UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q/A
Amendment No. 1

(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, 2021

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 ☒ No ☐

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

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

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

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

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

As of February 17, 2022, there were 374,952,693 common shares of the registrant issued and outstanding.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A amends our Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, initially filed with the Securities and Exchange Commission on August 6, 2021 (the “Original Form 10-Q”). This Form 10-Q/A amends and restates Items 1, 2 and 4 of Part I of the Original Form 10-Q and no other items in the Original Form 10-Q are amended hereby. In Item 1, this Form 10-Q/A includes our restated condensed consolidated interim financial statements for the three and six months ended June 30, 2021, including certain notes thereto.

The restatement relates to the Company’s performance of an interim impairment test on goodwill associated with its U.S. reporting unit, as well as the indefinite-lived intangible asset (Lord Jones™ brand), to determine whether the carrying amount of the reporting unit and intangible asset exceeded their respective fair values as of June 30, 2021.

As a result of this interim impairment test, the Company concluded that it should have recorded impairment charges on goodwill associated with its U.S. reporting unit, as well as the indefinite-lived intangible asset (Lord Jones™ brand), for the three and six months ended June 30, 2021. The Company’s interim condensed consolidated financial statements have been amended and restated accordingly.

The Company has restated certain notes to the interim condensed consolidated financial statements to reflect the impacts of the impairment of goodwill associated with the U.S. reporting unit and indefinite-lived intangible asset (Lord Jones™ brand), including Note 1. Background, Basis of Presentation and Accounting Policies, Note 5. Goodwill and Intangible Assets, net, Note 8. Loss per Share and Note 13. Impairment Loss on Long-lived Assets. Correspondingly, this Form 10-Q/A amends and restates Item 2 of Part I, which includes a revised discussion of consolidated results to reflect the impact of the reassessment of goodwill associated with the U.S. reporting unit, indefinite-lived intangible asset (Lord Jones™ brand) and property plant and equipment located in the U.S. Item 4 of Part I includes a revised assessment of the effectiveness of the Company’s disclosure controls and procedures. This restatement resulted in the identification of two new material weaknesses in internal control over financial reporting, as described under Item 4. Controls and Procedures. In addition, pursuant to the rules of the Securities and Exchange Commission, Item 6 of Part II of the Original Form 10-Q has been amended to contain currently-dated certifications from our Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

This Form 10-Q/A has not been updated for events occurring after the filing of the Original Form 10-Q, except to reflect the foregoing.

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FINANCIAL INFORMATION

PART II
OTHER INFORMATION

Unless otherwise noted or the context indicates otherwise, references in this Quarterly Report on Form 10-Q/A (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 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, 2021	**June 30, 2020**	**December 31, 2020**
Average rate	1.2293	1.3856	1.3036
Spot rate	1.2395	1.3576	1.2751
Year-to-date average rate	1.2481	1.3646	1.3411

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, 2021	As of December 31, 2020
	(Unaudited)	*(Audited)*
Assets	*(Restated)*	
Current assets		
Cash and cash equivalents	$ 895,181	$ 1,078,023
Short-term investments	201,699	211,766
Accounts receivable, net	11,299	8,928
Other receivables	2,468	10,033
Current portion of loans receivable, net	5,028	7,083
Prepaids and other current assets	10,153	11,161
Inventory, net	35,605	44,002
Held-for-sale assets	645	1,176
Total current assets	1,162,078	1,372,172
Advances to joint ventures	499	467
Investments in equity accounted investees, net	20,970	19,235
Other investments	110,392	—
Loan receivable, net	94,113	87,191
Property, plant and equipment, net	192,706	187,599
Right-of-use assets	6,687	9,776
Intangible assets, net	13,909	69,720
Goodwill	1,129	179,522
Total assets	$ 1,602,483	$ 1,925,682
Liabilities		
Current liabilities		
Accounts payable and other liabilities	$ 29,829	$ 42,102
Current portion of lease obligation	1,206	1,322
Derivative liabilities	169,563	163,410
Total current liabilities	200,598	206,834
Due to non-controlling interests	1,768	2,188
Lease obligation	6,333	8,492
Total liabilities	208,699	217,514
Commitments and contingencies (see Note 10)		
Shareholders' equity		
Share capital (i, ii)	572,858	569,260
Additional paid-in capital	32,368	34,596
Retained earnings	719,593	1,064,509
Accumulated other comprehensive income	71,729	42,999
Total equity attributable to shareholders of Cronos Group	1,396,548	1,711,364
Non-controlling interests	(2,764)	(3,196)
Total shareholders' equity	1,393,784	1,708,168
Total liabilities and shareholders' equity	$ 1,602,483	$ 1,925,682

(i) Authorized for issuance as of June 30, 2021: unlimited and December 31, 2020: unlimited.
(ii) Shares issued as of June 30, 2021: 371,805,547 and December 31, 2020: 360,253,332.

See notes to condensed consolidated financial statements.

Cronos Group Inc.

Condensed Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)

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

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	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(Restated)		*(Restated)*	
Net revenue, before excise taxes	$ 18,848	$ 11,432	$ 33,502	$ 20,776
Excise taxes	(3,226)	(1,549)	(5,269)	(2,461)
Net revenue	15,622	9,883	28,233	18,315
Cost of sales	19,445	9,743	35,019	16,689
Inventory write-down	11,961	3,062	11,961	11,024
Gross loss	(15,784)	(2,922)	(18,747)	(9,398)
Operating expenses				
Sales and marketing	13,209	6,501	23,463	13,613
Research and development ("R&D")	5,199	3,631	10,301	8,221
General and administrative	22,417	18,429	44,323	42,188
Share-based payments	2,565	2,546	5,064	4,982
Depreciation and amortization	1,043	679	1,778	1,366
Impairment loss on goodwill and indefinite-lived intangible assets	234,914	40,000	234,914	40,000
Impairment loss on long-lived assets	1,214	—	2,955	—
Total operating expenses	280,561	71,786	322,798	110,370
Operating loss	(296,345)	(74,708)	(341,545)	(119,768)
Other income (loss)				
Interest income, net	2,293	3,734	4,622	11,485
Gain (loss) on revaluation of derivative liabilities	115,248	(35,880)	(1,626)	77,488
Share of loss from equity accounted investments	(1,115)	(794)	(2,758)	(1,966)
Other, net	1,127	(9)	911	785
Total other income (loss)	117,553	(32,949)	1,149	87,792
Loss from continuing operations	(178,792)	(107,657)	(340,396)	(31,976)
Loss from discontinued operations	(561)	(46)	(582)	(46)
Net loss	(179,353)	(107,703)	(340,978)	(32,022)
Net loss attributable to non-controlling interest	(279)	(726)	(592)	(1,085)
Net loss attributable to Cronos Group	$ (179,074)	$ (106,977)	$ (340,386)	$ (30,937)
Other comprehensive income (loss)				
Net loss	$ (179,353)	$ (107,703)	$ (340,978)	$ (32,022)
Other comprehensive income (loss):				
Foreign exchange gain (loss) on translation	13,470	51,871	29,754	(61,821)
Total other comprehensive income (loss)	13,470	51,871	29,754	(61,821)
Comprehensive loss	(165,883)	(55,832)	(311,224)	(93,843)
Less: comprehensive income (loss) attributable to non-controlling interests	(394)	(762)	432	(1,098)
Comprehensive loss attributable to Cronos Group	$ (165,489)	$ (55,070)	$ (311,656)	$ (92,745)
Net loss per share				
Basic and diluted - continuing operations	$ (0.48)	$ (0.31)	$ (0.92)	$ (0.09)
Weighted average number of outstanding shares				
Basic and diluted	371,721,382	349,075,408	367,391,118	348,946,439

See notes to condensed consolidated financial statements.

Cronos Group Inc.

Condensed Consolidated Statements of Changes in Equity

For the three months ended June 30, 2021 and 2020

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

(As restated)

	Number of shares	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Non-controlling interests	Total shareholders' equity
				(Restated)			
Balance at April 1, 2021	371,656,590	$ 584,912	$ 32,090	$ 895,503	$ 58,144	$ (2,370)	$ 1,568,279
Warrants exercised	10,000	4	(2)	—	—	—	2
Vesting of options	—	—	1,864	—	—	—	1,864
Options exercised	80,603	102	(102)	—	—	—	—
Restricted share units settled	58,354	345	(345)	—	—	—	—
Withholding taxes paid on share-based awards	—	—	(183)	(63)	—	—	(246)
Vesting of restricted share units	—	—	701	—	—	—	701
Vesting of common shares issued in connection with the use of certain publicity rights in brand development	—	2,000	(1,655)	—	—	—	345
Top-up rights out-of-period adjustment	—	(14,505)	—	3,227	—	—	(11,278)
Net income (loss)	—	—	—	(179,074)	—	(279)	(179,353)
Foreign exchange gain (loss) on translation	—	—	—	—	13,585	(115)	13,470
Balance at June 30, 2021	371,805,547	$ 572,858	$ 32,368	$ 719,593	$ 71,729	$ (2,764)	$ 1,393,784

	Number of shares	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interests	Total shareholders' equity
Balance at April 1, 2020	348,817,472	$ 563,165	$ 25,483	$ 1,213,686	$ (85,877)	$ (1,189)	$ 1,715,268
Vesting of options	—	—	1,770	—	—	—	1,770
Options exercised	1,068,930	1,329	(1,328)	—	—	—	1
Vesting of restricted share units	—	—	776	—	—	—	776
Vesting of common shares issued in connection with the use of certain publicity rights in brand development	—	—	345	—	—	—	345
Top-up rights exercised	—	717	—	—	—	—	717
Net loss	—	—	—	(106,977)	—	(726)	(107,703)
Foreign exchange gain (loss) on translation	—	—	—	—	51,907	(36)	51,871
Balance at June 30, 2020	349,886,402	$ 565,211	$ 27,046	$ 1,106,709	$ (33,970)	$ (1,951)	$ 1,663,045

See notes to condensed consolidated financial statements.

Cronos Group Inc.

Condensed Consolidated Statements of Changes in Equity

For the six months ended June 30, 2021 and 2020

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

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(As restated)

	Number of shares	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Non-controlling interests	Total shareholders' equity
				(Restated)			*(Restated)*
Balance as of January 1, 2021	360,253,332	$ 569,260	$ 34,596	$ 1,064,509	$ 42,999	$ (3,196)	$ 1,708,168
Warrants exercised	7,842,859	1,165	(1,163)	—	—	—	2
Vesting of options	—	—	3,928	—	—	—	3,928
Options exercised	3,651,002	3,315	(3,305)	—	—	—	10
Restricted share units settled	58,354	345	(345)	—	—	—	—
Withholding taxes paid on share-based awards	—	—	(1,162)	(7,757)	—	—	(8,919)
Vesting of restricted share units	—	—	1,136	—	—	—	1,136
Vesting of common shares issued in connection with the use of certain publicity rights in brand development	—	2,000	(1,317)	—	—	—	683
Top-up rights out-of-period adjustment	—	(3,227)	—	3,227	—	—	—
Net loss	—	—	—	(340,386)	—	(592)	(340,978)
Foreign exchange gain on translation	—	—	—	—	28,730	1,024	29,754
Balance at June 30, 2021	371,805,547	$ 572,858	$ 32,368	$ 719,593	$ 71,729	$ (2,764)	$ 1,393,784

	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, 2020	348,817,472	$ 561,165	$ 23,234	$ 1,137,646	$ 27,838	$ (853)	$ 1,749,030
Vesting of options	—	—	3,500	—	—	—	3,500
Options exercised	1,068,930	1,329	(1,328)	—	—	—	1
Vesting of restricted share units	—	—	1,482	—	—	—	1,482
Vesting of common shares issued in connection with the use of certain publicity rights in brand development	—	2,000	158	—	—	—	2,158
Top-up rights exercised	—	717	—	—	—	—	717
Net loss	—	—	—	(30,937)	—	(1,085)	(32,022)
Foreign exchange loss on translation	—	—	—	—	(61,808)	(13)	(61,821)
Balance at June 30, 2020	349,886,402	$ 565,211	$ 27,046	$ 1,106,709	$ (33,970)	$ (1,951)	$ 1,663,045

See notes to condensed consolidated financial statements.

Cronos Group Inc.

Condensed Consolidated Statements of Cash Flows

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

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	Six months ended June 30, 2021 (Restated)	Six months ended June 30, 2020
Operating activities		
Net loss	$ (340,978)	$ (32,022)
Adjustments to reconcile net loss to cash provided by operating activities:		
Share-based payments	5,064	4,982
Depreciation and amortization	5,083	2,879
Share of loss from investments in equity accounted investees	2,758	1,966
Gain (loss) on revaluation of derivative liabilities	1,626	(77,488)
Impairment loss on goodwill and indefinite-lived intangible assets	234,914	40,000
Impairment loss on long-lived assets	2,955	—
Expected credit losses on long-term financial assets	—	1,357
Other non-cash operating activities, net	(1,192)	599
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,194)	2,895
Other receivables	6,960	(3,047)
Prepaids and other current assets	1,268	1,187
Inventory, net	(1,010)	(24,292)
Inventory write-down	11,961	11,024
Accounts payable and other liabilities	(13,412)	(8,417)
Cash flows used in operating activities	(86,197)	(78,377)
Investing activities		
Purchase of short-term investments	(120,180)	(200,173)
Proceeds from short-term investments	136,204	279,275
Purchase of other investments	(110,392)	—
Purchase of property, plant and equipment	(8,347)	(13,344)
Purchase of intangible assets	(843)	(2,754)
Proceeds from sale of held-for-sale assets	2,059	—
Advances on loans receivable	(5,064)	(23,974)
Proceeds from sale of other investments	—	769
Cash flows provided by (used in) investing activities	(106,563)	39,799
Financing activities		
Withholding taxes paid on share-based awards	(8,919)	—
Proceeds from exercise of warrants and options	12	1
Cash flows provided by (used in) financing activities	(8,907)	1
Effect of foreign currency translation on cash and cash equivalents	18,825	(51,416)
Net change in cash and cash equivalents	(182,842)	(89,993)
Cash and cash equivalents, beginning of period	1,078,023	1,199,693
Cash and cash equivalents, end of period	$ 895,181	$ 1,109,700
Supplemental cash flow information		
Interest paid	$ —	$ 90
Interest received	2,961	11,575
Income taxes paid	858	—

See notes to condensed consolidated financial statements.

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1. Background, Basis of Presentation, Restatement, 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 Street, 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, with international production and distribution across five continents. The Company is 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 brand portfolio includes PEACE NATURALS™, a global wellness platform; two adult-use brands, COVE™ and Spinach™; and three U.S. hemp-derived consumer products brands, Lord Jones™, Happy Dance™ and PEACE+™.

Cronos Group has established strategic joint ventures in Canada, Israel, and Colombia. "Cronos Israel" consists of a cultivation company (Cronos Israel G.S. Cultivation Ltd.), a manufacturing company (Cronos Israel G.S. Manufacturing Ltd.), a distribution company (Cronos Israel G.S. Store Ltd.) and a pharmacy company (Cronos Israel G.S. Pharmacy Ltd.) and is consolidated for financial reporting purposes. The Company also holds approximately 31% of the issued capital of Cronos Australia Limited ("Cronos Australia") and accounts for its investment in Cronos Australia under the equity method of accounting. For additional discussion regarding the joint ventures and strategic investment, see Note 3. Investments.

(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, 2021 are not necessarily indicative of the results that may be expected for any other reporting period.

These condensed consolidated 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, 2020 (the "Annual Report").

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

(c) Restatement of prior financial information

The Company has restated its unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2021 to correct for an impairment of goodwill associated with the Company's U.S. reporting unit and indefinite-lived intangible asset as of June 30, 2021. For additional discussion regarding impairment loss on goodwill and intangible assets, see Note 5. Goodwill and Intangible Assets, net. In addition, the Company has included the effects of an impairment to property, plant and equipment located in the U.S. in its condensed consolidated financial statements as of and for the three and six months ended June 30, 2021. For additional discussion regarding impairment loss on long-lived assets, see Note 13. Impairment Loss on Long-lived Assets.

The material effects of the restatement resulting from these impairments to the condensed consolidated balance sheets as of June 30, 2021 are as follows:

	As reported	Adjustment	As restated
Property, plant and equipment, net	$ 193,920	$ (1,214)	$ 192,706
Intangible assets, net	70,409	(56,500)	13,909
Goodwill	179,543	(178,414)	1,129
U.S. segment total assets	709,956	(236,128)	473,828
Total assets	1,838,611	(236,128)	1,602,483
Retained earnings	955,721	(236,128)	719,593
Total shareholders' equity	1,629,912	(236,128)	1,393,784
Total liabilities and shareholder's equity	1,838,611	(236,128)	1,602,483

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The material effects of the restatement resulting from these impairments to the condensed consolidated statements of net income (loss) and comprehensive income (loss) for the three months ended June 30, 2021 are as follows:

	As reported	Adjustment	As restated
Impairment loss on goodwill and indefinite-lived intangible assets	$ —	$ (234,914)	$ (234,914)
Impairment loss on long-lived assets	—	(1,214)	(1,214)
Total operating expenses	44,433	236,128	280,561
Operating loss	(60,217)	(236,128)	(296,345)
Income (loss) from continuing operations	57,336	(236,128)	(178,792)
Net income (loss)	56,775	(236,128)	(179,353)
Net income (loss) attributable to Cronos Group	57,054	(236,128)	(179,074)
Comprehensive income (loss)	70,245	(236,128)	(165,883)
Comprehensive income (loss) attributable to Cronos Group	70,639	(236,128)	(165,489)
Basic and diluted earnings (loss) per share	0.15	(0.63)	(0.48)

The material effects of the restatement resulting from these impairments to the condensed consolidated statements of net income (loss) and comprehensive income (loss) for the six months ended June 30, 2021 are as follows:

	As reported	Adjustment	As restated
Impairment loss on goodwill and indefinite-lived intangible assets	$ —	$ (234,914)	$ (234,914)
Impairment loss on long-lived assets	(1,741)	(1,214)	(2,955)
Total operating expenses[(i)]	86,670	236,128	322,798
Operating loss[(i)]	(105,417)	(236,128)	(341,545)
Income (loss) from continuing operations	(104,268)	(236,128)	(340,396)
Net income (loss)	(104,850)	(236,128)	(340,978)
Net loss attributable to Cronos Group	(104,258)	(236,128)	(340,386)
Comprehensive loss	(75,096)	(236,128)	(311,224)
Comprehensive loss attributable to Cronos Group	(75,528)	(236,128)	(311,656)
Basic and diluted loss per share	(0.28)	(0.64)	(0.92)

(i) Impairment loss on long-lived assets of $1,741 was reclassified into total operating expenses and operating loss for the six months ended June 30, 2021.

(d) Out-of-period adjustments

During the three months ended March 31, 2021, the Company identified an error in the accounting related to the withholding taxes on the net exercise of stock options, which resulted in an understatement of accounts payable and other liabilities of $966 and overstatements of other receivables, retained earnings and share capital of $3,202, $3,838 and $330, respectively, as of December 31, 2020. The error was deemed immaterial, and thus the Company has recorded an out-of-period adjustment to the condensed consolidated balance sheet and the condensed consolidated statement of changes in equity during the first quarter of 2021 to correct the error. This error had no impact to the condensed consolidated statement of net income (loss) and comprehensive income (loss). The impact of the out-of-period adjustments are included within the changes in operating assets and liabilities and withholding taxes paid on share-based awards lines in the Company's condensed consolidated statements of cash flows.

During the three months ended June 30, 2021, the Company identified an error in the accounting related to the exercise of Top-up Rights (as defined herein), which resulted in an overstatement of share capital and an understatement of gain on revaluation of derivative liabilities of $3,227 as of December 31, 2020, and overstatements of share capital and loss on revaluation of derivative liabilities and an understatement of retained earnings of $14,505, $11,278 and $3,227, respectively, as of March 31, 2021. The error was deemed immaterial, and thus the Company has recorded an out-of-period adjustment to the condensed consolidated balance sheet, the condensed consolidated statement of net income (loss) and comprehensive income (loss) and the condensed consolidated statement of changes in equity during the second quarter of 2021 to correct the error. The impact of the out-of-period adjustments are included within the adjustments to net loss in the Company's condensed consolidated statements of cash flows.

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(e) Adoption of new accounting pronouncements

On January 1, 2021, the Company adopted ASU No. 2020-01, Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) ("ASU No. 2020-01"). ASU No. 2020-01 clarifies the interaction of accounting for the transition into and out of the equity method as well as measuring certain purchased options and forward contracts to acquire investments. The adoption of ASU No. 2020-01 did not have an impact on the Company's interim condensed consolidated financial statements.

On January 1, 2021, the Company adopted ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes ("ASU No. 2019-12"). ASU No. 2019-12 eliminates certain exceptions and simplifies the application of U.S. GAAP-related changes in enacted tax laws or rates and employee stock option plans. The adoption of ASU No. 2019-12 did not have an impact on the Company's interim condensed consolidated financial statements.

(f) New accounting pronouncements not yet adopted

In August 2020, the FASB issued ASU 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 FASB's simplification initiative, which aims to reduce unnecessary complexity in U.S. GAAP. ASU No. 2020-06 is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. The Company is currently evaluating the impact ASU No. 2020-06 will have on its condensed consolidated financial statements.

2. Inventory, net

Inventory, net is comprised of the following items:

	As of June 30, 2021	As of December 31, 2020
Raw materials	$ 7,471	$ 11,489
Work-in-progress	17,291	26,278
Finished goods	10,247	5,905
Supplies and consumables	596	330
Total	$ 35,605	$ 44,002

Inventory is written down for any obsolescence such as slow-moving or non-marketable products, or when the net realizable value of inventory is less than the carrying amount. During the three months ended June 30, 2021 and 2020, the Company recorded write-downs related to inventory of $11,961 and $3,062, respectively. During the six months ended June 30, 2021 and 2020, the Company recorded write-downs related to inventory of $11,961 and $11,024, respectively.

3. Investments

(a) Variable interest entities and investments in equity accounted investees, net

The Company holds variable interests in Cronos Growing Company Inc. ("Cronos GrowCo"), Natuera S.à.r.l ("Natuera"), MedMen Canada Inc. ("MedMen Canada") and Cannasoul Lab Services Ltd. ("CLS"). The Company's investments in Cronos GrowCo, Natuera and MedMen Canada are exposed to economic variability from each entity's performance; however, the Company does not consolidate the entities as it does not have the power to direct the activities that most significantly impact each entity's economic performance. Thus, Cronos Group is not considered the primary beneficiary of each entity. These investments are accounted for as equity method investments classified as "Investments in equity accounted investees, net" in the consolidated balance sheets.

Cronos GrowCo is a joint venture incorporated under the Canada Business Corporations Act ("CBCA") on June 14, 2018 with the objective of cultivating and commercializing cannabis and cannabis products. Cronos Group holds variable interests in Cronos GrowCo through its ownership of 50% of Cronos GrowCo's common shares and senior secured debt. Cronos GrowCo's economic performance is driven by the quantity and strains of cannabis grown. The joint venture partners mutually determine the quantity and strains of cannabis grown.

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MedMen Canada is a joint venture incorporated under the CBCA on March 13, 2018, with the objective of the retail sale and marketing of cannabis products in Canada. MedMen Canada holds the exclusive license to the MedMen brand in Canada for a minimum term of 20 years. The Company holds variable interests in MedMen Canada through its ownership of 50% of MedMen Canada's common shares and other subordinated debt. MedMen Canada's economic performance is driven by the quantity and strains of cannabis sold. Subject to applicable law, the joint venture partners mutually determine the quantity and strains of cannabis to be sold in MedMen Canada's retail stores, if and when stores are opened.

Natuera is a joint venture registered in Luxembourg with the objective of cultivating and commercializing hemp and cannabis products. The Company holds variable interests in Natuera through its ownership of 50% of Natuera's common shares. Natuera's economic performance is driven by the quantity and strains of cannabis grown, which is mutually determined by the joint venture partners.

CLS is a wholly owned subsidiary of Cannasoul Analytics Ltd., incorporated with the purpose of establishing a commercial cannabis analytical testing laboratory located on the premises of Cronos Israel (the "Cannasoul Collaboration"). Cronos Israel agreed to advance up to ILS 8,297 ($2,511) by a non-recourse loan (the "Cannasoul Collaboration Loan") to CLS over a period of two years from April 1, 2020 for the capital and operating expenditures of the laboratory. The loan bears interest at 3.5% annually. Cronos Israel will receive 70% of the profits of the laboratory until such time as it has recovered 150% of the amounts advanced to CLS, after which time it will receive 50% of the laboratory profits. As a result, the Company is exposed to economic variability from CLS's performance. The Company does not consolidate CLS as it does not have the power to direct the activities that most significantly impact the entity's economic performance; thus, the Company is not considered the primary beneficiary of the entity. The carrying amount of the non-recourse loan is recorded under loans receivable and the full loan amount, ILS 8,297, represents the Company's maximum potential exposure to losses through the Cannasoul Collaboration. See Note 4. Loans Receivable, net for further information regarding loans receivable.

A reconciliation of the carrying amount of the investments in associates and joint ventures is as follows:

	Ownership interest	As of June 30, 2021	As of December 31, 2020
Cronos Australia	31%	$ —	$ —
Cronos GrowCo	50%	19,022	19,235
Natuera[(i)]	50%	1,948	—
		$ 20,970	$ 19,235

(i) On April 1, 2021, the Company and an affiliate of Agroidea ("AGI"), 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 (the "Natuera Series A Loan"), plus accrued interest, into equity of Natuera. Total aggregate gross advances to Natuera under the Natuera Series A Loan were $15,500, of which the Company advanced 50% and AGI advanced the remaining 50%, or $7,750 each. As a result, the Company transferred the carrying amount of the Natuera Series A Loan of approximately $2,013 plus accrued interest of $540, for a total investment value of $2,553, which approximates fair value, to investments in equity accounted investees in respect of Natuera. See Note 4. Loans Receivable, net.

The Company's share of net losses from equity investments accounted for under the equity method of accounting:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Cronos Australia	$ —	$ (235)	$ —	$ (235)
Cronos GrowCo	(459)	(190)	(758)	(501)
Natuera	(656)	(369)	(2,000)	(1,230)
	$ (1,115)	$ (794)	$ (2,758)	$ (1,966)

The Company determined that the maximum exposure of loss on investments in non-consolidated investments is limited to the Company's initial investment, advances and/or loans for each variable interest entity. The following is a summary of the maximum exposure to loss as of June 30, 2021 and December 31, 2020:

	Ownership interest	As of June 30, 2021	As of December 31, 2020
Cronos Australia	31%	$ 1,573	$ 1,530
Cronos GrowCo	50%	21,723	21,125
MedMen Canada	50%	494	467
Natuera	50%	8,047	8,154
Total		$ 31,837	$ 31,276

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(b) Other investments

Other investments consist of investments in options of companies in the cannabis industry.

On June 14, 2021, the Company purchased an option to acquire 473,787 shares of Class A Common Stock of PharmaCann, Inc. ("PharmaCann"), a vertically integrated cannabis company in the United States, at an exercise price of $0.0001 per share, representing approximately 10.5% of PharmaCann's issued and outstanding capital stock on a fully diluted basis, for an aggregate purchase price of approximately $110,392. The option exercise will be based upon various factors, including the status of U.S. federal cannabis legalization, as well as regulatory approvals, including in the states where PharmaCann operates that may be required upon exercise. This option is classified as an equity security without a readily determinable fair value. The Company has elected to measure the fair value of the 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. The option is reported as other investments on the condensed consolidated balance sheet for the period ended June 30, 2021. As of June 30, 2021 and December 31, 2020, the Company did not hold any additional other investments.

4. Loans Receivable, net

	As of June 30, 2021	As of December 31, 2020
Natuera Series A Loan(i)	$ —	$ 3,518
GrowCo Facility(ii)	1,614	3,137
Add: Accrued interest	3,414	428
Total current portion of loans receivable	5,028	7,083
GrowCo Facility(ii)	77,474	69,939
Mucci Promissory Note(iii)	13,969	13,324
Cannasoul Collaboration Loan(iv)	1,870	1,261
Add: Accrued interest	800	2,667
Total long-term portion of loans receivable	94,113	87,191
Total loans receivable, net	$ 99,141	$ 94,274

(i) On April 1, 2021, the Company and AGI converted all advances made to Natuera under the Series A Loan, plus accrued interest, into equity of Natuera. Total aggregate gross advances to Natuera under the Natuera Series A Loan were $15,500, of which the Company advanced 50% and AGI advanced the remaining 50%, or $7,750 each. As a result, the Company transferred the carrying amount of the Natuera Series A Loan of approximately $2,013 plus accrued interest of $540, for a total investment value of $2,553, which approximates fair value, to investments in equity accounted investees in respect of Natuera. See Note 3. Investments.

(ii) As of June 30, 2021 and December 31, 2020, Cronos GrowCo had drawn C$100,000 ($80,678) and C$95,150 ($74,626), respectively, from a credit agreement it entered into with the Company in August 2019 (the "GrowCo Facility"). As of June 30, 2021 and December 31, 2020, the Company had an allowance for credit losses of $1,590 and $1,470, respectively, recorded against the GrowCo Facility.

(iii) As of June 30, 2021 and December 31, 2020, the Company had an allowance for credit losses of $278 and $259, respectively, recorded against the promissory note receivable agreement entered into with Mucci on June 28, 2019 (the "Mucci Promissory Note").

(iv) As of June 30, 2021 and December 31, 2020 CLS has received ILS 6,223 and ILS 4,149 (approximately $1,909 and $1,287 respectively) from the Cannasoul Collaboration Loan. As of June 30, 2021 and December 31, 2020, the Company had an allowance for credit losses of $39 and $25, respectively, recorded against the Cannasoul Collaboration Loan.

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5. Goodwill and Intangible Assets, net

(a) Intangible assets, net

Intangible assets are comprised of the following items:

	Useful life (in years)	As of June 30, 2021 Cost	Accumulated amortization	Accumulated impairment charges	Net
Software	5	$ 5,786	$ (1,043)	$ —	$ 4,743
Health Canada licenses	17	8,825	(1,505)	(1,083)	6,237
Israeli codes[(i)]	25	315	(29)	—	286
Total definite-lived intangible assets		14,926	(2,577)	(1,083)	11,266
Lord Jones™ brand	N/A	64,000	—	(61,500)	2,500
Trademarks	N/A	143	—	—	143
Total intangible assets		$ 79,069	$ (2,577)	$ (62,583)	$ 13,909

	Useful life (in years)	As of December 31, 2020 Cost	Accumulated amortization	Accumulated impairment charges	Net
Software	5	$ 4,565	$ (565)	$ —	$ 4,000
Health Canada licenses	17	8,579	(1,254)	(1,053)	6,272
Israeli codes[(i)]	25	322	(22)	—	300
Total definite-lived intangible assets		13,466	(1,841)	(1,053)	10,572
Lord Jones™ brand	N/A	64,000	—	(5,000)	59,000
Trademarks	N/A	148	—	—	148
Total intangible assets		$ 77,614	$ (1,841)	$ (6,053)	$ 69,720

(i) The Israeli codes were transferred by non-controlling interests to Cronos Israel in exchange for their equity interests in the Cronos Israel entities as discussed in Part II, Item 8. Note 2(c) "Basis of consolidation" and Note 2(h) "Definite life intangible assets" of the Company's Annual Report.

Impairment charges on intangibles assets, net for the three months ended June 30, 2021 and 2020 are comprised of the following:

	As of April 1, 2021	Impairment charges	Foreign exchange effect	As of June 30, 2021
Health Canada licenses	$ (1,069)	$ —	$ (14)	$ (1,083)
Lord Jones™ brand	(5,000)	(56,500)	—	(61,500)
	$ (6,069)	$ (56,500)	$ (14)	$ (62,583)

	As of April 1, 2020	Impairment charges	Foreign exchange effect	As of June 30, 2020
Lord Jones™ brand	$ —	$ (5,000)	$ —	$ (5,000)

Impairment charges on intangibles assets, net for the six months ended June 30, 2021 and 2020 is comprised of the following:

	As of January 1, 2021	Impairment charges	Foreign exchange effect	As of June 30, 2021
Health Canada licenses	$ (1,053)	$ —	$ (30)	$ (1,083)
Lord Jones™ brand	(5,000)	(56,500)	—	(61,500)
	$ (6,053)	$ (56,500)	$ (30)	$ (62,583)

	As of January 1, 2020	Impairment charges	Foreign exchange effect	As of June 30, 2020
Lord Jones™ brand	$ —	$ (5,000)	$ —	$ (5,000)

Amortization expense was $274 and $166 for the three months ended June 30, 2021 and 2020, respectively, and $443 and $346 for the six months ended June 30, 2021 and 2020, respectively.

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As of June 30, 2021, the estimated future amortization of definite-lived intangible assets is as follows:

	As of June 30, 2021
Remainder of 2021 (6 months)	$ 779
2022	1,555
2023	1,515
2024	1,477
2025	1,154
2026	547
Thereafter	4,239
	$ 11,266

Definite-lived intangible assets are reviewed for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable. Impairment charges are recognized when the carrying amount of a definite-lived intangible asset is not recoverable and its carrying amount exceeds its fair value. As of June 30, 2021, no qualitative factors exist that would suggest the carrying value of the Company's definite-lived intangible assets were not recoverable.

Indefinite-lived intangible assets are reviewed for impairment annually or more frequently when events or changes in circumstances indicate that it is more likely than not that the asset is impaired. Indefinite-lived intangible assets are subject to a qualitative assessment, which requires the consideration of factors such as recent market transactions, macroeconomic conditions, and changes in projected future cash flows as potential indicators when determining the need for a quantitative assessment of impairment.

The Company has reassessed the existence of impairment indicators on goodwill associated with the U.S. reporting unit derived from the acquisition of four Redwood Holding Group, LLC subsidiaries (collectively, "Redwood") and the Lord Jones™ brand indefinite-lived intangible asset as of June 30, 2021, and determined that quantitative impairment analyses were required as of June 30, 2021 due to slower actual revenue growth as compared to previous revenue growth forecasts and significant pricing pressures brought about by increased competition and aggressive discounting in the U.S. reporting unit and associated with the Lord Jones™ brand indefinite-lived intangible asset. As such, the Company reassessed its estimates and forecasts as of June 30, 2021, to determine the fair values of the reporting unit and intangible asset using a discounted cash flow method on the reporting unit and the relief-from-royalty method on the Lord Jones™ brand. Significant inputs include discount rate, growth rates, cash flow projections and, for the Lord Jones™ brand, royalty rates. As a result of the analysis, as of June 30, 2021, the Company concluded the carrying amount of the Lord Jones™ brand exceeded its fair value, which resulted in impairment charges of $56,500 on the Lord Jones™ brand on the condensed consolidated statements of net income (loss) and comprehensive income (loss) for the three and six months ended June 30, 2021.

In June 2020, the Company concluded that the projected impact of the COVID-19 pandemic on its sales and revenues in the near term, together with the volatility in the market conditions during the quarter, represented potential indicators of impairment for the U.S. reporting unit's Lord Jones brand. Accordingly, the Company performed an interim impairment analysis, which revealed the carrying amount of the brand exceeded its fair value. Accordingly, the Company recorded an impairment charge of $5,000 on the condensed consolidated statements of net income (loss) and comprehensive income (loss) for the three and six months ended June 30, 2020.

(b) Goodwill

Goodwill is comprised of the following items:

	As of June 30, 2021		
	Cost	Accumulated impairment charges	Net
OGBC	$ 316	$ (316)	$ —
Peace Naturals Project, Inc. ("Peace Naturals")	1,129	—	1,129
Redwood	213,414	(213,414)	—
	$ 214,859	$ (213,730)	$ 1,129

	As of December 31, 2020		
	Cost	Accumulated impairment charges	Net
OGBC	$ 307	$ (307)	$ —
Peace Naturals	1,108	—	1,108
Redwood	213,414	(35,000)	178,414
	$ 214,829	$ (35,307)	$ 179,522

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Impairment charges on goodwill for the three months ended June 30, 2021 and 2020 consists of the following items:

	As of April 1, 2021	Impairment charges	Foreign exchange effect	As of June 30, 2021
OGBC	$ (312)	$ —	$ (4)	$ (316)
Redwood	(35,000)	(178,414)	—	(213,414)
	$ (35,312)	$ (178,414)	$ (4)	$ (213,730)

	As of April 1, 2020	Impairment charges	Foreign exchange effect	As of June 30, 2020
Redwood	$ —	$ (35,000)	$ —	$ (35,000)

Impairment charges on goodwill for the six months ended June 30, 2021 and 2020 consists of the following items:

	As of January 1, 2021	Impairment charges	Foreign exchange effect	As of June 30, 2021
OGBC	$ (307)	$ —	$ (9)	$ (316)
Redwood	(35,000)	(178,414)	—	(213,414)
	$ (35,307)	$ (178,414)	$ (9)	$ (213,730)

	As of January 1, 2020	Impairment charges	Foreign exchange effect	As of June 30, 2020
Redwood	$ —	$ (35,000)	$ —	$ (35,000)

The Company is required to test goodwill for impairment on an annual basis or more frequently when events or changes in circumstances require it. Under ASC 350, *Intangibles - Goodwill and Other*, the qualitative assessment requires the consideration of factors such as recent market transactions, macroeconomic conditions, and changes in projected future cash flows or planned revenue or earnings of the reporting unit as potential indicators when determining the need for a quantitative assessment of impairment. As a result of the reassessment of impairment indicators and quantitative impairment testing described above, the Company concluded that the carrying amount of the U.S. reporting unit exceeded its fair value, which resulted in an impairment charges of $178,414 on goodwill associated with its U.S. reporting unit on the condensed consolidated statements of net income (loss) and comprehensive income (loss) for the three and six months ended June 30, 2021.

In June 2020, the Company concluded that the projected impact of the COVID-19 pandemic on its sales and revenues in the near term, together with the volatility in the market conditions during the quarter, represented potential indicators of impairment for the Company's U.S. reporting unit. Accordingly, the Company performed an interim impairment analysis, which revealed the carrying amount of the reporting unit exceeded its fair value. As a result, the Company recorded an impairment charge of $35,000 on goodwill associated with its U.S. reporting unit on the condensed consolidated statements of net income (loss) and comprehensive income (loss) for the three and six months ended June 30, 2020.

6. Derivative Liabilities

On March 8, 2019, the Company closed the previously announced investment in the Company (the "Altria Investment") by Altria Group, Inc. ("Altria"), pursuant to a subscription agreement dated December 7, 2018. As of the closing date of the Altria Investment, the Altria Investment consisted of 149,831,154 common shares of the Company and one warrant of the Company (the "Altria Warrant"), all of which were issued to a wholly owned subsidiary of Altria. As of the closing date of the Altria Investment, Altria beneficially held an approximately 45% ownership interest in the Company (calculated on a non-diluted basis). 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 55% (calculated on a non-diluted basis). As of June 30, 2021, Altria beneficially held an approximately 42% ownership interest in the Company (calculated on a non-diluted basis). 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 53% (calculated on a non-diluted basis). Pursuant to the investor rights agreement between the Company and Altria, entered into in connection with the closing of the Altria Investment (the "Investor Rights Agreement"), 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 approximate 10% of the common shares of Cronos (approximately 83 million common shares at June 30, 2021) 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 R&D partnership with Ginkgo Bioworks Inc. ("Ginkgo") (the "Ginkgo Strategic Partnership")), 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. 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").

The price per common share to be paid by Altria pursuant to the exercise of its Top-up Rights will be, subject to certain limited exceptions, the 10-day volume-weighted average price of the common shares of the Company on the TSX for the ten full days preceding such exercise by Altria, provided that the price per common share of the Company to be paid by Altria pursuant to the exercise of its Top-up Rights in connection with the issuance of common shares of the Company pursuant to the exercise of options or warrants that were outstanding as of March 8, 2019 will be C$16.25 per common share without any set off, counterclaim, deduction, or withholding. These rights may not be exercised if Altria's ownership percentage of the issued and outstanding shares of the Company falls below 20%. The Altria Warrant, Pre-emptive Rights, and fixed price Top-up Rights have been classified as derivative liabilities.

A reconciliation of the carrying amounts of the derivative liability for the three months ended June 30, 2021 and 2020:

	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 April 1, 2020	Revaluation loss	Exercise of rights	Foreign exchange effect	As of June 30, 2020
(a) Altria Warrant	$ 132,366	$ 30,052	$ —	$ 3,540	$ 165,958
(b) Pre-emptive Rights	13,070	2,610	—	500	16,180
(c) Top-up Rights	20,013	3,218	(727)	1,072	23,576
	$ 165,449	$ 35,880	$ (727)	$ 5,112	$ 205,714

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A reconciliation of the carrying amounts of the derivative liability for the six months ended June 30, 2021 and 2020:

	As of January 1, 2021	Revaluation loss/(gain)	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

	As of January 1, 2020	Revaluation loss/(gain)	Exercise of rights	Foreign exchange effect	As of June 30, 2020
(a) Altria Warrant	$ 234,428	$ (58,052)	$ —	$ (10,418)	$ 165,958
(b) Pre-emptive Rights	12,787	3,925	—	(532)	16,180
(c) Top-up Rights	49,945	(23,361)	(727)	(2,281)	23,576
	$ 297,160	$ (77,488)	$ (727)	$ (13,231)	$ 205,714

Fluctuations in the Company's share price are a primary driver for the changes in the derivative valuations during each reporting period. As the share price decreases for each of the related derivative instruments, the liability of the instrument generally decreases. Share price is one of the significant observable inputs used in the fair value measurement of each of the Company's derivative instruments. During the three months ended June 30, 2021, the Company's share price decreased from April 1, 2021 and we recorded an out-of-period adjustment of $11,278. See Note 1. Background, Basis of Presentation, Restatement, and Accounting Policies for more information on the out-of-period adjustment.

The fair values of the derivative liabilities were determined using the Black-Scholes pricing model as of June 30, 2021 and December 31, 2020 applying the following inputs:

	As of June 30, 2021			As of December 31, 2020		
	Altria Warrant	Pre-emptive Rights	Top-up Rights	Altria Warrant	Pre-emptive Rights	Top-up Rights
Share price at valuation date (i)	$10.68	$10.68	$10.68	$8.84	$8.84	$8.84
Subscription price (i)	$19.00	$16.25	$16.25	$19.00	$16.25	$16.25
Weighted average risk-free interest rate (ii)	0.38%	0.28%	0.31%	0.21%	0.17%	0.13%
Weighted average expected life (iii)	1.68	1.25	1.31	2.18	1.50	0.98
Expected annualized volatility (iv)	75%	75%	75%	81%	81%	81%
Expected dividend yield	—%	—%	—%	—%	—%	—%

(i) Per share in C$.

(ii) 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, 2021 and December 31, 2020, the risk-free interest rate uses a range of approximately 0.15% to 0.85% and 0.10% to 0.39%, respectively, for the Pre-emptive Rights and Top-up Rights.

(iii) 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, 2021 and December 31, 2020, the expected life uses a range of approximately 0.25 year to 4.25 years and 0.50 year to 5.00 years, respectively.

(iv) Volatility was based on an equally weighted blended historical and implied volatility level of the underlying equity securities of the Company as of June 30, 2021. As of December 31, 2020, volatility was based on the blended historical volatility levels of the Company and peer companies.

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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 but opposite impact on net income (loss).

	Decrease as of June 30, 2021			Decrease as of December 31, 2020		
	Altria Warrant	Pre-emptive Rights	Top-up Rights	Altria Warrant	Pre-emptive Rights	Top-up Rights
Share price	$ 31,375	$ 3,146	$ 1,302	$ 25,819	$ 2,527	$ 2,989
Weighted average expected life	14,220	5,266	502	13,541	1,988	2,121
Expected annualized volatility	27,375	2,348	968	26,183	2,269	2,602

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

7. Share-based Payments

(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 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.

The following table summarizes the total share-based payments associated with the Company's stock options and RSUs for the three and six months ended June 30, 2021 and 2020:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Stock options	$ 1,864	$ 1,770	$ 3,928	$ 3,500
RSUs	701	776	1,136	1,482
Total share-based payments	$ 2,565	$ 2,546	$ 5,064	$ 4,982

(b) Stock options

Vesting conditions for grants of options are determined by the Compensation Committee of the Company's Board of Directors. The typical vesting for stock option grants made under the 2020 Omnibus Plan is annual vesting over three to five years with a maximum term of ten years. The typical vesting for stock option grants made under the 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 during the six months ended June 30, 2021 and 2020:

	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.

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	Weighted average exercise price (C$)	Number of options	Weighted average remaining contractual term (years)
Balance as of January 1, 2020	$ 4.84	14,149,502	2.56
Exercise of options	2.05	(1,807,909)	
Cancellation, forfeiture and expiry of options	15.78	(127,045)	
Balance as of June 30, 2020	$ 5.13	12,214,548	2.05
Exercisable as of June 30, 2020	$ 3.42	8,688,645	1.78

No stock options were granted during the six months ended June 30, 2021 and 2020.

The following table summarizes stock options outstanding for the 2020 Omnibus Plan, the 2018 Stock Option Plan, and the 2015 Stock Option Plan:

	June 30, 2021	December 31, 2020
2020 Omnibus Plan	2,000,000	2,000,000
2018 Stock Option Plan	1,586,725	1,627,715
2015 Stock Option Plan	4,784,906	10,127,433
Total stock options outstanding	8,371,631	13,755,148

(c) Restricted share units

The following is a summary of the changes in RSUs for the six months ended June 30, 2021 and 2020:

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

	Number of RSUs (i)	Weighted average grant date fair value (C$)(ii)
Balance as of January 1, 2020	732,972	$ 15.34
Granted(i)	279,277	7.52
Balance as of June 30, 2020	1,012,249	$ 13.18

(i) RSUs granted in the period vest annually in equal installments over a three-year period following the grant date, 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 during the six months ended June 30, 2021 and 2020:

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

	Number of DSUs	Financial liability
Balance as of January 1, 2020	33,397	$ 255
DSU liabilities settled	(8,484)	(46)
Gain on revaluation	—	(56)
Balance as of June 30, 2020	24,913	$ 153

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(e) Warrants

The following is a summary of the changes in warrants during the six months ended June 30, 2021 and 2020:

	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	$	—	—

	Weighted average exercise price (C$)		Number of warrants
Balance as of January 1, 2020 and June 30, 2020	$	0.26	18,066,662

As of June 30, 2021, there are no warrants outstanding other than the Altria Warrant. See Note 6. Derivative Liabilities for further description on the Altria Warrant.

8. Loss per Share

Basic and diluted loss per share from continuing operations and discontinued operations are calculated using the following numerators and denominators:

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Basic loss per share computation	*(Restated)*		*(Restated)*	
Net loss from continuing operations attributable to the shareholders of Cronos Group	$ (178,513)	$ (106,931)	$ (339,804)	$ (30,891)
Weighted average number of common shares outstanding	371,721,382	349,075,408	367,391,118	348,946,439
Basic loss from continuing operations per share[(i)]	$ (0.48)	$ (0.31)	$ (0.92)	$ (0.09)
Loss from discontinued operations attributable to the shareholders of Cronos Group	$ (561)	$ (46)	$ (582)	$ (46)
Weighted average number of common shares outstanding	371,721,382	349,075,408	367,391,118	348,946,439
Basic loss from discontinued operations per share	$ 0.00	$ 0.00	$ 0.00	$ 0.00

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Diluted loss per share computation	*(Restated)*		*(Restated)*	
Net loss used in the computation of basic earnings (loss) from continuing operations per share	$ (178,513)	$ (106,931)	$ (339,804)	$ (30,891)
Adjustment for gain on revaluation of derivative liabilities	—	(729)	—	(729)
Net loss used in the computation of diluted loss from continuing operations per share	$ (178,513)	$ (107,660)	$ (339,804)	$ (31,620)
Weighted average number of common shares for computation of diluted loss from continuing operations per share[(i)]	371,721,382	349,075,408	367,391,118	348,946,439
Diluted loss from continuing operations per share	$ (0.48)	$ (0.31)	$ (0.92)	$ (0.09)
Loss from discontinued operations attributable to the shareholders of Cronos Group	$ (561)	$ (46)	$ (582)	$ (46)
Weighted average number of common shares for computation of diluted loss from discontinued operations per share	371,721,382	349,075,408	367,391,118	348,946,439
Diluted loss from discontinued operations per share	$ 0.00	$ 0.00	$ 0.00	$ 0.00

(i) In computing diluted loss per share, incremental common shares are not considered in periods in which a net loss is reported as the inclusion of the common share equivalents would be anti-dilutive.

The following securities were not included in the computation of diluted shares outstanding because the effect would be anti-dilutive or because conditions for contingently issuable shares were not satisfied at the end of the reporting periods.

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(Restated)			
Ginkgo equity milestones	14,674,904	14,674,904	14,674,904	14,674,904
Pre-emptive Rights	10,683,330	12,006,740	10,984,166	12,006,740
Top-up Rights – fixed price	3,698,611	26,686,413	7,406,031	26,686,413
Top-up Rights – market price	3,504,561	1,941,349	3,063,822	1,941,349
Altria Warrant	82,623,455	77,752,533	82,606,904	77,752,533
Stock options	4,439,462	10,495,235	6,136,113	10,547,256
Warrants	5,577	17,521,903	2,784,377	17,536,558
Restricted share units	861,283	1,012,249	717,127	1,012,249
Total anti-dilutive securities	120,491,183	162,091,326	128,373,444	162,158,002

9. Segment Information

Segment reporting is prepared on the same basis that the Company’s chief operating decision makers (the “CODMs”) manage the business, make operating decisions and assess the Company’s performance. The Company determined that it has the following two reportable segments: United States and Rest of World. The United States operating segment consists of the manufacture and distribution of hemp-derived CBD infused products. The Rest of World 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 CODMs to assess the performance of the segment and make decisions regarding the allocation of resources. The CODMs review adjusted earnings (loss) before interest, tax, depreciation and amortization (“Adjusted EBITDA”) as the measure of segment profit or loss to evaluate performance of and allocate resources for its reportable segments. Adjusted EBITDA is defined as earnings before interest, tax, depreciation, non-cash items and items that do not reflect management’s assessment of on-going business performance.

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

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Segment data was as follows for the three and six months ended June 30, 2021 and 2020:

	Three months ended June 30, 2021			
	United States	Rest of World	Corporate	Total
	(Restated)			*(Restated)*
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 accounted investments	$ —	$ 1,115	$ —	$ 1,115
Interest income	$ 20	$ 2,280	$ —	$ 2,300
Interest expense	—	(7)	—	(7)
Interest income, net	$ 20	$ 2,273	$ —	$ 2,293
Total assets	$ 473,828	$ 386,805	$ 741,850	$ 1,602,483
Depreciation and amortization	68	975	—	1,043
Impairment loss on goodwill and indefinite-lived intangible assets	234,914	—	—	234,914
Impairment loss on long-lived assets	1,214	—	—	1,214
Loss from discontinued operations	—	561	—	561
Adjusted EBITDA	(10,711)	(32,605)	(6,443)	(49,759)
Purchase of property, plant and equipment, net	239	1,428	—	1,667

	Three months ended June 30, 2020			
	United States	Rest of World	Corporate	Total
Cannabis flower	$ —	$ 5,674	$ —	$ 5,674
Cannabis extracts	2,174	1,917	—	4,091
Other	—	118	—	118
Net revenue	$ 2,174	$ 7,709	$ —	$ 9,883
Share of loss from equity accounted investments	$ —	$ 794	$ —	$ 794
Interest income	9	3,808	—	3,817
Interest expense	—	(83)	—	(83)
Interest income, net	$ 9	$ 3,725	$ —	$ 3,734
Total assets	$ 250,470	$ 348,569	$ 1,311,248	$ 1,910,287
Depreciation and amortization	36	643	—	679
Impairment loss on goodwill and indefinite-lived intangible assets	40,000	—	—	40,000
Adjusted EBITDA	(4,785)	(18,618)	(3,583)	(26,986)
Purchase of property, plant and equipment, net	39	6,894	—	6,933

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	Six months ended June 30, 2021			
	United States	Rest of World	Corporate	Total
	(Restated)			*(Restated)*
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 accounted investments	$ —	$ 2,758	$ —	$ 2,758
Interest income	$ 23	$ 4,612	$ —	$ 4,635
Interest expense	—	(13)	—	(13)
Interest income, net	$ 23	$ 4,599	$ —	$ 4,622
Total assets	$ 473,828	$ 386,805	$ 741,850	$ 1,602,483
Depreciation and amortization	139	1,639	—	1,778
Impairment loss on goodwill and indefinite-lived intangible assets	234,914	—	—	234,914
Impairment loss on long-lived assets	2,955	—	—	2,955
Adjusted EBITDA	(20,221)	(54,789)	(11,323)	(86,333)
Purchase of property, plant and equipment, net	319	8,028	—	8,347

	Six months ended June 30, 2020			
	United States	Rest of World	Corporate	Total
Cannabis flower	$ —	$ 8,415	$ —	$ 8,415
Cannabis extracts	4,350	5,317	—	9,667
Other	—	233	—	233
Net revenue	$ 4,350	$ 13,965	$ —	$ 18,315
Share of loss from equity accounted investments	$ —	$ 1,966	$ —	$ 1,966
Interest income	16	11,559	—	11,575
Interest expense	—	(90)	—	(90)
Interest income, net	$ 16	$ 11,469	$ —	$ 11,485
Total assets	$ 250,470	$ 348,569	$ 1,311,248	$ 1,910,287
Depreciation and amortization	69	1,297	—	1,366
Impairment loss on goodwill and indefinite-lived intangible assets	40,000	—	—	40,000
Adjusted EBITDA	(10,567)	(47,628)	(5,846)	(64,041)
Purchase of property, plant and equipment, net	219	13,125	—	13,344

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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, 2021			
	United States	Rest of World	Corporate	Total
	(Restated)			*(Restated)*
Net income (loss)	$ (247,847)	$ 79,627	$ (11,133)	$ (179,353)
Interest income, net	(20)	(2,273)	—	(2,293)
Share of loss from equity accounted 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
Other, net(v)	—	(1,127)	—	(1,127)
Loss from discontinued operations(vi)	—	561	—	561
Share-based payments(vii)	822	1,743	—	2,565
Review costs related to restatement of 2019 interim financial statements(viii)	—	—	1,932	1,932
Depreciation and amortization	206	2,997	—	3,203
Adjusted EBITDA	$ (10,711)	$ (32,605)	$ (6,443)	$ (49,759)

	Three months ended June 30, 2020			
	United States	Rest of World	Corporate	Total
Net loss	$ (45,566)	$ (55,095)	$ (7,042)	$ (107,703)
Interest income, net	(9)	(3,725)	—	(3,734)
Share of loss from equity accounted investments	—	794	—	794
Impairment loss on goodwill and indefinite-lived intangible assets(i)	40,000	—	—	40,000
Loss on revaluation of derivative liabilities(iii)	—	35,880	—	35,880
Other, net(v)	—	9	—	9
Loss from discontinued operations(vi)	—	46	—	46
Share-based payments(vii)	756	1,790	—	2,546
Review costs related to restatement of 2019 interim financial statements(viii)	—	—	3,459	3,459
Depreciation and amortization	34	1,683	—	1,717
Adjusted EBITDA	$ (4,785)	$ (18,618)	$ (3,583)	$ (26,986)

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	Six months ended June 30, 2021			
	United States	Rest of World	Corporate	Total
	(Restated)			*(Restated)*
Net loss	$ (259,939)	$ (62,520)	$ (18,519)	$ (340,978)
Interest income, net	(23)	(4,599)	—	(4,622)
Share of loss from equity accounted 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
Other, net(v)	—	(911)	—	(911)
Loss from discontinued operations(vi)	—	582	—	582
Share-based payments(vii)	1,567	3,497	—	5,064
Review costs related to restatement of 2019 interim financial statements(viii)	—	—	3,937	3,937
Depreciation and amortization	305	4,778	—	5,083
Adjusted EBITDA	$ (20,221)	$ (54,789)	$ (11,323)	$ (86,333)

	Six months ended June 30, 2020			
	United States	Rest of World	Corporate	Total
Net income (loss)	$ (52,082)	$ 33,772	$ (13,712)	$ (32,022)
Interest income, net	(16)	(11,469)	—	(11,485)
Share of loss from equity accounted investments	—	1,966	—	1,966
Impairment loss on goodwill and indefinite-lived intangible assets(i)	40,000	—	—	40,000
Loss on revaluation of derivative liabilities(iii)	—	(77,488)	—	(77,488)
Other, net(v)	—	(785)	—	(785)
Loss from discontinued operations(vi)	—	46	—	46
Share-based payments(vii)	1,462	3,520	—	4,982
Review costs related to restatement of 2019 interim financial statements(viii)	—	—	7,866	7,866
Depreciation and amortization	69	2,810	—	2,879
Adjusted EBITDA	$ (10,567)	$ (47,628)	$ (5,846)	$ (64,041)

(i) For the three and six months ended June 30, 2021 and 2020, impairment loss 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. See Note 5. Goodwill and Intangible Assets, net.

(ii) 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. See Note 13. Impairment Loss on Long-lived Assets. 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. There was no impairment loss on long-lived assets for the three and six months ended June 30, 2020.

(iii) For the three and six months ended June 30, 2021 and 2020, 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 represents 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, 2021, other, net is 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. For the six months ended June 30, 2020, other, net is primarily comprised of the gain recorded related to the sale of common shares of Aurora Cannabis, Inc. ("Aurora"), which were received in connection with the achievement of a milestone related to Aurora's acquisition of Whistler Medical Marijuana Corporation.

(vi) For the three and six months ended June 30, 2021 and 2020, loss from discontinued operations relates to the discontinuance of Original B.C. Ltd. ("OGBC"). See Note 12. Held-For-Sale Assets and Discontinued Operations.

(vii) For the three and six months ended June 30, 2021 and 2020, share-based payments relates to the vesting expenses of share-based compensation awarded to employees under the Company's share-based award plans as described in Note 7. Share-based Payments.

(viii) For the three and six months ended June 30, 2021 and 2020, the financial statement review costs include costs related to the restatement of the Company's 2019 interim financial statements, costs related to the Company's responses to requests for information from various regulatory authorities relating to such restatement and legal costs defending shareholder class action complaints brought against the Company as a result of the restatement.

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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,	
	2021	2020	2021	2020
Canada	$ 10,664	$ 7,416	$ 18,246	$ 13,507
Israel	2,310	293	4,828	293
United States	2,227	2,174	4,668	4,350
Other countries	421	—	491	165
Net revenue	$ 15,622	$ 9,883	$ 28,233	$ 18,315

Property, plant and equipment assets were physically located in the following geographic regions:

	As of June 30, 2021	As of December 31, 2020
Canada	$ 168,462	$ 162,163
Israel	23,936	23,143
United States	308	2,293
Total	$ 192,706	$ 187,599

The Company sells products through a limited number of major customers. Major customers are defined as customers that each individually accounted for greater than 10% of the Company’s revenues.

United States

During the three and six months ended June 30, 2021 and 2020, the U.S. segment had no major customers.

As of June 30, 2021 and December 31, 2020, the Company had $106 and $65, respectively, in expected credit losses that have been recognized on receivables from contracts with customers.

There was no loss from discontinued operations from the U.S. Segment for the three and six months ended June 30, 2021 and 2020.

Rest of World

During the three months ended June 30, 2021, the Rest of World segment earned a total net revenue before excise taxes of $8,497 from three major customers, Ontario Cannabis Retail Corporation, Alberta Gaming, Liquor and Cannabis Commission and Société Québécoise du Cannabis, accounting for 19%, 14% and 12%, respectively, of the Company’s total net revenue before excise taxes. During the three months ended June 30, 2020, the Rest of World segment earned a total net revenue before excise taxes of $7,040 from four major customers, together accounting for 71% of the Company’s total net revenues before excise taxes.

During the six months ended June 30, 2021, the Rest of World segment earned a total net revenue before excise taxes of $18,250 from four major customers, Ontario Cannabis Retail Corporation, Novolog Group, Société Québécoise du Cannabis and Alberta Gaming, Liquor and Cannabis Commission, accounting for 15%, 14%, 13%, and 12% respectively, of the Company’s total net revenue before excise taxes. During the six months ended June 30, 2020, the Rest of World segment earned a total net revenue before excise taxes of $11,819 from four major customers, together accounting for 65% of the Company’s total net revenues before excise taxes.

As of June 30, 2021 and December 31, 2020, the Company had $158 and $9, respectively, in expected credit losses that have been recognized on receivables from contracts with customers.

The loss from discontinued operations from the Rest of World segment for the three months ended June 30, 2021 and 2020 was $561 and $46, respectively. The loss from discontinued operations from the Rest of World segment for the six months ended June 30, 2021 and 2020 was $582 and $46, respectively.

10. 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

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 former Chief Executive Officer (now Executive Chairman) and 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 controls were incorrect based on the Company's disclosures relating to the Audit Committee of the Board of Directors' review of the appropriateness of revenue recognized in connection with certain bulk resin purchases and sales of products through the wholesale channel. The consolidated amended complaint does not quantify a damage request. 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 the Company, its former Chief Executive Officer (now Executive Chairman), Chief Financial Officer, former Chief Financial Officer and Chief Commercial Officer, and current and former members of the Board of Directors 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 controls were misrepresentations based on the Company's March 2, 2020 disclosure that the Audit Committee of the Board of Directors was conducting a review of the appropriateness of revenue recognized in connection with certain bulk resin purchases and sales of products through the wholesale channel, and the Company's subsequent restatement. The Amended Statement of Claim does not quantify a damage request. On June 28, 2021, the Ontario Court dismissed motions brought by the plaintiff for leave to commence a claim for misrepresentation under the Ontario Securities Act and for certification of the action as a class action. The plaintiff appealed the Court's dismissal of the motions, except with respect to the former Chief Financial Officer and Chief Commercial Officer, who agreed not to seek costs from plaintiff in connection with the dismissal of the motions

(ii) Regulatory reviews relating to restatement

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. 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.

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(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.

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.

11. Financial Instruments

(a) Fair value measurement

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 that are measured at fair value on a recurring basis as of June 30, 2021 and December 31, 2020 and indicate the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value.

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 895,181	$ —	$ —	$ 895,181
Short-term investments	201,699	—	—	201,699
Derivative liabilities	—	—	169,563	169,563

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,078,023	$ —	$ —	$ 1,078,023
Short-term investments	211,766	—	—	211,766
Derivative liabilities	—	—	163,410	163,410

There were no transfers between categories during the periods presented.

(b) Financial risks

The Company's activities expose it to a variety of financial risks, including credit risk, market risk, interest rate risk, liquidity risk, and foreign currency rate risk.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The 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 $1,210,287 and $1,403,491 as of June 30, 2021 and December 31, 2020, respectively.

(a) Cash and cash equivalents, short-term investments, and other receivables

The Company held cash and cash equivalents and short-term investments and related interest receivable. Short-term investments and related interest receivable represents short-term investments with a maturity of less than a year and accrued interest as of period end. The cash and cash equivalents and short-term investments, including guaranteed investment certificates and bankers' acceptances, are held with central banks and financial institutions that are highly rated. In addition to interest receivable, other receivables include sales taxes receivable from the government. As such, the Company has assessed an insignificant loss allowance on these financial instruments.

(b) Accounts receivable

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, among 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, 2021 and December 31, 2020, the Company had an allowance for credit losses of $264 and $74, respectively.

As of June 30, 2021, the Company has assessed that there is a concentration of credit risk, as 74% of the Company's accounts receivable were due from four customers with an established credit history with the Company. As of December 31, 2020, 78% of the Company's accounts receivable were due from four customers with an established credit history with the Company.

(ii) Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, market and economic conditions, and equity and commodity prices. The Company is exposed to market risk in divesting its investments, such that unfavorable market conditions could result in dispositions of investments at less than their carrying amounts. Further, the revaluation of securities classified as fair value through net income could result in significant write-downs of the Company's investments, which would have an adverse impact on the Company's financial position, unless these would flow through other comprehensive income.

The Company manages market risk by having a portfolio of securities from multiple issuers so that the Company is not materially exposed to any one issuer.

(iii) Interest rate risk

Interest rate risk is the risk that the value or yield of fixed-income investments may decline if interest rates change. Fluctuations in interest rates may impact the level of income and expense recorded on the cash equivalents and short-term investments, and the market value of all interest-earning assets, other than those which possess a short-term to maturity. A 10% change in the interest rate in effect on June 30, 2021 and December 31, 2020 would not have a material effect on (i) fair value of the cash equivalents and short-term investments as the majority of the portfolio has a maturity date of three months or less or (ii) interest income. Management continues to monitor external interest rates and revise the Company's investment strategy as a result.

During the three months ended June 30, 2021 and 2020, the Company recorded net interest income of $2,293 and $3,734, respectively. During the six months ended June 30, 2021 and 2020, the Company recorded net interest income of $4,622 and $11,485, respectively.

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(iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due and arises principally from the Company's accounts payable and other liabilities. The Company's policy is to review liquidity resources and ensure that sufficient funds are available to meet financial obligations as they become due. Further, the Company's management is responsible for ensuring funds exist and are readily accessible to support business opportunities as they arise. The Company's funding was primarily provided in the form of capital raised through the issuance of common shares and warrants. As of June 30, 2021, the Company had assessed a concentration risk of vendors as 32% of accounts payables were due to one vendor. As of December 31, 2020, the Company had assessed a concentration risk of vendors as 64% due to four vendors.

(v) Foreign currency risk

Currency rate risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in foreign exchange rates. The Company is exposed to this risk on investments in equity investees denominated in dollars, A$ and C$, and other assets and liabilities denominated in A$ and C$. The Company is further exposed to this risk through subsidiaries operating in Israel and the U.S. as the Company's functional currency is in Canadian dollars. The Company does not currently use foreign exchange contracts to hedge its exposure to currency rate risk. As such, the Company's financial position and financial results may be adversely affected by the unfavorable fluctuations in currency exchange rates.

During the three months ended June 30, 2021 and 2020, the Company had foreign currency gain on translation of $13,470 and $51,871, respectively. During the six months ended June 30, 2021 and 2020, the Company had foreign currency gain (loss) on translation of $29,754 and $(61,821), respectively. A 10% change in the exchange rates for the U.S. dollar would affect the carrying amount of net assets by approximately $162,991 and $170,817 as of June 30, 2021 and December 31, 2020, respectively.

12. Held-For-Sale Assets and Discontinued Operations

During the year ended December 31, 2020, the Company advanced its plans for the sale and disposal of substantially all of the assets of OGBC and as a result, OGBC's results of operations were reclassified as discontinued operations in the accompanying condensed consolidated financial statements for all periods presented. During the quarter ended June 30, 2021, the Company determined that the fair value of OGBC was lower than the carrying amount of the assets. As such, a write-down to these held-for-sale assets of $561 was recorded in the second quarter of 2021. As of June 30, 2021, the assets and liabilities of OGBC continue to meet the definition of discontinued operations and are included as "held-for-sale" assets on the condensed consolidated balance sheet as of June 30, 2021 and December 31, 2020, and loss from discontinued operations on the condensed consolidated statements of net income (loss) and comprehensive income (loss) for the three and six months ended June 30, 2021 and 2020.

On June 10, 2021, the land and office building located in Winnipeg, Manitoba Canada, previously designated as held-for-sale in the first quarter of 2021, was sold for $2,059, net of costs to sell. As a result, the Company recorded a gain on the sale of $1,279 in other, net in its condensed consolidated statements of net income (loss) and comprehensive income (loss) for the three and six months ended June 30, 2021.

The following table summarizes the financial information for discontinued operations:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Loss from discontinued operations, net of income taxes	$ (561)	$ (46)	$ (582)	$ (46)

	As of June 30, 2021	As of December 31, 2020
OGBC assets classified as held-for-sale	$ 645	$ 1,176

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, 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 our 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 on the condensed consolidated statements of net income (loss) and comprehensive income (loss) as impairment loss on long-lived assets.

During the three months ended June 30, 2021, the Company reassessed the existence of impairment indicators on property, plant and equipment associated with sales channels in the U.S. segment. The Company determined that slower actual revenue growth as compared to previous revenue growth forecasts and significant pricing pressures brought about by increased competition and aggressive discounting in sales channels in the U.S. segment represented indicators of impairment. 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 income (loss) and comprehensive income (loss) for the three and six months ended June 30, 2021.

No impairment charges were recorded during the three and six months ended June 30, 2020 on right-of-use assets or property, plant and equipment, net.

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 restated condensed consolidated financial statements and the related notes to those statements, included in Part I, Item 1. of this Quarterly Report on Form 10-Q/A for the quarterly period ended June 30, 2021 (this "Quarterly Report"), consolidated financial statements appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 (the "Annual Report") and Part I, Item 1A, Risk Factors, of the Annual 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 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) 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) 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;
- 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 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, 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, 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, including the proposed sale of our Original B.C. Ltd. ("OGBC") production facility;
- uncertainties as to our ability to exercise the PharmaCann Option (as defined herein) in the near term or the future or 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 (as defined herein);
- expectations regarding revenues, expenses and anticipated cash needs;
- expectations regarding cash flow, liquidity and sources of funding;
- expectations regarding capital expenditures;
- the expansion of our production and manufacturing, the costs and timing associated therewith and the receipt of applicable production and sale licenses;
- the expected growth in 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, 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; (ii) management's perceptions of historical trends, current conditions and expected future developments; (iii) our ability to generate cash flow from operations; (iv) general economic, financial market, regulatory and political conditions in which we operate; (v) the production and manufacturing capabilities and output from our facilities and our joint ventures, strategic alliances and equity investments; (vi) consumer interest in our products; (vii) competition; (viii) anticipated and unanticipated costs; (ix) government regulation of our activities and products including, but not limited to, the areas of taxation and environmental protection; (x) the timely receipt of any required regulatory authorizations, approvals, consents, permits and/or licenses; (xi) our ability to obtain qualified staff, equipment and services in a timely and cost-efficient manner; (xii) our ability to conduct operations in a safe, efficient and effective manner; (xiii) our ability to realize anticipated benefits, synergies or generate revenue, profits or value from our recent acquisitions into our existing operations; (xiv) our ability to complete planned dispositions, including the sale of OGBC, and, if completed, obtain our anticipated sales price; (xv) our ability to exercise the PharmaCann Option and realize the anticipated benefits of the transaction with PharmaCann; and (xvi) 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, the risk that the COVID-19 pandemic 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, including the sale of OGBC, or, if completed, obtain our anticipated sales price; the implementation and effectiveness of key personnel changes; 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; 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 that the Forward-Looking Statements may not be appropriate for any other purpose. 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 the Company’s foreign operations are translated into dollars at the exchange rate in effect as of June 30, 2021, June 30, 2020 and December 31, 2020. Transactions affecting the shareholders’ equity 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 the Company’s foreign operations are translated into dollars by applying the average foreign exchange rate in effect for the reporting period using 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, 2021	**June 30, 2020**	**December 31, 2020**
Average rate	1.2293	1.3856	1.3036
Spot rate	1.2395	1.3576	1.2751
Year-to-date average rate	1.2481	1.3646	1.3411

Business Overview

Cronos Group is an innovative global cannabinoid company with international production and distribution across five continents. Cronos Group is committed to building disruptive intellectual property by advancing cannabis research, technology and product development and is building an iconic brand portfolio. Cronos Group's brand portfolio includes PEACE NATURALS™, a global wellness platform; two adult-use brands, COVE™ and Spinach™; and three U.S. hemp-derived consumer products brands, 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

Cronos Group reports through two segments: "United States" ("U.S.") and "Rest of World" ("ROW"). These two segments represent the geographic regions in which the Company operates and the different product offerings within each geographic region.

The United States 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), Peace Naturals Project Inc. ("Peace Naturals"), which has production facilities near Stayner, Ontario (the "Peace Naturals Campus"), and Cronos Fermentation, which has fermentation and manufacturing facilities 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 strategic joint ventures in Canada, Israel and Colombia. Cronos Group additionally holds approximately 31% of the issued capital of Cronos Australia Limited, which is listed on the Australian Securities Exchange under the trading symbol "CAU." Cronos Group currently exports cannabis products to countries that permit the import of such products, such as Australia, Germany and Israel.

Recent Developments

COVID-19 update

The COVID-19 pandemic continues to impact the global economy and, specifically, the U.S., Canada, Israel, and the other countries in which the Company or its affiliates operate (including Australia and Colombia). Cronos Group continues 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 as the rollout of vaccines continues. This has resulted in the re-opening of, and increased occupancy capacities in, retail outlets, including those that sell the Company's products. Any reinstatement of restrictions on the operations of retail outlets could negatively impact the Company's 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 the Company operates. Although we have not yet seen a significant impact, 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 increases. 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. The lockdown measures taken in the first six months of 2021 to slow infection rates negatively impacted the Company's short-term revenue growth in Canada. However, if provincial reopening plans are effective across some provinces in the third quarter of 2021, we expect to partially mitigate this negative impact.

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 the Company's products. The Company does not expect the remaining COVID-19 restrictions to have a material impact on the Company's short-term revenue growth in Israel.

In both the U.S. and ROW segments, there were no material increases in the current expected credit loss in connection with COVID-19. The Company continues to closely monitor the effects of COVID-19 on its operating results.

Collectively, the effects of the COVID-19 pandemic have adversely affected the Company's 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. At this time, neither the duration nor scope of the disruption can be predicted; therefore, the ultimate impact to the Company's business cannot be reasonably estimated but such impact could materially adversely affect the Company's business and financial results.

Despite the impacts of the COVID-19 pandemic, the Company believes that its significant cash on hand and short-term investments will be adequate to meet liquidity and capital requirements for at least the next twelve months. The impact of reduced interest rates has inhibited the Company's ability to generate interest income, but this has not had, and is not expected to have, a material impact on the liquidity or capital resources of the Company.

Transaction

In June 2021, Cronos Group announced a strategic investment (the "PharmaCann Investment") in PharmaCann Inc. ("PharmaCann"), a leading vertically integrated U.S. cannabis company. A wholly owned subsidiary of Cronos Group purchased an option (the "PharmaCann Option") to acquire an approximately 10.5% ownership stake in PharmaCann on a fully-diluted basis for a total consideration of approximately $110.4 million. PharmaCann has a broad geographic footprint in the U.S. and has built an efficient, effective and scalable operating model, including six production facilities and 24 dispensaries operating under the Verilife™ brand across the following six limited license states: New York, Illinois, Ohio, Maryland, Pennsylvania and Massachusetts. PharmaCann continues to invest in its manufacturing infrastructure and brand development to capitalize on the significant consumer retail and business-to-business wholesale opportunities. Following the exercise of the PharmaCann Option (which will be based upon various factors, including the status of U.S. federal cannabis legalization), Cronos Group and PharmaCann will enter into commercial agreements that would permit each party to offer its products through either party's distribution channels.

Brand and product portfolio

In June 2021, Cronos Group launched SOURZ by Spinach™, an exciting new line of cannabis gummies with bold and unique dual flavor combinations, into the Canadian adult-use market. SOURZ by Spinach™ delivers bold fruit flavors in a distinctive "S" shape with a proprietary coating designed to provide a sour and sweet flavor profile, differentiating the product and elevating the consumer experience. SOURZ by Spinach™ has quickly risen to being one of the top performing brands in the edibles category.

In June 2021, Cronos Group launched Spinach™ DABZ, a new line of cannabis concentrates, into the Canadian adult-use market. Spinach™ DABZ are 100% cannabis-derived with no color remediation or additives to preserve terpenes and full spectrum cannabinoids. Broadening the reach of Cronos Group's Spinach™ brand into new and emerging categories with differentiated products will continue to be the key driver of innovation initiatives.

During the second quarter of 2021, the Spinach™ brand also launched a 28-gram format for Spinach™ flower, Spinach™ Nuggetz, and a new flower SKU, Spinach™ GMO Cookies, in select markets in Canada.

In June 2021, the Company officially re-launched PEACE+™, Cronos Group's U.S. hemp-derived CBD offering that is positioned in the mainstream market through its direct-to-consumer website, peaceplus.com. PEACE+™'s initial product portfolio consists of four tinctures. The Company intends to expand the product portfolio over time with innovative U.S. hemp-derived CBD products.

Subsequent to the end of the second quarter of 2021, in July 2021, Happy Dance™ launched a new facial skin care product, Look Alive CBD Face Moisturizer. This moisturizer has a whipped, light texture and is packed with hydrating ingredients such as avocado oil, hyaluronic acid and high-quality U.S. hemp-derived CBD. The product is now available online to U.S. consumers through the brand's direct-to-consumer website, doahappydance.com, and online at ULTA.com and is expected to become available in ULTA Beauty™ stores throughout the U.S. in the coming weeks.

Intellectual property initiatives

In June 2021, Cronos Group and Ginkgo Bioworks, Inc. ("Ginkgo") announced an amended collaboration and license agreement that will enable the companies to accelerate the commercialization of cultured cannabinoids at scale. The amended agreement follows the receipt of Cronos Fermentation's processing license in April 2021, and most recently the receipt of its license issued by the Canada Revenue Agency. With the amended agreement and both licenses in hand, Cronos Fermentation commenced commercial-scale production of cannabigerol ("CBG") in June 2021. Cronos Group is prioritizing rare cannabinoids, such as CBG, and plans to sequence commercial production and subsequent product launches based on this approach. Cronos Group expects that the final productivity target for CBG will be achieved prior to September 2021, as previously announced.

Appointments

Kendrick Ashton Jr. was elected to Cronos Group's Board of Directors at the Annual Meeting of Shareholders held on June 25, 2021. Mr. Ashton is the Co-Founder and Co-Chief Executive Officer of The St. James, a leading developer and operator of performance, wellness and lifestyle brands, experiences and destinations. Prior to founding The St. James in 2014, Mr. Ashton was a founding member and Managing Director of Perella Weinberg Partners, a boutique financial services firm founded in 2006. Prior to joining Perella Weinberg Partners, Mr. Ashton was an investment banker at Goldman, Sachs & Co. and gained legal experience at Cravath, Swaine & Moore LLP and Wachtell, Lipton, Rosen & Katz. Mr. Ashton is a member of the Board of Trustees of the Colonial Williamsburg Foundation, the Board of Trustees of the National Urban League, the Board of Directors of Archbishop John Carroll High School and the Board of Directors of Bellwether Education Partners and is an emeritus member of the Board of Visitors and Foundation Board of the College of William & Mary.

In April 2021, Thomas Cohn joined Cronos Group as Head of Regulatory and Product. Mr. Cohn joined Cronos Group from The Avon Company, where he served as General Counsel and Corporate Secretary. Mr. Cohn also served as Deputy General Counsel, Regulatory at NBTY, Inc., a leading vertically integrated manufacturer, marketer and distributor of nutritional supplements with global operations. Prior to his time at NBTY, Inc., Mr. Cohn served in various roles at the Federal Trade Commission ("FTC") from 1991 to 2008, including as Director and Assistant Director of its Northeast Region, where he was responsible for managing antitrust and consumer protection investigations and law enforcement actions, as well as local and regional outreach efforts to educate consumers, businesses, and law enforcement agencies on fraud identification and avoidance, and how to comply with antitrust and consumer protection laws enforced by the FTC.

In July 2021, Anthony Parisi joined Cronos Group as Global Head of Audit, a newly formed role for the Company. Mr. Parisi joins Cronos Group with over 20 years of audit experience, most recently serving as Vice President of Global Audit and Risk Management for Reliance Worldwide Corporation, an ASX listed company.

In June 2021, Carlos Cortez joined Cronos Group as Vice President & Controller, a role which includes serving as the Company's principal accounting officer. Mr. Cortez joins Cronos Group with over 18 years of experience, most recently serving as Corporate Controller of SharpSpring, Inc., a publicly traded cloud-based marketing technology company. Prior to his time at SharpSpring, Inc., Mr. Cortez was the Senior Finance Director – Record to Report for Discovery, Inc., a publicly traded global media company, from August 2019 until December 2020. Prior to his time at Discovery, Inc., Mr. Cortez spent five years as Corporate Controller for Malibu Boats, Inc., a publicly traded manufacturer of recreational powerboats.

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 restated condensed consolidated financial results for these periods are not necessarily indicative of the consolidated financial results that we will achieve in future periods.

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
	(Restated)		*(Restated)*	
Net revenue before excise taxes	$ 18,848	$ 11,432	$ 33,502	$ 20,776
Excise taxes	(3,226)	(1,549)	(5,269)	(2,461)
Net revenue	15,622	9,883	28,233	18,315
Cost of sales	19,445	9,743	35,019	16,689
Inventory write-down	11,961	3,062	11,961	11,024
Gross loss	(15,784)	(2,922)	(18,747)	(9,398)
Operating expenses:				
Sales and marketing	13,209	6,501	23,463	13,613
Research and development	5,199	3,631	10,301	8,221
General and administrative	22,417	18,429	44,323	42,188
Share-based payments	2,565	2,546	5,064	4,982
Depreciation and amortization	1,043	679	1,778	1,366
Impairment loss on goodwill and indefinite-lived intangible assets	234,914	40,000	234,914	40,000
Impairment loss on long-lived assets	1,214	—	2,955	—
Total operating expenses	280,561	71,786	322,798	110,370
Operating loss	(296,345)	(74,708)	(341,545)	(119,768)
Other income (loss)	117,553	(32,949)	1,149	87,792
Loss from discontinued operations	(561)	(46)	(582)	(46)
Net loss	(179,353)	(107,703)	(340,978)	(32,022)
Net loss attributable to non-controlling interests	(279)	(726)	(592)	(1,085)
Net loss attributable to Cronos Group	$ (179,074)	$ (106,977)	$ (340,386)	$ (30,937)

Summary of select financial results

	For the three months ended June 30,		Change		For the six months ended June 30,		Change	
	2021	2020	$	%	2021	2020	$	%
Net revenue	$ 15,622	$ 9,883	$ 5,739	58 %	$ 28,233	$ 18,315	$ 9,918	54 %
Cost of sales	19,445	9,743	9,702	100 %	35,019	16,689	18,330	110 %
Inventory write-down	11,961	3,062	8,899	291 %	11,961	11,024	937	8 %
Gross loss	(15,784)	(2,922)	(12,862)	440 %	(18,747)	(9,398)	(9,349)	99 %
Gross margin	(101)%	(30)%	N/A	(71)pp	(66)%	(51)%	N/A	(15)pp

Net revenue

For the three months ended June 30, 2021, we reported consolidated net revenue of $15.6 million, representing an increase of $5.7 million from the three months ended June 30, 2020. For the six months ended June 30, 2021 we reported consolidated net revenue of $28.2 million, representing an increase of $9.9 million from the six months ended June 30, 2020.

For both the three and six month comparative periods, the increase was primarily due to the continued growth of the adult-use market in Canada and increased sales in the Israeli medical market.

Cost of sales

For the three months ended June 30, 2021, we reported consolidated cost of sales of $19.4 million, representing an increase of approximately $9.7 million from the three months ended June 30, 2020. For the six months ended June 30, 2021, we reported consolidated cost of sales of $35.0 million, representing an increase of approximately $18.3 million from the six months ended June 30, 2020.

For both the three and six month comparative periods, the increase was primarily due to the increase in sales volume noted above as well as start-up costs associated with new product development in the ROW segment.

Inventory write-downs

For the three months ended June 30, 2021, we reported consolidated inventory write-downs of $12.0 million, representing an increase of approximately $8.9 million from the three months ended June 30, 2020. For the six months ended June 30, 2021, we reported consolidated inventory write-downs of $12.0 million, representing an increase of approximately $0.9 million from the six months ended June 30, 2020.

For both the three and six month comparative periods, the increases in inventory-write downs were primarily related to cannabis strains and potency levels that are no longer in-line with consumer preferences in the Canadian market and adjustments for obsolete inventory in Canada.

Gross loss

For the three months ended June 30, 2021, we reported consolidated gross loss of $15.8 million, representing an increase in losses of $12.9 million from the three months ended June 30, 2020. For the six months ended June 30, 2021, we reported gross loss of $18.7 million, representing an increase in losses of $9.3 million from the six months ended June 30, 2020.

For the three month comparative periods, the changes in gross loss and gross margin percentage were primarily due to inventory write-downs in the ROW segment, the impact of strategic price reductions on various adult-use cannabis products in Canada in the second half of 2020 as well as start up costs associated with new product development in the ROW segment. For the six month comparative periods, the changes in gross loss and gross margin percentage were primarily due to the impact of strategic price reductions on various adult-use cannabis products in Canada in the second half of 2020 as well as start up costs associated with new product development in the ROW segment.

Operating expenses

	For the three months ended June 30,		Change		For the six months ended June 30,		Change	
	2021	2020	$	%	2021	2020	$	%
	(Restated)				*(Restated)*			
Sales and marketing	$ 13,209	$ 6,501	$ 6,708	103 %	$ 23,463	$ 13,613	$ 9,850	72 %
Research and development	5,199	3,631	1,568	43 %	10,301	8,221	2,080	25 %
General and administrative	22,417	18,429	3,988	22 %	44,323	42,188	2,135	5 %
Share-based payments	2,565	2,546	19	1 %	5,064	4,982	82	2 %
Depreciation and amortization	1,043	679	364	54 %	1,778	1,366	412	30 %
Impairment loss on goodwill and indefinite-lived intangible assets	234,914	40,000	194,914	487 %	234,914	40,000	194,914	487 %
Impairment loss on long-lived assets	1,214	—	1,214	N/A	2,955	—	2,955	N/A
Total operating expenses	$ 280,561	$ 71,786	$ 208,775	291 %	$ 322,798	$ 110,370	$ 212,428	192 %

Sales and marketing

For the three months ended June 30, 2021, sales and marketing expenses were $13.2 million, representing an increase of $6.7 million from the three months ended June 30, 2020. For the six months ended June 30, 2021, sales and marketing expenses were $23.5 million, representing an increase of $9.9 million from the six months ended June 30, 2020.

For both the three and six month comparative periods, the increase was primarily due to an increase in ongoing advertising and marketing campaigns related to our brands in the U.S. segment, which began in the second half of 2020 as well as increased headcount and related costs tied to these marketing efforts. During the first half of 2020, new hiring and spending on sales and marketing were delayed in the U.S. segment due to the impact of COVID-19.

Research and development

For the three months ended June 30, 2021, research and development expenses were $5.2 million, representing an increase of $1.6 million from the three months ended June 30, 2020. For the six months ended June 30, 2021, research and development expenses were $10.3 million, representing an increase of $2.1 million from the six months ended June 30, 2020.

For both the three and six month comparative periods, this increase was primarily driven by increased spending on product development and developing cannabinoid intellectual property in the ROW segment.

General and administrative

For the three months ended June 30, 2021, general and administrative expenses were $22.4 million, representing an increase of $4.0 million from the three months ended June 30, 2020. For the six months ended June 30, 2021, general and administrative expenses were $44.3 million, representing an increase of $2.1 million from the six months ended June 30, 2020.

For both the three and six month comparative periods, this change was primarily due to increased advisory fees associated with strategic initiatives including the PharmaCann investment, which did not take place during the comparable periods in 2020.

Depreciation and amortization

For the three months ended June 30, 2021, depreciation and amortization expenses were $1.0 million, representing an increase of $0.4 million from the three months ended June 30, 2020. For the six months ended June 30, 2021, depreciation and amortization expenses were $1.8 million, representing an increase of $0.4 million from the six months ended June 30, 2020.

For both the three and six month comparative periods, the change was primarily due to the increased capital expenditures in the ROW segment in the second half of 2020.

Impairment loss on goodwill and indefinite-lived intangible assets

For the three and six months ended June 30, 2021, there were $234.9 million of impairment charges on goodwill and indefinite-lived intangible assets representing an increase of $194.9 million from the three and six months ended June 30, 2020.

For both the three and six month comparative periods, the increase in impairment loss on goodwill and indefinite-lived intangible assets was primarily due to a $234.9 million impairment charge on the goodwill associated with our U.S. reporting unit and Lord Jones™ brand name compared to $40.0 million in impairment charges on the U.S. reporting unit and the Lord Jones™ brand in the first half of 2020. For further information, see Note 5. Goodwill and Intangible Assets, Net to the Company's restated condensed consolidated financial statements under Item 1. "Financial Statements" of this Quarterly Report.

Impairment loss on long-lived assets

For the six months ended June 30, 2021, impairment loss on long-lived assets was $3.0 million, representing an increase of $3.0 million from the six months ended June 30, 2020. For the three months ended June 30, 2021, impairment loss on long-lived assets was $1.2 million, representing an increase of $1.2 million from the three months ended June 30, 2020.

For the three month comparative period, the increase in impairment charges relates to $1.2 million in impairment charges on property, plant and equipment located in the U.S. segment. For the six month comparative period, the increase in impairment charges relates to aforementioned impairment charges on property, plant and equipment located in the U.S. segment, as well as $1.7 million in impairment charges on leased premises in the U.S. segment. For further information, see Note 13. Impairment Loss on Long-lived Assets to the Company's restated condensed consolidated financial statements under Item 1. "Financial Statements" of this Quarterly Report.

Other income (loss) & discontinued operations

	For the three months ended June 30,		Change		For the six months ended June 30,		Change	
	2021	2020	$	%	2021	2020	$	%
Interest income, net	$ 2,293	$ 3,734	$ (1,441)	(39)%	$ 4,622	$ 11,485	$ (6,863)	(60)%
Gain (loss) on revaluation of derivative liabilities	115,248	(35,880)	151,128	421 %	(1,626)	77,488	(79,114)	(102)%
Share of loss from equity accounted investments	(1,115)	(794)	(321)	(40)%	(2,758)	(1,966)	(792)	(40)%
Other, net	1,127	(9)	1,136	12622 %	911	785	126	16 %
Total other income (loss)	117,553	(32,949)	150,502	457 %	1,149	87,792	(86,643)	(99)%
Loss from discontinued operations	(561)	(46)	(515)	(1120)%	(582)	(46)	(536)	(1165)%
Net loss	$ (179,353)	$ (107,703)	$ (71,650)	(67)%	$(340,978)	$ (32,022)	$ (308,956)	(965)%

Interest income

For the three months ended June 30, 2021, net interest income was $2.3 million, representing a decrease of $1.4 million from the three months ended June 30, 2020. For the six months ended June 30, 2021, net interest income was $4.6 million, representing a decrease of $6.9 million from the six months ended June 30, 2020.

For both the three and six month comparative periods, the decrease in net interest income was primarily due to reduced interest rates on interest earning accounts as well as a decrease in interest earning assets during the three and six months ended June 30, 2021 compared to the same periods in 2020.

Gain/loss on revaluation of derivative liabilities

For the three months ended June 30, 2021, gain on revaluation on derivatives was \$115.2 million, including an out-of-period adjustment of \$11.3 million, representing an increase of \$151.1 million from the three months ended June 30, 2020. For the six months ended June 30, 2021, loss on revaluation on derivatives was \$1.6 million, representing a decrease of \$79.1 million from the six months ended June 30, 2020.

The valuation of derivative liabilities is based on inputs such as the Company's share price and volatility, expected term and expected risk-free interest rate which have in the past, and may in the future, fluctuate significantly period-to-period. The Company expects continued fluctuations in derivative valuations. For further information, see Note 6. Derivative Liabilities to the Company's restated condensed consolidated financial statements under Item 1. "Financial Statements" of this Quarterly Report.

Share of loss from equity accounted investments

For the three months ended June 30, 2021, share of loss from equity accounted investments was \$1.1 million, representing an increase of \$0.3 million from the three months ended June 30, 2020. For the six months ended June 30, 2021, share of loss from equity accounted investments was \$2.8 million, representing an increase of \$0.8 million from the six months ended June 30, 2020.

For both the three and six month comparative periods, the change was due to recurring losses from the Company's equity accounted investments. For further information, see Note 3. Investments to the Company's restated condensed consolidated financial statements under Item 1. "Financial Statements" of this Quarterly Report.

Other, net

For the three months ended June 30, 2021, other income was \$1.1 million, representing an increase of \$1.1 million from the three months ended June 30, 2020. This change was primarily due to a gain on held-for-sale assets in the three months ended June 30, 2021 compared with a small gain on disposal of other assets in the three months ended June 30, 2020. For the six months ended June 30, 2021, other income was \$0.9 million, essentially unchanged from the six months ended June 30, 2020.

Results of Operations by Business Segment:

The tables below sets forth our condensed consolidated results of operations by our two business segments: ROW and U.S., expressed in U.S. dollars and in thousands for the periods presented. Our restated 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

	For the three months ended June 30,		Change		For the six months ended June 30,		Change	
	2021	2020	$	%	2021	2020	$	%
Net revenue	$ 13,395	$ 7,709	$ 5,686	74 %	$ 23,565	$ 13,965	$ 9,600	69 %
Cost of sales	17,862	8,156	9,706	119 %	32,171	14,008	18,163	130 %
Inventory write-down	11,961	3,062	8,899	291 %	11,961	11,024	937	8 %
Gross loss	(16,428)	(3,509)	(12,919)	368 %	(20,567)	(11,067)	(9,500)	86 %
Gross margin	(123)%	(46)%	N/A	(77)pp	(87)%	(79)%	N/A	(8)pp

Net revenue – ROW

	For the three months ended June 30,		Change		For the six months ended June 30,		Change	
	2021	2020	$	%	2021	2020	$	%
Cannabis flower	$ 11,597	$ 5,674	$ 5,923	104 %	$ 21,031	$ 8,415	$ 12,616	150 %
Cannabis extracts	1,531	1,917	(386)	(20)%	2,234	5,317	(3,083)	(58)%
Other	267	118	149	126 %	300	233	67	29 %
Net revenue	$ 13,395	$ 7,709	$ 5,686	74 %	$ 23,565	$ 13,965	$ 9,600	69 %

For the three months ended June 30, 2021, the ROW segment reported net revenue of $13.4 million, representing an increase of $5.7 million from the three months ended June 30, 2020. For the six months ended June 30, 2021, the ROW segment reported net revenue of $23.6 million, representing an increase of $9.6 million from the six months ended June 30, 2020.

For both the three and six month comparative periods, the change was primarily due to continued growth of the adult-use cannabis flower market in Canada and sales in the Israeli medical cannabis market.

Cost of sales – ROW

For the three months ended June 30, 2021, the ROW segment reported cost of sales of $17.9 million, representing an increase of $9.7 million from the three months ended June 30, 2020. For the six months ended June 30, 2021, the ROW segment reported cost of sales of $32.2 million, representing an increase of $18.2 million from the six months ended June 30, 2020.

For both the three and six month comparative periods, the increase was primarily due to an increase in sales volume as well as start-up costs associated with new product development in Canada.

Inventory write-downs – ROW

For the three months ended June 30, 2021, the ROW segment reported inventory write-downs of $12.0 million, representing an increase of approximately $8.9 million from the three months ended June 30, 2020. For the six months ended June 30, 2021, the ROW segment reported inventory write-downs of $12.0 million, representing an increase of approximately $0.9 million from the six months ended June 30, 2020.

For both the three and six month comparative periods, the increase in inventory-write downs primarily relates to cannabis strains and potency levels that are no longer in-line with consumer preferences in the Canadian market and adjustments for obsolete inventory in Canada.

Gross loss – ROW

For the three months ended June 30, 2021, the ROW segment reported a gross loss of $16.4 million, representing an increase in losses of $12.9 million from the three months ended June 30, 2020. For the six months ended June 30, 2021, the ROW segment reported a gross loss of $20.6 million, representing an increase in losses of $9.5 million from the six months ended June 30, 2020.

For the three month comparative periods, the changes in gross loss and gross margin percentage were primarily due to inventory write-downs, the impact of strategic price reductions on various adult-use cannabis products in Canada in the second half of 2020, as well as start-up costs associated with new product development. For the six month comparative periods, the changes in gross loss and gross margin percentage were primarily due to the impact of strategic price reductions on various adult-use cannabis products in Canada in the second half of 2020, as well as start-up costs associated with new product development.

Summary of select financial results – U.S.

	For the three months ended June 30,		Change		For the six months ended June 30,		Change	
	2021	2020	$	%	2021	2020	$	%
Net revenue	$ 2,227	$ 2,174	$ 53	2 %	$ 4,668	$ 4,350	$ 318	7 %
Cost of sales	1,583	1,587	(4)	— %	2,848	2,681	167	6 %
Gross profit	644	587	57	10 %	1,820	1,669	151	9 %
Gross margin	29 %	27 %	N/A	2 pp	39 %	38 %	N/A	1 pp

Net revenue – U.S.

For the three months ended June 30, 2021, the U.S. segment reported net revenue of $2.2 million, essentially unchanged from the three months ended June 30, 2020. For the six months ended June 30, 2021, the U.S. segment reported net revenue of $4.7 million, representing an increase of $0.3 million from the six months ended June 30, 2020.

For the six month comparative period, the increase was primarily driven by sales of U.S. hemp-derived CBD products introduced in the second half of 2020.

Cost of sales – U.S.

For the three months ended June 30, 2021, the U.S. segment reported cost of sales of $1.6 million, essentially unchanged from the three months ended June 30, 2020. For the six months ended June 30, 2021, the U.S. segment reported cost of sales of $2.8 million, representing an increase of $0.2 million from the six months ended June 30, 2020.

For the six months ended June 30, 2021, the increase was primarily due to an increase in sales volumes.

Gross profit – U.S.

For the three months ended June 30, 2021, the U.S. segment reported gross profit of $0.6 million, essentially unchanged from the three months ended June 30, 2020. For the six months ended June 30, 2021, the U.S. segment reported gross profits of $1.8 million, representing a $0.2 million increase from the six months ended June 30, 2020.

For the six month comparative period, the increase was primarily due to the increase in net revenue, partially offset by higher cost of sales as stated above.

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 on-going business performance of our operating segments. Management defines Adjusted EBITDA as net income (loss) before interest, tax expense, depreciation and amortization adjusted for: share of loss from equity accounted investments; impairment loss on goodwill and indefinite-lived intangible assets; impairment loss on long-lived assets: loss (gain) on revaluation of derivative liabilities; transaction costs related to strategic projects; other, net: loss from discontinued operations; share-based payments; and review costs related to the restatement of the Company's 2019 interim financial statements, the Company's responses to the reviews of such interim financial statements by various regulatory authorities and legal costs defending shareholder class action complaints brought against the Company as a result of the 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).

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

The following table sets forth a reconciliation of net income (loss) as determined in accordance with U.S. GAAP to Adjusted EBITDA for the periods indicated (dollars in thousands):

	Three months ended June 30, 2021			
	United States	**Rest of World**	**Corporate**	**Total**
	(Restated)			*(Restated)*
Net income (loss)	$ (247,847)	$ 79,627	$ (11,133)	$ (179,353)
Interest income, net	(20)	(2,273)	—	(2,293)
Share of loss from equity accounted 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
Other, net(v)	—	(1,127)	—	(1,127)
Loss from discontinued operations(vi)	—	561	—	561
Share-based payments(vii)	822	1,743	—	2,565
Review costs related to restatement of 2019 interim financial statements(viii)	—	—	1,932	1,932
Depreciation and amortization	206	2,997	—	3,203
Adjusted EBITDA	$ (10,711)	$ (32,605)	$ (6,443)	$ (49,759)

	Three months ended June 30, 2020			
	United States	Rest of World	Corporate	Total
Net loss	$ (45,566)	$ (55,095)	$ (7,042)	$ (107,703)
Interest income, net	(9)	(3,725)	—	(3,734)
Share of loss from equity accounted investments	—	794	—	794
Impairment loss on goodwill and indefinite-lived intangible assets(i)	40,000	—	—	40,000
Loss on revaluation of derivative liabilities(iii)	—	35,880	—	35,880
Other, net(v)	—	9	—	9
Loss from discontinued operations(vi)	—	46	—	46
Share-based payments(vii)	756	1,790	—	2,546
Review costs related to restatement of 2019 interim financial statements(viii)	—	—	3,459	3,459
Depreciation and amortization	34	1,683	—	1,717
Adjusted EBITDA	$ (4,785)	$ (18,618)	$ (3,583)	$ (26,986)

	Six months ended June 30, 2021			
	United States	Rest of World	Corporate	Total
	(Restated)			*(Restated)*
Net loss	$ (259,939)	$ (62,520)	$ (18,519)	$ (340,978)
Interest income, net	(23)	(4,599)	—	(4,622)
Share of loss from equity accounted 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
Other, net(v)	—	(911)	—	(911)
Loss from discontinued operations(vi)	—	582	—	582
Share-based payments(vii)	1,567	3,497	—	5,064
Review costs related to restatement of 2019 interim financial statements(viii)	—	—	3,937	3,937
Depreciation and amortization	305	4,778	—	5,083
Adjusted EBITDA	$ (20,221)	$ (54,789)	$ (11,323)	$ (86,333)

	Six months ended June 30, 2020			
	United States	Rest of World	Corporate	Total
Net income (loss)	$ (52,082)	$ 33,772	$ (13,712)	$ (32,022)
Interest income, net	(16)	(11,469)	—	(11,485)
Share of loss from equity accounted investments	—	1,966	—	1,966
Impairment loss on goodwill and indefinite-lived intangible assets(i)	40,000	—	—	40,000
Gain on revaluation of derivative liabilities(iii)	—	(77,488)	—	(77,488)
Other, net(v)	—	(785)	—	(785)
Loss from discontinued operations(vi)	—	46	—	46
Share-based payments(vii)	1,462	3,520	—	4,982
Review costs related to restatement of 2019 interim financial statements(viii)	—	—	7,866	7,866
Depreciation and amortization	69	2,810	—	2,879
Adjusted EBITDA	$ (10,567)	$ (47,628)	$ (5,846)	$ (64,041)

(i) For the three and six months ended June 30, 2021 and 2020, impairment loss on goodwill and indefinite-lived intangible assets relates to the impairment of goodwill on the U.S. reporting unit and the Lord Jones indefinite-lived intangible asset in our U.S. segment. See Note 5. Goodwill and Intangible Assets, net to the Company's restated condensed consolidated financial statements under Item 1. "Financial Statements" of this Quarterly Report.

(ii) 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. There was no impairment loss on long-lived assets for the three and six months ended June 30, 2020. See Note 13. Impairment Loss on Long-lived Assets to the Company's restated condensed consolidated financial statements under Item 1. "Financial Statements" of this Quarterly Report.

(iii) For the three and six months ended June 30, 2021 and 2020, gain/loss on revaluation of derivative liabilities represents the fair value changes on the derivative liabilities. See Note 6. Derivative Liabilities to the Company's restated condensed consolidated financial statements under Item 1. "Financial Statements" of this Quarterly Report.

(iv) For the three and six months ended June 30, 2021, transaction costs represents 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) under Item 1. "Financial Statements" of this Quarterly Report.

(v) For the three and six months ended June 30, 2021, other, net, primarily related to the gain recorded on sale of the Company's Winnipeg facility previously designated as held-for-sale in the first quarter of 2021. For the six months ended June 30, 2020, other, net is primarily comprised of the gain recorded related to the sale of common shares of Aurora Cannabis Inc. ("Aurora"), which were received in connection with the achievement of a milestone related to Aurora's acquisition of Whistler Medical Marijuana Corporation.

(vi) For the three and six months ended June 30, 2020, loss from discontinued operations relates to the discontinuance of OGBC. See Note 12. Held-For-Sale Assets and Discontinued Operations to the Company's restated condensed consolidated financial statements under Item 1. "Financial Statements" of this Quarterly Report.

(vii) For the three and six months ended June 30, 2021 and 2020, share-based payments relates to the vesting expenses of share-based compensation awarded to employees under the Company's share-based award plans as described in Note 7. Share-based Payments to the Company's restated condensed consolidated financial statements under Item 1. "Financial Statements" of this Quarterly Report.

(viii) For the three and six months ended June 30, 2021 and 2020, the financial statement review costs include costs related to the restatement of the Company's 2019 interim financial statements, costs related to the Company's responses to requests for information from various regulatory authorities relating to such restatement and legal costs defending shareholder class action complaints brought against the Company as a result of the restatement

Liquidity and Capital Resources

As of June 30, 2021, we had $895.2 million in cash and cash equivalents and $201.7 million in short-term investments, which comprise the majority of the Company’s cash position. Cronos Group believes 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 (dollars in thousands):

	For the six months ended June 30,	
	2021	2020
Cash used in operating activities	$ (86,197)	$ (78,377)
Cash provided/(used) in investing activities	(106,563)	39,799
Cash provided/(used) in financing activities	(8,907)	1
Effect of foreign currency translation on cash and cash equivalents	18,825	(51,416)
Net change in cash	$ (182,842)	$ (89,993)

Comparison of the six months ended June 30, 2021 to the six months ended June 30, 2020

Operating activities

During the six months ended June 30, 2021, we used $86.2 million of cash in operating activities as compared to cash used of $78.4 million in the six months ended June 30, 2020, representing an increase in cash used of $7.8 million. This change is primarily driven by a $32.0 million decrease in net income after adjusting for non-cash items, partially offset by an increase of $24.2 million in operating assets and liabilities during the six months ended June 30, 2021 compared to the six months ended June 30, 2020.

Investing activities

During the six months ended June 30, 2021, we used $106.6 million of cash in investing activities, compared to $39.8 million of cash provided by investing activities during the six months ended June 30, 2020, representing an increase of $146.4 million in cash used by investing activities. This change is primarily driven by the Company’s investment in PharmaCann of approximately $110.4 million, a $63.1 million, net, decrease in proceeds from short-term investments and a $1.3 million increase in proceeds from the sale of other assets, partially offset by a $18.9 million decrease in loans receivables from joint ventures and a $6.9 million decrease in capital expenditures compared to the six months ended June 30, 2020. The decrease in capital expenditures is primarily due to a reduction in construction costs in the ROW segment and a decrease in costs related to the implementation of the Company’s enterprise resource planning system compared to the six months ended June 30, 2020.

Financing activities

During the six months ended June 30, 2021, cash used in financing activities was $8.9 million higher than six months ended June 30, 2020. This change is primarily driven by an increase of $8.9 million in withholding taxes paid on share-based awards during the six months ended June 30, 2021 compared to the six months ended June 30, 2020.

Critical Accounting Policies and Estimates

The Company’s critical accounting policies and estimates are discussed in Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations” in our 2020 Annual Report on Form 10-K. There have been no material changes to these critical accounting policies and estimates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest rate risk

Interest rate risk is the risk that the value or yield of fixed-income investments may decline if interest rates change. Fluctuations in interest rates may impact the level of income and expense recorded on the cash equivalents and short-term investments, and the market value of all interest-earning assets, other than those which possess a short-term to maturity. A 10% change in the interest rate in effect on June 30, 2021 and December 31, 2020, would not have a material effect on (i) fair value of the cash equivalents and short-term investments as the majority of the portfolio has a maturity date of three months or less or (ii) interest income. Management continues to monitor external interest rates and revise the Company's investment strategy as a result.

During the three months ended June 30, 2021 and 2020, the Company recorded net interest income of $2.3 million and $3.7 million, respectively. During the six months ended June 30, 2021 and 2020, the Company recorded net interest income of $4.6 million and $11.5 million, respectively. Net interest income in the first half of 2021 decreased compared to the first half of 2020 primarily due to lower interest earning assets during the six months ended June 30, 2021 compared to the interest earning assets during the six months ended June 30, 2020.

Foreign currency risk

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

A 10% change in the exchange rates for the Canadian dollar would affect the carrying amount of net assets by approximately $163.0 million and $170.8 million as of June 30, 2021 and December 31, 2020, respectively. The corresponding impact would be recorded in accumulated other comprehensive income. We have not historically engaged in hedging transactions and do not currently contemplate engaging in hedging transactions to mitigate foreign exchange risks. As we continue to recognize gains and losses in foreign currency transactions, depending upon changes in future currency rates, such gains or losses could have a significant, and potentially adverse, effect on the Company's results of operations.

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, 2021. Based on that evaluation, management has concluded that, as of June 30, 2021, 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, 2020 (the "Annual Report"), we have identified the following material weakness:

- ***Inventory Verification:***

The Company failed to properly design and execute sufficient procedures to verify inventory quantities. Specifically, while inventory counts were performed in the fourth quarter, (i) the aggregate value of items excluded from the count exceeded the Company's materiality threshold, and (ii) human error in count execution, data transposition and reconciliation analysis resulted in inaccurate adjustments.

This deficiency did not result in errors that were quantitatively material. Nevertheless, the deficiency creates a reasonable possibility that a material misstatement to the consolidated financial statements will not be prevented or detected on a timely basis.

Remediation Plan and Status

The Company's management, with oversight from the Audit Committee of the Board of Directors, has initiated a plan to remediate the material weakness, previously disclosed in the Annual Report. During the six months ended June 30, 2021, the Company started the implementation process on all remediation controls identified in its remediation plan as disclosed in the table below. The Company does not expect full remediation until year end 2021.

The plan and progress as of the filing date is described below:

Material Weakness	Control, Control Enhancement or Mitigant	Implementation Status	Management Testing Status	Remediation Status
Inventory Verification	• Enhance count procedures to ensure appropriate consideration and coverage of their total inventory balance	Completed	Tested	Not Remediated
	• Implement cycle counts as a redundant control to supplement the annual physical count	Completed	Tested	Not Remediated
	• Provide training to inventory teams on count procedures and inventory management control expectations	Completed	Tested	Not Remediated

During the third quarter ended September 30, 2021, the Company identified the following additional 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 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 interim condensed consolidated 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 will 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

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 as of the filing date. 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	Not Tested	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	Not Tested	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	Not Tested	Not Remediated
	• We have expanded our compensation claw back provisions to incorporate all personnel who are subject to our enhanced sub-certification process;	Completed	Not Tested	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	Not Tested	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	Not Tested	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	Not Tested	Not Remediated

Cronos Group 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 the identification of the new material weaknesses and those measures described above to remediate the material weaknesses, 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, 2021, 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 10(b), Contingencies, to the Company's restated condensed consolidated financial statements included in Part I, Item 1. "Financial Statements" of this Quarterly Report is incorporated herein by reference.

Item 1 A: 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 factor 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 factor, 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 U.S. strategy in part depends on the success of the PharmaCann Investment and there is no guarantee that we will exercise the PharmaCann Option in the near term, or at all, and, even if exercised, that the PharmaCann Investment will achieve the expected benefits of the transaction.

Our ability to exercise the PharmaCann Option will depend on the satisfaction of several conditions, including U.S. federal cannabis legalization. In addition, our ability to exercise the PharmaCann Option is subject to the receipt of any required regulatory approvals, including in the states where PharmaCann operates that may be required upon exercise, as well as Altria's approval under the Investor Rights Agreement. These conditions are outside of our control and therefore there can be no certainty that the PharmaCann Option will be exercised in the near term, or at all. If the PharmaCann Option is not exercised, we will not receive the benefits of the contemplated commercial arrangements between us and PharmaCann.

In addition, the regulatory approval processes in connection with the exercise of any PharmaCann Option may take a prolonged period of time to complete, which could significantly delay our ability to exercise the PharmaCann Option and realize the benefits of the PharmaCann Investment, or result in our not being able to exercise all or part of the PharmaCann Option. Furthermore, in connection with obtaining approvals from or otherwise satisfying the requests of the state regulators or applicable laws, we may be required to divest all or a portion of the PharmaCann Option, or if after the exercise of the PharmaCann Option, our shares of PharmaCann.
Even if we are able to and do exercise the PharmaCann Option, the intended benefits of the PharmaCann Investment may not be realized. We cannot assure you that the PharmaCann Investment will be accretive to us in the near term or at all. For example, if entered into, the commercial arrangements between us and PharmaCann may not be successful or beneficial to us. Furthermore, if we fail to realize the intended benefits of the PharmaCann Investment, our stock price could decline to the extent that the market price anticipates those benefits.

We are entitled to certain limited governance rights with respect to PharmaCann, including limited information rights and board observer rights. Therefore, we will have little to no ability to influence the strategy and material decisions of PharmaCann's business. Furthermore, until such time as we exercise the PharmaCann Option, we will not have the ability to vote on matters requiring the vote of PharmaCann's shareholders and, until the exercise of the PharmaCann Option, will not have the right to appoint directors to the PharmaCann board of directors. Even after exercising the PharmaCann Option, we are entitled to appoint a director of PharmaCann's board only if we continue to own at least 10% of the outstanding capital stock of PharmaCann, and in any event may appoint no more than two directors. In addition, we are subject to certain standstill restrictions, both prior to and after the exercise of the PharmaCann Option, which restrictions further limit our ability to influence decisions of PharmaCann.

Although we are entitled to certain anti-dilution protections with respect to our investment in PharmaCann, such protections are subject to various conditions, and our potential ownership in PharmaCann may be significantly diluted by, among other things, future issuances of PharmaCann securities or *bona fide* acquisition activity in which PharmaCann uses its equity as consideration. Any such activity could be significantly dilutive to our ownership in PharmaCann and may adversely impact the potential benefits we may realize from the PharmaCann Investment.

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.

On August 5, 2021, the Board of Directors (the "Board") of Cronos Group Inc. ("Cronos Group") appointed Robert Madore (age 56) as Chief Financial Officer of Cronos Group, effective as of August 9, 2021 (the "Effective Date"). As of August 9, 2021, Jerry Barbato will transition from the position of Chief Financial Officer of Cronos Group.

Madore Agreement

In connection with Mr. Madore's appointment, Cronos USA Client Services LLC ("Cronos USA"), Cronos Group and Mr. Madore entered into an executive employment agreement (the "Madore Agreement") setting forth the terms and conditions of Mr. Madore's employment. The Madore Agreement provides for annual base salary of $450,000, annual target bonus opportunity of 125% of base salary starting in the 2022 fiscal year, an initial annual long-term target incentive opportunity of $787,500 starting in the 2022 fiscal year, and participation in the employee benefit programs of Cronos USA or Cronos Group, as applicable. In addition, Mr. Madore will receive a sign-on bonus in the form of a one-time lump sum cash payment of $372,000, which will be earned, subject to the terms of the Madore Agreement, on the first anniversary of the Effective Date, and a one-time sign-on grant of equity-based awards, comprised of (a) 900,000 non-qualified stock options that vest ratably on a quarterly basis over a four-year period following the date of grant and have an exercise price equal to the fair market value of the common shares of Cronos Group (the "Common Shares") on the trading day prior to the grant date and (b) 50,000 restricted share units that vest on the third anniversary of the grant date and settle in Common Shares on a one for one basis.

In the event Mr. Madore's employment is terminated by Cronos USA without Just Cause or he resigns for Good Reason (each, as defined in the Madore Agreement), he would be entitled to a severance payment in the amount equal to one year of his annual base salary, employee benefit continuation for up to one year following termination and a pro-rated annual bonus for the year of termination, in each case subject to Mr. Madore entering into a customary release of claims in favor of Cronos Group and its affiliates and related entities. Upon termination of Mr. Madore's employment, treatment of any outstanding equity-based awards will be governed by the terms and conditions of any applicable plan and award agreement.

Mr. Madore is subject to ongoing confidentiality and mutual non-disparagement provisions, non-competition and customer non-solicitation covenants during his employment and upon termination of his employment for any reason for the one-year period following termination and an employee non-solicitation covenant for the two-year period following termination, subject to customary exceptions.

Mr. Madore most recently served as Chief Financial Officer of MacAndrews & Forbes Incorporated, an operator of a diverse range of businesses, from January 2021 until March 2021. Prior to MacAndrews & Forbes Incorporated, Mr. Madore served as Executive Vice President and Chief Financial Officer of American Eagle Outfitters Inc. from 2016 through 2020. Prior to joining American Eagle Outfitters Inc., Mr. Madore served in a number of key financial and operational roles at Ralph Lauren Corporation beginning in 2004 through 2016, most recently as Senior Vice President and Chief Financial Officer from April 2015 to September 2016. Before joining Ralph Lauren Corporation, Mr. Madore was Executive Vice President and Chief Financial Officer for New York & Company from 2003 to 2004, and served as Chief Operating Officer and Chief Financial Officer of FutureBrand, a division of McCann Erickson, from 2001 to 2003. Before that, he held various executive management positions at Nine West Group, Inc. from 1995 through 2000. Mr. Madore began his career in 1987 at Deloitte & Touche LLP in audit services and worked in the firm's mergers and acquisitions practice from 1993 until 1995. Mr. Madore received a Bachelor of Science from the Southern Connecticut State University, New Haven. Mr. Madore does not have any family relationships with any of Cronos Group's directors or executive officers, and is not a party to any transactions listed in Item 404(a) of Regulation S-K.

Barbato Agreement

In connection with Mr. Barbato's transition from his role as Chief Financial Officer of Cronos Group, Hortican Inc. ("Hortican") and Cronos Group entered into a letter agreement with Mr. Barbato (the "Barbato Agreement"). Under the Barbato Agreement, Mr. Barbato will cease serving as Chief Financial Officer of Cronos Group on August 9, 2021 and will continue to be employed by the Company and assist with the transition of his duties and responsibilities to Mr. Madore as successor Chief Financial Officer of Cronos Group until September 9, 2021 (the "Separation Date", and the period from the August 9, 2021 to the Separation Date, the "Transition Period"). During the Transition Period, Mr. Barbato will be entitled to receive the same base salary as applicable under Mr. Barbato's prior employment agreement with Cronos Group and Hortican. Mr. Barbato will generally remain eligible to receive (a) annual bonuses of $155,762 for Cronos Group's 2019 fiscal year, $201,411 for Cronos Group's 2020 fiscal year and $130,585 for Cronos Group's 2021 fiscal year (based on target performance and prorated based on the number of complete months of such fiscal year of employment prior to the Separation Date) and (b) annual grants of restricted share units equal to $298,480 for Cronos Group's 2020 fiscal year and $298,480 for Cronos Group's 2021 fiscal year (each, an "LTI Grant"). Any annual bonus and LTI Grant awards Mr. Barbato is eligible to receive under the Barbato Agreement are contingent on the conclusion of the currently pending investigations (the "Investigations") by the U.S. Securities and Exchange Commission ("SEC") and Ontario Securities Commission ("OSC") into Cronos Group, and the Investigations not resulting in a penalty being levied by the SEC and/or the OSC against Mr. Barbato personally or against Cronos on account of any misconduct, mismanagement or failure to supervise by Mr. Barbato (the "Payment Condition"). The LTI Grants will vest on what would have been their original vesting schedules, based on the vesting dates applicable to grants in respect of the 2020 and 2021 fiscal years made to other Cronos Group named executive officers; provided that any portion of the awards that would have vested prior to the date of grant will be deemed to vest on the date of grant. Any outstanding equity-based awards that are held by Mr. Barbato as of the Separation Date will remain outstanding and will vest and be settled on the times set forth in the applicable award agreements, subject to the Payment Condition and Mr. Barbato's compliance with his post-employment obligations. Subject to the Payment Condition, any unvested or unpaid amounts of the LTI Grants will vest and be settled immediately upon a Change of Control of Cronos Group (as defined in the Cronos Group Inc. Amended and Restated 2018 Stock Option Plan).

Following the Separation Date, Mr. Barbato will be entitled to severance equal to 6 months' base salary and benefit continuation for 6 months, subject to Mr. Barbato's entering into a release of claims in favor of Cronos Group and its affiliates and related entities. Mr. Barbato will also be reimbursed for expenses incurred for annual tax return services for the 2019, 2020 and 2021 tax years in an amount not to exceed $15,000 per tax year and relocation expenses in an amount not to exceed $20,000. Pursuant to the Barbato Agreement, Mr. Barbato is subject to the ongoing non-disparagement provision. In connection with the Barbato Agreement, Mr. Barbato reaffirmed the ongoing confidentiality and intellectual property provisions, and non-competition, which will not apply to Mr. Barbato obtaining employment with Altria Group, and non-solicitation requirements contained in the Executive Employment Agreement, effective as of April 15, 2019, by and among Hortican, Mr. Barbato and Cronos Group.

The foregoing descriptions of the Madore Agreement and Barbato Agreement do not purport to be complete and are qualified in its entirety by reference to the full text of the Madore Agreement and Barbato Agreement, which are attached hereto as Exhibits 10.3 and 10.4, respectively, and incorporated herein by reference.

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
2.1+	Option Purchase Agreement, dated June 14, 2021, by and between Cronos USA Holdings Inc. and PharmaCann Inc. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Cronos Group Inc., filed June 15, 2021).
2.2	Option, dated June 14, 2021, issued by PharmaCann Inc. to Cronos USA Holdings Inc. (incorporated by reference to Exhibit 2.2 to the Current Report on Form 8-K of Cronos Group Inc., filed June 15, 2021).
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).
10.1++	Amended and Restated Collaboration and License Agreement, dated as of June 3, 2021, by and between Gingko Bioworks, Inc. and Cronos Group Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Cronos Group Inc., filed June 4, 2021).
10.2†	Amended and Restated Executive Employment Agreement, dated as of June 3, 2021, by and among Cronos USA Client Services LLC, Cronos Group Inc. and Todd Abraham (incorporated by reference to the corresponding exhibit to the Original 10-Q Filing).
10.3†	Executive Employment Agreement, dated as of August 6, 2021, between Cronos USA, Cronos Group and Robert Madore (incorporated by reference to the corresponding exhibit to the 10-Q Original Filing).
10.4†	Letter Agreement, dated as of August 6, 2021, between Hortican, Cronos Group and Jerry Barbato (incorporated by reference to the corresponding exhibit to the Original 10-Q Filing).
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.

+ Certain schedules (or similar attachments) have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant agrees to furnish supplementally a copy of any such omitted schedule or other attachment to the SEC upon its request.

++ Certain portions of this exhibit have been redacted pursuant to Item 601(b)(10)(iv) of Regulation S-K. The registrant agrees to furnish supplementally an unredacted copy of the exhibit to the SEC upon its request.

† Management contract or compensatory plan or arrangement.

* Filed herewith.

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

SIGNATURES

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

CRONOS GROUP INC.

By: /s/ Robert Madore

Robert Madore
Chief Financial Officer

Dated: February 18, 2022