply with a court order. As of the date of this Quarterly Report, the plaintiff has not refiled the complaint.

The Company expects litigation and regulatory proceedings relating to the marketing, distribution and sale of its products to increase.

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12. 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 includes 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:

	June 30, 2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 789,543	$ —	$ —	$ 789,543
Short-term investments	155,352	—	—	155,352
Other investments[(i)]	9,515	—	—	9,515
Derivative liabilities	—	—	574	574

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 886,973	$ —	$ —	$ 886,973
Short-term investments	117,684	—	—	117,684
Other investments[(i)]	8,000	—	—	8,000
Derivative liabilities	—	—	14,375	14,375

(i) As of June 30, 2022 and December 31, 2021, the Company's influence on Cronos Australia is deemed non-significant and the investment is considered an equity security with a readily determinable fair value. See Note 3 "*Investments*" for additional information.

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

13. Impairment Loss on Long-lived Assets

(a) Right-of-use assets and property, plant, and equipment, net

During the six months ended June 30, 2022, the Company recognized an impairment charge of $1,986 related to the right-of-use lease asset associated with the Company's corporate headquarters, encompassing approximately 29,000 square feet, in Toronto, Ontario, Canada, for which the Company determined it would seek a sublease. In addition, the Company recognized an impairment charge of $1,507 during the six months ended June 30, 2022 related to leasehold improvements and other office equipment that it plans to include in any potential sublease agreement. The determination to seek a sublease of the property and include leasehold improvements and other office equipment in any potential sublease agreement triggered the impairment charges. Both of the impairment charges are recognized as impairment loss on long-lived assets on the condensed consolidated statements of net loss and comprehensive loss.

During the three months ended June 30, 2021, the Company concluded that there were impairment indicators on property, plant and equipment associated with sales channels in the U.S. segment. As a result, a quantitative impairment analysis was required as of June 30, 2021. As such, the Company reassessed its estimates and forecasts as of June 30, 2021, to determine the fair values of the property, plant and equipment using an undiscounted cash flow methodology. Significant inputs include growth rates and cash flow projections. As a result of the analysis, as of June 30, 2021, the Company concluded the carrying amount of the property, plant and equipment associated with sales channels in the U.S. segment exceeded its fair value, which resulted in impairment charges of $1,214 on the condensed consolidated statements of net loss and comprehensive loss for the three and six months ended June 30, 2021.

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During the six months ended June 30, 2021, the Company recognized an impairment charge of $1,039 related to leasehold improvements located within leased premises, encompassing approximately 6,000 square feet, in Los Angeles, California, which the Company determined it no longer had plans to use. The significant change in the extent and manner in which the leasehold improvements are being used and the expectation that, more likely than not, the leasehold improvements will be disposed of before the end of their useful life triggered an impairment. The right-of-use lease asset associated with the leasehold improvements was also written down as a result of the Company's decision to no longer use the leased premises. The Company recognized an impairment charge on the de-recognition of the right-of-use asset of $702 during the six months ended June 30, 2021. Both of the impairment charges are recognized as impairment loss on long-lived assets on the condensed consolidated statements of net loss and comprehensive loss.

No impairment charges were recorded during the three months ended June 30, 2022 on property, plant and equipment and right-of-use assets, other than as noted above.

14. Related Party Transactions

(a) Altria

On March 8, 2019, in connection with the Altria Investment, Altria, through certain of its wholly owned subsidiaries, purchased a 45% equity interest in the Company. As of June 30, 2022, Altria beneficially held an approximately 41% ownership interest in the Company (calculated on a non-diluted basis).

The Company incurred the following expenses for consulting services from Altria Pinnacle LLC, a subsidiary of Altria ("Altria Pinnacle"):

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Altria Pinnacle - expense	$ —	$ 2	$ 28	$ 12

As of both June 30, 2022 and December 31, 2021, the Company had no payables outstanding to Altria Pinnacle.

(b) Cronos GrowCo

The Company holds a variable interest in Cronos GrowCo through its ownership of 50% of Cronos GrowCo's common shares and senior secured debt in Cronos GrowCo. See Note 3 "*Investments*" for additional information.

The Company made the following purchases of cannabis products from Cronos GrowCo:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Cronos GrowCo - purchases	$ 5,597	$ 534	$ 8,815	$ 534

As of June 30, 2022 and December 31, 2021, the Company had payables outstanding to Cronos GrowCo of $2,103 and $82, respectively.

Additionally, on August 23, 2019, the Company, as lender, and Cronos GrowCo, as borrower, entered into the GrowCo Facility. See Note 4 "*Loans Receivable, net*" for additional information.

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 June 30, 2022 (this "Quarterly Report"), consolidated financial statements appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (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 U.S. Securities and Exchange Commission ("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 securities laws (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 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;
- the uncertainties associated with the COVID-19 pandemic, including our ability, and the abilities of our joint ventures and our suppliers and distributors, to effectively deal with the restrictions, limitations and health issues presented by the COVID-19 pandemic, the ability to continue our production, distribution and sale of our products, and demand for and the use of our products by consumers;
- laws and regulations and any amendments thereto applicable to our business and the impact thereof, including uncertainty regarding the application of United States ("U.S.") state and federal law to 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 "FDA"), the U.S. Drug Enforcement Administration (the "DEA"), the U.S. Federal Trade Commission (the "FTC"), the U.S. Patent and Trademark Office (the "PTO") and any state equivalent regulatory agencies over U.S. hemp (including CBD and other U.S. hemp-derived cannabinoids) products;
- the laws and regulations and any amendments thereto relating to the U.S. hemp industry in the U.S., including the promulgation of regulations for the U.S. hemp industry by the U.S. Department of Agriculture (the "USDA") and relevant state regulatory authorities;
- 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;
- the timing of our exit from our facility in Stayner, Ontario (the "Stayner Facility") and the expected costs and benefits from the wind-down of the Stayner Facility;
- our ability to effectively wind-down the Stayner Facility in an organized fashion and acquire raw materials from other suppliers, including Cronos Growing Company Inc. ("Cronos GrowCo") and the costs and timing associated therewith;
- the grant, renewal and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;
- our international activities and joint venture interests, including required regulatory approvals and licensing, anticipated costs and timing, and expected impact;
- our ability to successfully create and launch brands and further create, launch and scale U.S. hemp-derived cannabinoid consumer products and cannabis products;
- the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, including CBD and other cannabinoids;
- expectations regarding the implementation and effectiveness of key personnel changes;
- 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;
- the potential exercise of one warrant of the Company included as part of the Altria Investment (the "Altria Warrant"), pre-emptive rights and/or top-up rights in connection with the Altria Investment, including proceeds to us that may result therefrom;

- expectations regarding the use of proceeds of equity financings, including the proceeds from the Altria Investment;
- the legalization of the use of cannabis for medical or adult-use in jurisdictions outside of Canada, the related timing and impact thereof and our intentions to participate in such markets, if and when such use is legalized;
- expectations regarding the potential success of, and the costs and benefits associated with, our joint ventures, strategic alliances and equity investments, including the strategic partnership (the "Ginkgo Strategic Partnership") with Ginkgo Bioworks Holdings, Inc. ("Ginkgo");
- our ability to execute on our strategy and the anticipated benefits of such strategy;
- expectations of the amount or frequency of impairment losses, including as a result of the write-down of intangible assets, including goodwill;
- 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 future performance of our business and operations;
- our competitive advantages and business strategies;
- the competitive conditions of the industry;
- the expected growth in the number of customers using our products;
- our ability or plans to identify, develop, commercialize or expand our technology and research and development ("R&D") initiatives in cannabinoids, or the success thereof;
- expectations regarding acquisitions and dispositions and the anticipated benefits therefrom;
- 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 revenues, expenses and anticipated cash needs;
- expectations regarding cash flow, liquidity and sources of funding;
- expectations regarding 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;
- expectations regarding our growing, production and supply chain capacities;
- expectations regarding the resolution of litigation and other legal and regulatory proceedings, reviews and investigations;
- expectations with respect to future production costs;
- expectations with respect to future sales and distribution channels and networks;
- the expected methods to be used to distribute and sell our products;
- the anticipated future gross margins of our operations;
- accounting standards and estimates;
- our ability to timely and effectively remediate any material weaknesses in our internal control over financial reporting; and
- expectations regarding the costs and benefits associated with our contracts and agreements with third parties, including under our third party supply and manufacturing agreements.

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 efficiently and effectively exit the Stayner Facility, receive the benefits of the Stayner Facility wind down and acquire raw materials on a timely and cost-effective basis from third parties, including Cronos GrowCo; (ii) our ability, and the abilities of our joint ventures and our suppliers and distributors, to effectively deal with the restrictions, limitations and health issues presented by the COVID-19 pandemic and the ability to continue our production, distribution and sale of our products and customer demand for and use of our products; (iii) management's perceptions of historical trends, current conditions and expected future developments; (iv) our ability to generate cash flow from operations; (v) general economic, financial market, regulatory and political conditions in which we operate; (vi) the production and manufacturing capabilities and output from our facilities and our joint ventures, strategic alliances and equity investments; (vii) consumer interest in our products; (viii) competition; (ix) anticipated and unanticipated costs; (x) government regulation of our activities and products including, but not limited to, the areas of taxation and environmental protection; (xi) the timely receipt of any required regulatory authorizations, approvals, consents, permits and/or licenses; (xii) our ability to obtain qualified staff, equipment and services in a timely and cost-efficient manner; (xiii) our ability to conduct operations in a safe, efficient and effective manner; (xiv) our ability to realize anticipated benefits, synergies or generate revenue, profits or value from our recent acquisitions into our existing operations; (xv) our ability to realize the expected cost-savings, efficiencies and other benefits of our Realignment and employee turnover related thereto; (xvi) our ability to complete planned dispositions, and, if completed, obtain our anticipated sales price; (xvii) our ability to exercise the PharmaCann Option and realize the anticipated benefits of the transaction with PharmaCann; and (xviii) 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, that we may not be able to exit the Stayner Facility in an organized fashion or achieve the anticipated benefits of the exit or be able to access raw materials on a timely and cost-effective basis from third parties, including Cronos GrowCo; the risk that the COVID-19 pandemic and 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; the risk that we will not complete planned dispositions, or, if completed, obtain our anticipated sales price; the implementation and effectiveness of key personnel changes; the risks that our Realignment, the closure of the Stayner Facility 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; future levels of revenues; consumer demand for cannabis and U.S. hemp products; our ability to manage disruptions in credit markets or changes to our credit ratings; future levels of capital, environmental or maintenance expenditures, general and administrative and other expenses; the success or timing of completion of ongoing or anticipated capital or maintenance projects; business strategies, growth opportunities and expected investment; the adequacy of our capital resources and liquidity, including but not limited to, availability of sufficient cash flow to execute our business plan (either within the expected timeframe or at all); the potential 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 anticipated 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; 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 realizing 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 remediation of material weaknesses in our internal control over financial reporting and the improvement of our control environment and our systems, processes and procedures; and the factors discussed under Part I, Item 1A "Risk Factors" of the Annual Report. 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 June 30, 2022, June 30, 2021 and December 31, 2021. 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		
	June 30, 2022	June 30, 2021	December 31, 2021
Quarter-to-date average rate	1.2765	1.2293	N/A
Spot rate	1.2874	1.2395	1.2746
Year-to-date average rate	1.2715	1.2481	1.2541

Business Overview

Cronos Group is an innovative global cannabinoid company committed to building disruptive intellectual property by advancing cannabis research, technology and product development and are seeking to build an iconic brand portfolio. Cronos Group's diverse international brand portfolio includes Spinach®, PEACE NATURALS®, Lord Jones®, Happy Dance® and PEACE+®.

Strategy

Cronos Group 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.

Business segments

We report through two segments: "United States" (the "U.S. segment") and "Rest of World" (the "ROW segment"). These two segments represent the geographic regions in which we operate and the different product offerings within each geographic region.

The U.S. segment manufactures, markets and distributes U.S. hemp-derived supplements and cosmetic products through e-commerce, retail and hospitality partner channels in the United States under the brands Lord Jones®, Happy Dance® and PEACE+®.

The ROW segment is involved in the cultivation, manufacture, and marketing of cannabis and cannabis-derived products for the medical and adult-use markets. In Canada, Cronos Group operates two wholly owned license holders under the Cannabis Act (Canada) (the "Cannabis Act"), Peace Naturals Project Inc. ("Peace Naturals"), which has production facilities near Stayner, Ontario (the "Stayner Facility"), and Thanos Holdings Ltd., known as Cronos Fermentation ("Cronos Fermentation"), which has a production facility in Winnipeg, Manitoba. 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 cannabis oils in the Israeli medical market. Cronos Group has established three strategic joint ventures in Canada, Israel and Colombia. Additionally, as of June 30, 2022, Cronos Group held approximately 10% of the issued capital of Cronos Australia Limited ("Cronos Australia"), which is listed on the Australian Securities Exchange under the trading symbol "CAU." Cronos Group currently exports cannabis products to two of the countries that permit the import of such products: Germany and Israel.

Recent Developments

COVID-19 update

In December 2019, an outbreak of a novel strain of coronavirus, COVID-19, was identified in Wuhan, China. Since then, COVID-19 has spread across the globe, including the U.S., Canada and Israel, and other countries in which Cronos Group or its affiliates operate (including Australia and Colombia) and was recognized as a pandemic by the World Health Organization. The COVID-19 pandemic resulted in a sharp contraction in many areas of the global economy and increased volatility and uncertainty in the capital markets. In response to the pandemic, the governments of many countries, provinces, states, municipalities, and other geographic regions took preventative or protective actions, including closures of certain businesses, mandatory quarantines, limits on individuals' time outside of their homes, travel restrictions and social distancing or other preventative measures. Such measures were eased or lifted in varying degrees by different governments of various countries, states and municipalities since implementation in 2020, but the continued spread of COVID-19 and increased infection rates has caused, and may continue to cause, some jurisdictions to roll back reopening plans that had been underway and re-impose quarantines, border closures, closure of certain businesses and stay-at-home orders.

The COVID-19 pandemic continues to impact the global economy and, specifically, the U.S., Canada, Israel, and the other countries in which Cronos Group or its affiliates operate (including Australia and Colombia). We continue to closely monitor and respond, where possible, to the ongoing COVID-19 pandemic. As the global situation continues to change rapidly, ensuring the health and safety of our employees remains one of our top priorities.

In the U.S., numerous states have continued to remove their COVID-19 related restrictions. This has resulted in the re-opening of, and increased occupancy capacities in, retail outlets, including those that sell our products. Any reinstatement of restrictions on the operations of retail outlets could negatively impact our short-term results of operations in the U.S. Recently in the U.S., there have been a number of supply chain challenges, such as container ships facing delays due to congestion in ports, impacting many industries, including the industries in which we operate. Although we have not yet seen a significant impact from supply chain disruptions, we continue to monitor our supply chain closely.

In Canada, COVID-19 restrictions began gradually easing at the end of June 2021 as the vaccination rate increased. The lockdown measures taken in the first six months of 2021 to slow infection rates negatively impacted our short-term revenue growth in Canada in 2021. The increase in cases related to the Omicron variant of COVID-19 beginning in December 2021 caused the reinstatement of some restrictions on non-essential retail stores in some provinces, including Quebec, in early 2022; however, those restrictions have eased in most other provinces. Each province is responsible for implementing re-opening plans and certain provinces, including Ontario, are progressing through phases of re-opening which may permit continued increases to the allowance of in-person shopping, typically in the form of percentage of store capacity. All provinces have some form of cannabis retail open to consumers, whether it be restricted in-person shopping, curb-side pickup or delivery. Most provinces have lifted the requirement that retail shoppers show proof of vaccination before entering retail stores. The potential for recurring retail restrictions is ongoing, which could negatively impact our results of operations.

In Israel, most COVID-19 restrictions have been removed as vaccination rates have increased. Occupancy limitations in retail outlets have been removed, including those that sell our products. We do not expect the remaining COVID-19 restrictions to have a material impact on our short-term revenue growth in Israel.

Collectively, the effects of the COVID-19 pandemic have adversely affected our results of operations and, if the effects continue unabated, could continue to do so as long as measures to combat the COVID-19 pandemic remain in effect or supply chains continue to be challenged. At this time, neither the duration nor scope of the disruption can be predicted; therefore, the ultimate impact to our business cannot be reasonably estimated, but such impact could materially adversely affect our business, financial condition and results of operations.

Despite the impacts of the COVID-19 pandemic, we believe that our significant cash on hand and short-term investments will be adequate to meet liquidity and capital requirements for at least the next twelve months.

Strategic and Organizational Update

In the second quarter of 2022, following an evaluation of the U.S. business as part of the Company's Realignment, the Company began a phased exit of the wholesale beauty category to focus the portfolio on adult-use product formats within the direct-to-consumer channel. As a result, the Company reduced sales and marketing headcount in the U.S. to better align the business structure with the new strategy. Due to the restructuring of the U.S. business and other newly identified cost savings opportunities, the Company now expects to incur approximately $6.4 million in expenses in connection with the Realignment, an increase from the previously stated $5.8 million.

In addition, the Company anticipates capital expenditures as a result of the Realignment of approximately $2.2 million to modernize information technology systems and build distribution capabilities. As of June 30, 2022, related capital expenditures were $0.3 million. As the Company continues its transition through the second half of 2022, it anticipates that it will begin to incur the majority of the expected capital expenditures as part of the Realignment.

Brand and Product Portfolio

Subsequent to the second quarter, in July and August 2022, the Company launched two rare cannabinoid products featuring cannabinol ("CBN") across select markets in Canada with intentions to expand across Canada over time. The first was a gummy featuring CBN under the Spinach FEELZ™ brand, Deep Dreamz Blueberry Pomegranate (2:1 THC|CBN), featuring 2 gummies per pack with 10mg tetrahydrocannabinol ("THC") and 5mg CBN per pack. The addition of a CBN-focused gummy further builds on our rare cannabinoid portfolio. Additionally, the Company complemented the CBN gummy launch with an offering in the vape category, the Spinach FEELZ™ Deep Dreamz Blackberry Kush (7:1 THC|CBN) 1-gram vape.

Intellectual property initiatives

In June 2022, Cronos announced the achievement of the final productivity target for tetrahydrocannabivarin ("THCV") under its strategic partnership (the "Ginkgo Strategic Partnership") with Ginkgo Bioworks Holdings, Inc. (NYSE:DNA) ("Ginkgo"). THCV is hypothesized to reduce the appetite-enhancing property of THC.

Appointments

In August 2022, the Company appointed Arye Weigensberg as Senior Vice President, Head of Research & Development, after serving in an interim capacity since November 2021. Prior to serving as interim Head of Research and Development, Mr. Weigensberg was the General Manager and Vice President of Research and Technology at Cronos Research Labs. Before joining the Company, Mr. Weigensberg was the CEO of Altria Israel Ltd (an Altria research and development hub). Since joining Cronos, Mr. Weigensberg has played a foundational role developing the scope of our rare cannabinoid work, while advancing our research capabilities to forge new strategies for differentiated cannabis products.

Consolidated Results of Operations

The tables below sets 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.

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net revenue before excise taxes	$ 28,554	$ 18,848	$ 57,960	$ 33,502
Excise taxes	(5,493)	(3,226)	(9,866)	(5,269)
Net revenue	23,061	15,622	48,094	28,233
Cost of sales	18,941	19,445	37,048	35,019
Inventory write-down	—	11,961	—	11,961
Gross profit	4,120	(15,784)	11,046	(18,747)
Operating expenses:				
Sales and marketing	5,582	13,209	10,594	23,463
Research and development	4,302	5,199	8,341	10,301
General and administrative	17,005	22,417	39,373	44,323
Restructuring costs	1,270	—	4,354	—
Share-based compensation	2,616	2,565	6,302	5,064
Depreciation and amortization	1,411	1,043	2,704	1,778
Impairment loss on goodwill and indefinite-lived intangible assets	—	234,914	—	234,914
Impairment loss on long-lived assets	—	1,214	3,493	2,955
Total operating expenses	32,186	280,561	75,161	322,798
Operating loss	(28,066)	(296,345)	(64,115)	(341,545)
Other income	7,420	117,553	11,178	1,149
Income tax benefit (expense)	308	—	(54)	—
Loss from discontinued operations	—	(561)	—	(582)
Net loss	(20,338)	(179,353)	(52,991)	(340,978)
Net loss attributable to non-controlling interest	(117)	(279)	(132)	(592)
Net loss attributable to Cronos Group	$ (20,221)	$ (179,074)	$ (52,859)	$ (340,386)

Summary of select financial results

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2022	2021	$	%	2022	2021	$	%
Net revenue	$ 23,061	$ 15,622	$ 7,439	48 %	$ 48,094	$ 28,233	$ 19,861	70 %
Cost of sales	18,941	19,445	(504)	(3) %	37,048	35,019	2,029	6 %
Inventory write-down	—	11,961	(11,961)	(100) %	—	11,961	(11,961)	(100) %
Gross profit	4,120	(15,784)	19,904	126 %	11,046	(18,747)	29,793	159 %
Gross margin[(i)]	18 %	(101)%	N/A	119 pp	23 %	(66)%	N/A	89 pp

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

Net revenue

For the three months ended June 30, 2022, we reported consolidated net revenue of $23.1 million, representing an increase of $7.4 million from the three months ended June 30, 2021. For the six months ended June 30, 2022, we reported consolidated net revenue of $48.1 million, representing an increase of $19.9 million from the six months ended June 30, 2021. For both the three and six month comparative periods, the increase was primarily due to an increase in net revenue in the ROW segment driven by growth in the Israeli medical market and the Canadian adult-use market.

Cost of sales

For the three months ended June 30, 2022, we reported consolidated cost of sales of $18.9 million, representing a decrease of $0.5 million from the three months ended June 30, 2021. For the six months ended June 30, 2022, we reported consolidated cost of sales of $37.0 million, representing an increase of approximately $2.0 million from the six months ended June 30, 2021. For the three month comparative period, the decrease was due to lower cannabis biomass costs, partially offset by higher sales volumes and lower fixed cost absorption due to the timing of wind down activities associated with our planned exit of the Stayner Facility. For the six month comparative period, the increase was primarily due to higher sales volumes in the ROW segment and lower fixed cost absorption due to the timing of wind down activities associated with our exit of the Stayner facility, partially offset by lower cannabis biomass costs.

Inventory write-down

For the three and six months ended June 30, 2021, we reported inventory write-downs of $12.0 million primarily related to cannabis strains and potency levels that were no longer in-line with consumer preferences in the Canadian market and adjustments for obsolete inventory in Canada. We reported no such write-down for the three and six months ended June 30, 2022.

Gross profit

For the three months ended June 30, 2022, we reported gross profit of $4.1 million, representing an increase in gross profit of $19.9 million compared to the three months ended June 30, 2021. For the six months ended June 30, 2022, we reported gross profit of $11.0 million, representing an increase in gross profit of $29.8 million compared to the six months ended June 30, 2021. For both the three and six month comparative periods, the change was primarily due to the absence of inventory write-downs in the current periods, increased revenue in the ROW segment driven mainly by sales of cannabis flower and a favorable mix of cannabis extract products, which carry a higher gross profit and gross margin than other product categories, and lower cannabis biomass costs, partially offset by lower fixed cost absorption due to the timing of wind down activities associated with our exit of the Stayner Facility.

Operating expenses

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2022	2021	$	%	2022	2021	$	%
Sales and marketing	$ 5,582	$ 13,209	$ (7,627)	(58)%	$ 10,594	$ 23,463	$ (12,869)	(55)%
Research and development	4,302	5,199	(897)	(17)%	8,341	10,301	(1,960)	(19)%
General and administrative	17,005	22,417	(5,412)	(24)%	39,373	44,323	(4,950)	(11)%
Restructuring	1,270	—	1,270	N/A	4,354	—	4,354	N/A
Share-based compensation	2,616	2,565	51	2 %	6,302	5,064	1,238	24 %
Depreciation and amortization	1,411	1,043	368	35 %	2,704	1,778	926	52 %
Impairment loss on goodwill and indefinite-lived intangible assets	—	234,914	(234,914)	(100)%	—	234,914	(234,914)	(100)%
Impairment loss on long-lived assets	—	1,214	(1,214)	(100)%	3,493	2,955	538	18 %
Total operating expenses	$ 32,186	$ 280,561	$ (248,375)	(89)%	$ 75,161	$ 322,798	$ (247,637)	(77)%

Sales and marketing

For the three months ended June 30, 2022, sales and marketing expenses were $5.6 million, representing a decrease of $7.6 million from the three months ended June 30, 2021. For the six months ended June 30, 2022, sales and marketing expenses were $10.6 million, representing a decrease of $12.9 million from the six months ended June 30, 2021. For both the three and six month comparative periods, the decrease was primarily due to lower advertising and marketing spend as well as lower payroll-related costs in the U.S. segment associated with the Realignment.

Research and development

For the three months ended June 30, 2022, research and development expenses were $4.3 million, representing a decrease of $0.9 million from the three months ended June 30, 2021. For the six months ended June 30, 2022, research and development expenses were $8.3 million, representing a decrease of $2.0 million from the six months ended June 30, 2021. For both the three and six month comparative periods, the decrease was primarily due to lower payroll costs associated with the Realignment and focused investment in more margin-accretive innovation.

General and administrative

For the three months ended June 30, 2022, general and administrative expenses were $17.0 million, representing a decrease of $5.4 million from the three months ended June 30, 2021. For the six months ended June 30, 2022, general and administrative expenses were $39.4 million, representing a decrease of $5.0 million from the six months ended June 30, 2021. For both the three and six month comparative periods, the decrease was primarily due to advisory fees associated with strategic initiatives, including the PharmaCann investment, that were incurred during the three and six months ended June 30, 2021, partially offset by higher employee-related costs during the three and six months ended June 30, 2022.

Restructuring costs

For the three and six months ended June 30, 2022, restructuring costs were $1.3 million and $4.4 million, respectively, compared to no restructuring costs for the three and six months ended June 30, 2021. Restructuring costs for both the three and six months ended June 30, 2022, were related to the Realignment, including the planned exit of the Stayner Facility.

Share-based compensation

For the three months ended June 30, 2022, share-based compensation expense was $2.6 million, essentially unchanged from the three months ended June 30, 2021. For the six months ended June 30, 2022, share-based compensation expense was $6.3 million, representing an increase of $1.2 million from the six months ended June 30, 2021. For the six month comparative period, the increase was primarily due to the acceleration of equity grants in the first quarter of 2022 to certain executive employees in connection with their separation from the Company.

Depreciation and amortization

For the three months ended June 30, 2022, depreciation and amortization expenses were $1.4 million, representing an increase of $0.4 million from the three months ended June 30, 2021. For the six months ended June 30, 2022, depreciation and amortization expenses were $2.7 million, representing an increase of $0.9 million from the six months ended June 30, 2021. For both the three and six month comparative periods, the change was primarily due to additional depreciation on assets placed into service in the second half of 2021, as well as amortization on Ginkgo related intangibles placed in service in the second half of 2021.

Impairment loss on goodwill and indefinite-lived intangible assets

For both the three and six month ended June 30, 2022, there was no impairment loss on goodwill and indefinite-lived intangible assets. For both the three and six month ended June 30, 2021, impairment loss on goodwill and indefinite-lived intangible assets was $234.9 million, primarily due to impairment charges on the goodwill associated with our U.S. reporting unit and Lord Jones® brand.

Impairment loss on long-lived assets

For the three months ended June 30, 2022, there was no impairment loss on long-lived assets. For the six months ended June 30, 2022, impairment loss on long-lived assets was $3.5 million, representing an increase of $0.5 million from the six months ended June 30, 2021. For the six month comparative period, the increase related to the impairment of our right-of-use lease asset and associated leasehold improvements associated with our corporate headquarters in Toronto, Ontario, Canada. See Note 13 "*Impairment Loss on Long-lived Assets*" to the condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

Other income (loss), income tax expense and discontinued operations

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2022	2021	$	%	2022	2021	$	%
Interest income, net	$ 3,775	$ 2,293	$ 1,482	65 %	$ 5,821	$ 4,622	$ 1,199	26 %
Gain (loss) on revaluation of derivative liabilities	3,410	115,248	(111,838)	(97)%	13,829	(1,626)	15,455	N/M
Share of income (loss) from equity method investments	5,197	(1,115)	6,312	566 %	5,197	(2,758)	7,955	288 %
Gain (loss) on revaluation of financial instruments	(2,112)	77	(2,189)	N/M	2,156	(123)	2,279	N/M
Impairment loss on other investments	—	—	—	N/A	(11,238)	—	(11,238)	N/A
Foreign currency transaction loss	(2,852)	—	(2,852)	N/A	(4,724)	—	(4,724)	N/A
Other, net	2	1,050	(1,048)	(100)%	137	1,034	(897)	(87)%
Total other income	7,420	117,553	(110,133)	(94)%	11,178	1,149	10,029	873 %
Income tax benefit (expense)	308	—	308	N/A	(54)	—	(54)	N/A
Loss from discontinued operations	—	(561)	561	100 %	—	(582)	582	100 %
Net loss	$ (20,338)	$ (179,353)	$ 159,015	89 %	$ (52,991)	$ (340,978)	$ 287,987	84 %

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

Interest income, net

For the three months ended June 30, 2022, interest income, net was $3.8 million, representing an increase of $1.5 million from the three months ended June 30, 2021. For the six months ended June 30, 2022, interest income, net was $5.8 million, representing an increase of $1.2 million from the six months ended June 30, 2021. For both the three and six month comparative periods, the increase in net interest income was primarily due to higher short-term investment balances and higher interest rates during the comparative periods.

Gain (loss) on revaluation of derivative liabilities

For the three months ended June 30, 2022, the gain on revaluation of derivative liabilities was $3.4 million, representing a decrease of $111.8 million from the three months ended June 30, 2021. For the six months ended June 30, 2022, the gain on revaluation of derivative liabilities was $13.8 million, representing an increase of $15.5 million from the six months ended June 30, 2021. We expect continued changes in derivative valuations as our share price fluctuates period to period and the remaining expected terms of our derivative instruments decrease. For further information, see Note 6 "*Derivative Liabilities*" to the condensed consolidated interim financial statements under Item 1 "Financial Statements" of this Quarterly Report.

Share of income (loss) from equity method investments

For the three months ended June 30, 2022, our share of income from equity method investments was $5.2 million, representing an increase of $6.3 million from the three months ended June 30, 2021. For the six months ended June 30, 2022, our share of income from equity method investments was $5.2 million, representing an increase of $8.0 million from the six months ended June 30, 2021. For both the three and six month comparative periods, the change was due to improved results from our equity method investment in Cronos GrowCo.

Gain (loss) on revaluation of financial instruments

For the three months ended June 30, 2022, the loss on revaluation of financial instruments was $2.1 million, representing an increased loss of $2.2 million compared to the three months ended June 30, 2021. For the six months ended June 30, 2022, the gain on revaluation of financial instruments was $2.2 million, representing an increased gain of $2.3 million compared to the six months ended June 30, 2021. For both the three and six month comparative periods, the change was primarily related to the change in fair value of our investment in Cronos Australia. For further information, see Note 3 "*Investments*" to the condensed consolidated interim financial statements under Item 1 "Financial Statements" of this Quarterly Report.

Impairment loss on other investments

For the six months ended June 30, 2022, the impairment loss on other investments of $11.2 million was driven by an impairment of the PharmaCann Option for the difference between its estimated fair value and its carrying amount. There were no impairment losses on other investments in either the three months ended June 30, 2022 or the three and six months ended June 30, 2021. Refer to Note 3 “Investments” in our condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

Foreign currency transaction loss

For the three and six months ended June 30, 2022, foreign currency transaction loss was $2.9 million and $4.7 million, respectively, which related to certain foreign currency-denominated intercompany loans anticipated to be settled in the foreseeable future. There were no such foreign currency transaction losses during the three and six months ended, June 30, 2021.

Other, net

For the three months ended June 30, 2022, other, net was $0.01 million, representing a decrease of $1.0 million from the three months ended June 30, 2021. For the six months ended June 30, 2022, other, net was $0.1 million, representing a decrease of $0.9 million from the six months ended June 30, 2021. For both the three and six month comparative periods, the decrease was primarily related to the gain on held for sale assets sold during the periods. There were no such sales for the three and six months ended June 30, 2022.

Results of Operations by Business Segment:

The tables below set forth our condensed consolidated results of operations by our two business segments: the ROW segment and the U.S. segment, expressed in U.S. dollars and in thousands 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. Certain totals in the tables below will not sum to exactly 100% due to rounding.

Summary of select financial results – ROW

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2022	2021	$	%	2022	2021	$	%
Net revenue	$ 21,602	$ 13,395	$ 8,207	61 %	$ 44,307	$ 23,565	$ 20,742	88 %
Cost of sales	17,280	17,862	(582)	(3) %	33,275	32,171	1,104	3 %
Inventory write-down	—	11,961	(11,961)	(100) %	—	11,961	(11,961)	(100) %
Gross profit	4,322	(16,428)	20,750	126 %	11,032	(20,567)	31,599	154 %
Gross margin	20 %	(123)%	N/A	143 pp	25 %	(87)%	N/A	112 pp

Net revenue – ROW

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2022	2021	$	%	2022	2021	$	%
Cannabis flower	$ 15,739	$ 11,597	$ 4,142	36 %	$ 34,364	$ 21,031	$ 13,333	63 %
Cannabis extracts	5,582	1,531	4,051	265 %	9,570	2,234	7,336	328 %
Other	281	267	14	5 %	373	300	73	24 %
Net revenue	$ 21,602	$ 13,395	$ 8,207	61 %	$ 44,307	$ 23,565	$ 20,742	88 %

For the three months ended June 30, 2022, the ROW segment reported net revenue of $21.6 million, representing an increase of $8.2 million from the three months ended June 30, 2021. For the six months ended June 30, 2022, the ROW segment reported net revenue of $44.3 million, representing an increase of $20.7 million from the six months ended June 30, 2021. For both the three and six month comparative periods, the change was primarily due to an increase in net revenue in the Israeli medical market largely attributable to the cannabis flower category, and in the Canadian adult-use market driven primarily by cannabis extract products.

Cost of sales – ROW

For the three months ended June 30, 2022, the ROW segment reported cost of sales of $17.3 million, representing a decrease of $0.6 million from the three months ended June 30, 2021. For the six months ended June 30, 2022, the ROW segment reported cost of sales of $33.3 million, representing an increase of $1.1 million from the six months ended June 30, 2021. For the three month comparative period, the decrease was primarily due to lower cannabis biomass costs, partially offset by higher sales volumes and lower fixed cost absorption due to the timing of wind down activities associated with our planned exit of the Stayner Facility. For the six month comparative period, the increase was primarily due to higher sales volumes and lower fixed cost absorption due to the timing of wind down activities associated with our exit of the Stayner facility, partially offset by lower cannabis biomass costs.

Inventory write-down – ROW

For the three and six months ended June 30, 2021, the ROW segment reported consolidated inventory write-down of $12.0 million primarily related to cannabis strains and potency levels that were no longer in-line with consumer preferences in the Canadian market and adjustments for obsolete inventory in Canada. The ROW segment reported no such write-down for the three and six months ended June 30, 2022.

Gross profit – ROW

For the three months ended June 30, 2022, the ROW segment reported gross profit of $4.3 million, representing an increase in gross profit of $20.8 million from the three months ended June 30, 2021. For the six months ended June 30, 2022, the ROW segment reported gross profit of $11.0 million, representing an increase in gross profit of $31.6 million from the six months ended June 30, 2021. For both the three and six month comparative periods, the change was primarily due to the absence of inventory write-downs in the current periods, increased cannabis flower revenue, the introduction of additional cannabis extract products that carry a higher gross margin than other product categories and lower cannabis biomass costs, partially offset by lower fixed cost absorption due to the timing of wind down activities associated with our exit of the Stayner Facility.

Summary of select financial results – U.S.

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2022	2021	$	%	2022	2021	$	%
Net revenue	$ 1,459	$ 2,227	$ (768)	(34) %	$ 3,787	$ 4,668	$ (881)	(19) %
Cost of sales	1,661	1,583	78	5 %	3,773	2,848	925	32 %
Gross profit	(202)	644	(846)	(131) %	14	1,820	(1,806)	(99) %
Gross margin	(14)%	29 %	N/A	(43)pp	— %	39 %	N/A	(39)pp

Net revenue – U.S.

For the three months ended June 30, 2022, the U.S. segment reported net revenue of $1.5 million, representing a decrease of $0.8 million from the three months ended June 30, 2021. For the six months ended June 30, 2022, the U.S. segment reported net revenue of $3.8 million, representing a decrease of $0.9 million from the six months ended June 30, 2021. For both the three and six month comparative periods, the decrease was primarily driven by a reduction in sales as a result of a decrease in promotional spending and SKU rationalization efforts as the Company implements the Realignment with respect to the U.S. segment.

Cost of sales – U.S.

For the three months ended June 30, 2022, the U.S. segment reported cost of sales of $1.7 million, essentially unchanged from the three months ended June 30, 2021. For the six months ended June 30, 2022, the U.S. segment reported cost of sales of $3.8 million, representing an increase of $0.9 million from the six months ended June 30, 2021. For the six month comparative period, the increase was primarily due to higher inventory reserves.

Gross profit – U.S.

For the three months ended June 30, 2022, the U.S. segment reported negative gross profit of $0.2 million, representing a decrease of $0.8 million from the three months ended June 30, 2021. For the six months ended June 30, 2022, the U.S. segment reported gross profit of $0.01 million, representing a decrease of $1.8 million from the six months ended June 30, 2021. For both the three and six month comparative periods, gross profit was negatively impacted by lower sales volumes and higher inventory reserves.

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 of our operating segments. 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; transaction costs related to strategic projects; impairment loss on other investments; foreign currency transaction loss; other, net; loss from discontinued operations; restructuring costs; share-based compensation; and financial statement review costs and reserves related to the restatements of our 2019 and 2021 interim financial statements, including the costs related to our responses to the reviews of such interim financial statements by various regulatory authorities and legal costs 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 regulatory reviews and shareholder class action complaints relating to the restatement of the 2019 interim financial statements and the regulatory reviews relating to the restatements of the second quarter 2021 interim financial statements).

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.

Adjusted EBITDA is reconciled to net income (loss) as follows:

(In thousands of U.S. dollars)	Three months ended June 30, 2022			
	United States	**Rest of World**	**Corporate**	**Total**
Net loss	$ (4,498)	$ (8,759)	$ (7,081)	$ (20,338)
Interest income, net	(426)	(3,349)	—	(3,775)
Income tax expense	—	(308)	—	(308)
Share of income from equity method investments	—	(5,197)	—	(5,197)
Gain on revaluation of derivative liabilities(iii)	—	(3,410)	—	(3,410)
Loss on revaluation of financial instruments(v)	—	2,112	—	2,112
Foreign currency transaction loss	—	2,852	—	2,852
Other, net(vii)	—	(2)	—	(2)
Restructuring costs(ix)	292	978	—	1,270
Share-based compensation(x)	473	2,143	—	2,616
Financial statement review costs(xi)	—	—	1,154	1,154
Depreciation and amortization	282	3,945	—	4,227
Adjusted EBITDA	$ (3,877)	$ (8,995)	$ (5,927)	$ (18,799)

(In thousands of U.S. dollars)	Three months ended June 30, 2021			
	United States	**Rest of World**	**Corporate**	**Total**
Net income (loss)	$ (247,847)	$ 79,627	$ (11,133)	$ (179,353)
Interest income, net	(20)	(2,273)	—	(2,293)
Share of loss from equity method investments	—	1,115	—	1,115
Impairment loss on goodwill and indefinite-lived intangible assets(i)	234,914	—	—	234,914
Impairment loss on long-lived assets(ii)	1,214	—	—	1,214
Gain on revaluation of derivative liabilities(iii)	—	(115,248)	—	(115,248)
Transaction costs(iv)	—	—	2,758	2,758
Gain on revaluation of financial instruments(v)	—	(77)	—	(77)
Other, net(vii)	—	(1,050)	—	(1,050)
Loss from discontinued operations(viii)	—	561	—	561
Share-based compensation(x)	822	1,743	—	2,565
Financial statement review costs(xi)	—	—	1,932	1,932
Depreciation and amortization	206	2,997	—	3,203
Adjusted EBITDA	$ (10,711)	$ (32,605)	$ (6,443)	$ (49,759)

(In thousands of U.S. dollars)	Six months ended June 30, 2022			
	United States	Rest of World	Corporate	Total
Net loss	$ (26,714)	$ (6,745)	$ (19,532)	$ (52,991)
Interest income, net	(455)	(5,366)	—	(5,821)
Income tax expense	—	54	—	54
Share of income from equity method investments	—	(5,197)	—	(5,197)
Impairment loss on long-lived assets(ii)	—	3,493	—	3,493
Gain on revaluation of derivative liabilities(iii)	—	(13,829)	—	(13,829)
Gain on revaluation of financial instruments(v)	—	(2,156)	—	(2,156)
Impairment loss on other investment(vi)	11,238	—	—	11,238
Foreign currency transaction loss	—	4,724	—	4,724
Other, net(vii)	—	(137)	—	(137)
Restructuring costs(ix)	1,345	3,009	—	4,354
Share-based compensation(x)	2,909	3,393	—	6,302
Financial statement review costs(xi)	—	—	5,216	5,216
Depreciation and amortization	714	6,337	—	7,051
Adjusted EBITDA	$ (10,963)	$ (12,420)	$ (14,316)	$ (37,699)

(In thousands of U.S. dollars)	Six months ended June 30, 2021			
	United States	Rest of World	Corporate	Total
Net loss	$ (259,939)	$ (62,520)	$ (18,519)	$ (340,978)
Interest income, net	(23)	(4,599)	—	(4,622)
Share of loss from equity method investments	—	2,758	—	2,758
Impairment loss on goodwill and indefinite-lived intangible assets(i)	234,914	—	—	234,914
Impairment loss on long-lived assets(ii)	2,955	—	—	2,955
Loss on revaluation of derivative liabilities(iii)	—	1,626	—	1,626
Transaction costs(iv)	—	—	3,259	3,259
Loss on revaluation of financial instruments(v)	—	123	—	123
Other, net(vii)	—	(1,034)	—	(1,034)
Loss from discontinued operations(viii)	—	582	—	582
Share-based compensation(x)	1,567	3,497	—	5,064
Financial statement review costs(xi)	—	—	3,937	3,937
Depreciation and amortization	305	4,778	—	5,083
Adjusted EBITDA	$ (20,221)	$ (54,789)	$ (11,323)	$ (86,333)

(i) For the three and six months ended June 30, 2021, impairment on goodwill and indefinite-lived intangible assets relates to impairment on goodwill and indefinite-lived intangible assets related to the Company's U.S. segment.

(ii) For the six months ended June 30, 2022, impairment loss on long-lived assets related to the Company's decision to seek a sublease for leased office space in Toronto, Ontario, Canada during the first quarter of 2022. For the three months ended June 30, 2021, impairment loss on long-lived assets relates to an impairment on property, plant and equipment in the U.S. segment. For the six months ended June 30, 2021, impairment loss on long-lived assets relates to the aforementioned impairment loss on property, plant and equipment as well as an impairment loss on leased premises in the U.S. segment from the first quarter of 2021. See Note 13 "*Impairment Loss on Long-lived Assets*" to the condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

(iii) For the three and six months ended June 30, 2022 and 2021, (gain) loss on revaluation of derivative liabilities represents the fair value changes on the derivative liabilities. See Note 6 "*Derivative Liabilities*" to the condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

(iv) For the three and six months ended June 30, 2021, transaction costs represent legal, financial and other advisory fees and expenses incurred in connection with various strategic investments. These costs are included in general and administrative expenses on the condensed consolidated statements of net loss and comprehensive loss.

(v) For the three and six months ended June 30, 2022, (gain) loss on revaluation of financial instruments related primarily to the Company's equity securities in Cronos Australia. See Note 3 "*Investments*" to the condensed consolidated interim financial statements under Item 1 of this Quarterly Report. For three and six months ended June 30, 2021, (gain) loss on revaluation of financial instruments related primarily to revaluations of financial liabilities resulting from DSUs.

(vi) For the six months ended June 30, 2022, impairment loss on other investments related to the PharmaCann Option for the difference between its fair value and carrying amount. See Note 3 "*Investments*" to the condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

(vii) For the three and six months ended June 30, 2022, other, net related to (gain) loss on disposal of assets. For the three and six months ended June 30, 2021, other, net primarily related to the gain recorded on sale of our Winnipeg facility previously designated as held-for-sale in the first quarter of 2021.

(viii) For the three and six months ended June 30, 2021, loss from discontinued operations related to the discontinuance of OGBC.

(ix) For the three and six months ended June 30, 2022, restructuring costs related to the employee-related severance costs and other restructuring costs associated with the Realignment, including the planned exit of the Stayner Facility. See Note 7 "*Restructuring*" to the condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

(x) For the three and six months ended June 30, 2022 and 2021, share-based compensation related to the vesting expenses of share-based compensation awarded to employees under the Company's share-based award plans as described in Note 8 "*Share-based Compensation*" to the condensed consolidated financial statements under Item 1 of this Quarterly Report.

(xi) For the three and six months ended June 30, 2022 and 2021, financial statement review costs include costs and reserves taken related to the restatements of the Company's 2019 and second quarter 2021 interim financial statements, costs related to the Company's responses to requests for information from various regulatory authorities relating to such restatements and legal costs defending shareholder class action complaints brought against the Company as a result of the 2019 restatement.

Liquidity and Capital Resources

As of June 30, 2022, we had $789.5 million in cash and cash equivalents and $155.4 million in short-term investments, which comprise the majority of the Company's cash position. We believe that the existing cash and cash equivalents and the 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)	Six months ended June 30,	
	2022	**2021**
Cash flows used in operating activities	$ (51,191)	$ (86,197)
Cash flows used in investing activities	(40,321)	(106,563)
Cash flows used in financing activities	(2,034)	(8,907)
Effect of foreign currency translation on cash and cash equivalents	(3,884)	18,825
Net change in cash	$ (97,430)	$ (182,842)

Comparison of cash flows between the six months ended June 30, 2022 and the six months ended June 30, 2021

Operating activities

During the six months ended June 30, 2022, we used $51.2 million of cash in operating activities as compared to cash used of $86.2 million in the six months ended June 30, 2021, representing a decrease in cash used of $35.0 million. This change is primarily driven by a $46.0 million increase in net income after adjusting for non-cash items during the six months ended June 30, 2022 compared to the six months ended June 30, 2021.

Investing activities

During the six months ended June 30, 2022, we used $40.3 million of cash in investing activities, compared to $106.6 million of cash used in investing activities during the six months ended June 30, 2021, representing a decrease of $66.2 million in cash used by investing activities. This change is primarily driven by the purchase of the PharmaCann option during the six months ended June 30, 2021, lower purchases of property, plant and equipment and a decrease in disbursements related to loans receivable with related parties, partially offset by higher levels of short-term investments.

Financing activities

During the six months ended June 30, 2022, cash used in financing activities was $2.0 million, compared to $8.9 million of cash used in financing activities during the six months ended June 30, 2021, representing a decrease of $6.9 million in cash used in financing activities. This change is primarily driven by a decrease of $6.8 million in withholding taxes paid on share-based awards during the six months ended June 30, 2022 compared to the six months ended June 30, 2021.

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. Our critical accounting policies and estimates have not changed significantly since the filing of the Annual Report.

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. The Company's market risks have not changed significantly from that disclosed in Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" in our Annual Report.

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 June 30, 2022. Based on that evaluation, management has concluded that, as of June 30, 2022, due to the existence of material weaknesses in the Company's internal control over financial reporting described below, the disclosure controls and procedures were not 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.

Material Weakness in Internal Controls Over Financial Reporting

A material weakness is a deficiency, or combination of deficiencies in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. As previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "Annual Report"), we have identified the following material weaknesses:

- ***Control Environment*:**

We did not maintain an effective control environment. Specifically, our control environment (i) did not ensure that senior personnel in our accounting function engaged consistently in appropriate professional conduct and conduct consistent with our Code of Business Conduct and Ethics; and (ii) lacked personnel in our accounting function with appropriate level of knowledge and experience in U.S. GAAP sufficient to properly assess evidence and interpret accounting rules.

None of the personnel in the accounting function that engaged in misconduct were current or former executive officers of the Company. The control environment material weakness contributed to the goodwill and indefinite-lived intangible asset material weakness described below.

- ***Goodwill and Indefinite-lived Intangible Asset Impairment Testing*:**

We identified the following material weakness with respect to goodwill and indefinite-lived intangible asset impairment testing. We did not design and maintain effective controls to assess goodwill and indefinite-lived intangible assets for potential impairment as changes in the performance of and prospects for our U.S. reporting unit occurred. Specifically, we did not design and maintain effective controls to sufficiently assess the overall financial performance of and expectations for our U.S. reporting unit and certain macroeconomic, industry and market conditions when evaluating goodwill associated with our U.S. reporting unit and our Lord Jones® brand indefinite-lived intangible asset for potential impairment.

The material weakness in the control environment contributed to material misstatements related to the impairment of goodwill and indefinite-lived intangible assets that led to the restatement of the Company's condensed consolidated interim financial statements for the three and six months ended June 30, 2021. The material weaknesses create a reasonable possibility that a material misstatement to the consolidated financial statements would not be prevented or detected on a timely basis. The lack of personnel in our accounting function with appropriate level of knowledge and experience in U.S. GAAP sufficient to properly assess evidence and interpret accounting principles described above resulted in immaterial misstatements related to the accounting for derivatives, share-based compensation, earnings per share, and long-lived asset impairment.

Remediation Plan and Status

As of the filing date, the Company has implemented or is in the process of implementing various initiatives intended to address the identified material weaknesses and strengthen our overall control environment. In this regard, some of our key remedial initiatives include:

Material Weakness	Control, Control Enhancement or Mitigant	Implementation Status	Management Testing Status	Remediation Status
Control Environment	• The Company's Chief Executive Officer and Chief Financial Officer have reinforced and will continue to reinforce on an ongoing basis the importance of adherence to the Company's policies, procedures and standards of conduct, including identifying misconduct and raising and communicating concerns;	In Progress	In Progress	Not Remediated
	• All accounting personnel that engaged in unprofessional conduct have been terminated or resigned from the Company and are in the process of being replaced with qualified personnel;	Completed	In Progress	Not Remediated
	• We have enhanced our existing sub-certification process to include additional certifications regarding certain complex accounting topics and to include additional employees to increase accountability amongst Company personnel;	Completed	In Progress	Not Remediated
	• We have expanded our compensation claw back provisions to incorporate all personnel who are subject to our enhanced sub-certification process;	Completed	In Progress	Not Remediated
	• We have identified and are in the process of implementing organizational enhancements including (i) evaluating the sufficiency, experience and training of personnel within our accounting function and (ii) hiring accounting personnel with appropriate knowledge and experience in U.S. GAAP;	In Progress	In Progress	Not Remediated
	• We are in the process of developing and implementing a training program for accounting and finance personnel to enhance their knowledge of U.S. GAAP outlined in our accounting policies, which are used in the preparation of the Company's consolidated financial statements; and	In Progress	In Progress	Not Remediated
Asset Impairment Testing	• We have evaluated and will continue to regularly evaluate our policies and procedures relating to certain complex accounting topics and have begun implementing improvements in those policies and procedures.	In Progress	In Progress	Not Remediated

The Company will continue to review, optimize, and enhance its financial reporting controls and procedures. As the Company continues to evaluate and work to improve its internal control over financial reporting, the Company may implement additional measures to address the material weaknesses or certain of the remediation measures described above may be enhanced or modified. The material weaknesses will not be considered remediated until the applicable remediated controls operate for a sufficient period of time and management has concluded, through further testing, that these controls are operating effectively.

(b) Changes in Internal Control over Financial Reporting

Other than those material weaknesses identified and measures described above to remediate the material weaknesses identified in the prior year, 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 quarter ended June 30, 2022, 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 11(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. Any of the matters highlighted in the risk factors described in the Annual Report 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. The risks and uncertainties described in the Annual Report and below are those we currently believe to be material, but they are not the only ones we face. If any of the risks described in the Annual Report, the following risk factors, 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.

Our business, financial condition, results of operations and cash flows could be adversely affected by disruptions in the global economy caused by the ongoing conflict between Russia and Ukraine.

The global economy has been negatively impacted by the military conflict between Russia and Ukraine. Furthermore, governments in the U.S., Canada, United Kingdom, and European Union have each imposed export controls on certain products and financial and economic sanctions on certain industry sectors and parties in Russia. Although we do not have any customers or direct supplier relationships in Russia or Ukraine, businesses in the United States and globally have experienced shortages in materials and increased costs for transportation, energy, and raw material due in part to the negative impact of the Russia-Ukraine military conflict on the global economy. Further escalation of geopolitical tensions related to the military conflict, including increased trade barriers or restrictions on global trade, could result in, among other things, cyberattacks, supply disruptions, lower consumer demand, and changes to foreign exchange rates and financial markets, any of which may adversely affect our business, financial condition, results of operations and cash flows.

We are continuing to monitor the situation in Ukraine and globally and assessing its potential impact on our business. Although our business has not been, to the date of this Quarterly Report, materially impacted by the ongoing military conflict in Ukraine, it is impossible to predict the extent to which our operations, or those of our suppliers and vendors, will be impacted in the short and long term, or the ways in which the conflict may impact our business. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict, but may be substantial. In addition, the effects of the ongoing conflict could heighten any of our known risks described in our Annual Report.

There can be no assurance of continued growth in Israel and our performance in Israel depends on, among other things, our ability to continue to import cannabis into Israel and our joint venture partners.

While our revenue in Israel has experienced a recent period of significant growth, our prior performance is not indicative of any potential future results in Israel. There can be no assurance that our recent growth in the Israeli market can be sustained or will continue. Our ability to manage and sustain revenue growth in Israel will depend on a number of factors, many of which are beyond our control, including, but not limited to, our ability to continue to import cannabis into Israel, changes in laws and regulations respecting the cultivation, production and marketing of dried flower, pre-rolls and oils in Israel, increased competition, our ability to produce sufficient volumes of our products to meet customer demand and our ability to maintain or grow our market share in Israel. Any of these factors could materially and negatively impact our growth in Israel.

In connection with the Realignment, we have begun to further leverage our strategic joint venture with Cronos GrowCo. Our current efforts to wind-down and ultimately exit the Stayner Facility has increased the importance of Cronos GrowCo to our business and operations. Once the Stayner Facility is closed, Cronos GrowCo's production facilities will be our principal source of raw materials. Therefore, our performance in Israel is reliant on our ability to acquire such raw materials on a timely and cost-effective basis from Cronos GrowCo and to continue to import such raw materials and cannabis products to Israel from Cronos GrowCo. There is no guarantee that we will be able to successfully execute our strategy to expand production at Cronos GrowCo or that we will be able to obtain the regulatory approvals, licenses and permits required for both the export of cannabis from Canada and the import of cannabis into Israel. See " *–We may not successfully execute our production capacity strategy*" included under Part I, Item 1A "Risk Factors" of the Annual Report.

Additionally, our performance in Israel depends on the results of Cronos Israel, which holds the certificates and corresponding permits required for the cultivation, production and marketing of cannabis in Israel and is responsible for distributing PEACE NATURALS®

branded cannabis products to the Israeli medical cannabis market. Cronos Israel is a strategic joint venture operating in a foreign country and is therefore subject to the all the risks normally associated with an investment in a joint venture and the conduct of business in a foreign country, any of which could materially and negatively impact the performance of Cronos Israel. See "*– Our use of joint ventures may expose us to risks associated with jointly owned investments*" and "*– Investments and joint ventures outside of Canada and the U.S. are subject to the risks normally associated with any conduct of business in foreign countries, including varying degrees of political, legal, regulatory and economic risk*" included under Part I, Item 1A "Risk Factors" of the Annual Report for a discussion of the risks relating to joint ventures and foreign investments.

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.

None.

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, Notice of Articles and Articles of Cronos Group Inc. (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q of Cronos Group Inc., filed August 6, 2020).
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.

* 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/ Robert Madore

Robert Madore
Chief Financial Officer

August 9, 2022

By: /s/ Carlos Cortez

Carlos Cortez
Vice President, Controller, and Principal Accounting Officer

August 9, 2022

Exhibit 31.1

**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: August 9, 2022

Exhibit 31.2

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

I, Robert Madore, 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/ Robert Madore

Robert Madore
Chief Financial Officer
(*Principal Financial Officer*)

Date: August 9, 2022

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2022 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: August 9, 2022

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.

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2022 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, Robert Madore, 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/ Robert Madore
Robert Madore
Chief Financial Officer
(*Principal Financial Officer*)

Date: August 9, 2022

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.