

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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2023

or

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

For the transition period from to .
Commission File No. 001-38403

CRONOS GROUP INC.

(Exact name of registrant as specified in its charter)

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

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

111 Peter St. Suite 300
Toronto, Ontario
(Address of principal executive offices)

M5V 2H1
(Zip Code)

416-504-0004

(Registrant's telephone number, including area code)

N/A

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, no par value	CRON	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of May 5, 2023, there were 380,815,921 common shares of the registrant issued and outstanding.

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

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

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

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

	As of		
	March 31, 2023	March 31, 2022	December 31, 2022
Spot rate	1.3516	1.2507	1.3554
Year-to-date average rate	1.3520	1.2665	N/A

(Exchange rates are shown as ILS per \$)

	As of		
	March 31, 2023	March 31, 2022	December 31, 2022
Spot rate	3.5966	3.1906	3.5178
Year-to-date average rate	3.5319	3.1942	N/A

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

PART I
FINANCIAL INFORMATION

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Item 1. Financial Statements

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

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	As of March 31, 2023	As of December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 413,667	\$ 764,644
Short-term investments	422,763	113,077
Accounts receivable, net	14,855	23,113
Other receivables	7,049	5,767
Current portion of loans receivable, net	5,570	8,890
Inventory, net	44,268	37,559
Prepays and other current assets	7,967	7,106
Total current assets	916,139	960,156
Equity method investments, net	18,313	18,755
Other investments	62,833	70,993
Non-current portion of loans receivable, net	72,051	72,345
Property, plant and equipment, net	59,785	60,557
Right-of-use assets	2,038	2,273
Goodwill	1,036	1,033
Intangible assets, net	25,897	26,704
Other	1,483	193
Total assets	\$ 1,159,575	\$ 1,213,009
Liabilities		
Current liabilities		
Accounts payable	\$ 12,842	\$ 11,163
Income taxes payable	266	32,956
Accrued liabilities	14,332	22,268
Current portion of lease obligation	1,236	1,330
Derivative liabilities	80	15
Current portion due to non-controlling interests	375	384
Total current liabilities	29,131	68,116
Non-current portion due to non-controlling interests	1,370	1,383
Non-current portion of lease obligation	2,296	2,546
Deferred income tax liability	378	—
Total liabilities	33,175	72,045
Shareholders' equity		
Share capital (authorized for issue as of March 31, 2023 and December 31, 2022: unlimited; shares outstanding as of March 31, 2023 and December 31, 2022: 380,815,921 and 380,575,403, respectively)	612,235	611,318
Additional paid-in capital	44,044	42,682
Retained earnings	471,513	490,682
Accumulated other comprehensive income (loss)	1,537	(797)
Total equity attributable to shareholders of Cronos Group	1,129,329	1,143,885
Non-controlling interests	(2,929)	(2,921)
Total shareholders' equity	1,126,400	1,140,964
Total liabilities and shareholders' equity	\$ 1,159,575	\$ 1,213,009

See notes to condensed consolidated interim financial statements.

	Three months ended March 31,	
	2023	2022
Net revenue, before excise taxes	\$ 27,203	\$ 29,406
Excise taxes	(7,059)	(4,373)
Net revenue	20,144	25,033
Cost of sales	17,764	18,107
Gross profit	2,380	6,926
Operating expenses		
Sales and marketing	5,872	5,012
Research and development	2,041	4,039
General and administrative	12,379	22,368
Restructuring costs	—	3,084
Share-based compensation	2,551	3,686
Depreciation and amortization	1,533	1,293
Impairment loss on long-lived assets	—	3,493
Total operating expenses	24,376	42,975
Operating loss	(21,996)	(36,049)
Other income		
Interest income, net	11,180	2,046
Gain (loss) on revaluation of derivative liabilities	(65)	10,419
Share of loss from equity method investments	(496)	—
Gain (loss) on revaluation of financial instruments	(7,758)	4,268
Impairment loss on other investments	—	(11,238)
Foreign currency transaction loss	(1,643)	(1,872)
Other, net	85	135
Total other income	1,303	3,758
Loss before income taxes	(20,693)	(32,291)
Income tax expense (benefit)	(1,436)	362
Net loss	(19,257)	(32,653)
Net loss attributable to non-controlling interest	(88)	(15)
Net loss attributable to Cronos Group	<u>\$ (19,169)</u>	<u>\$ (32,638)</u>
Comprehensive loss		
Net loss	\$ (19,257)	\$ (32,653)
Other comprehensive income		
Foreign exchange gain on translation	2,414	15,977
Comprehensive loss	(16,843)	(16,676)
Comprehensive loss attributable to non-controlling interests	(8)	(261)
Comprehensive loss attributable to Cronos Group	<u>\$ (16,835)</u>	<u>\$ (16,415)</u>
Net loss from continuing operations per share		
Basic - continuing operations	\$ (0.05)	\$ (0.09)
Diluted - continuing operations	\$ (0.05)	\$ (0.09)

See notes to condensed consolidated interim financial statements.

Cronos Group Inc.**Condensed Consolidated Statements of Changes in Equity****For the three months ended March 31, 2023 and 2022***(In thousands of U.S. dollars, except share amounts, unaudited)*

	Number of shares	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non- controlling interests	Total shareholders' equity
Balance as of January 1, 2023	380,575,403	\$ 611,318	\$ 42,682	\$ 490,682	\$ (797)	\$ (2,921)	\$ 1,140,964
Activities relating to share-based compensation	240,518	917	1,362	—	—	—	2,279
Net loss	—	—	—	(19,169)	—	(88)	(19,257)
Foreign exchange gain on translation	—	—	—	—	2,334	80	2,414
Balance as of March 31, 2023	380,815,921	\$ 612,235	\$ 44,044	\$ 471,513	\$ 1,537	\$ (2,929)	\$ 1,126,400

	Number of shares	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non- controlling interests	Total shareholders' equity
Balance as of January 1, 2022	374,952,693	\$ 595,497	\$ 32,465	\$ 659,416	\$ 49,865	\$ (2,967)	\$ 1,334,276
Activities relating to share-based compensation	347,287	871	2,900	—	—	—	3,771
Net loss	—	—	—	(32,638)	—	(15)	(32,653)
Foreign exchange gain (loss) on translation	—	—	—	—	16,223	(246)	15,977
Balance as of March 31, 2022	375,299,980	\$ 596,368	\$ 35,365	\$ 626,778	\$ 66,088	\$ (3,228)	\$ 1,321,371

See notes to condensed consolidated interim financial statements.

	Three months ended March 31,	
	2023	2022
Operating activities		
Net loss	\$ (19,257)	\$ (32,653)
Adjustments to reconcile net loss to cash used in operating activities:		
Share-based compensation	2,551	3,686
Depreciation and amortization	2,405	2,824
Impairment loss on long-lived assets	—	3,493
Impairment loss on other investments	—	11,238
Loss (gain) from investments	8,419	(4,196)
Loss (gain) on revaluation of derivative liabilities	65	(10,419)
Changes in expected credit losses on long-term financial assets	(764)	—
Foreign currency transaction loss	1,643	1,872
Other non-cash operating activities, net	(2,850)	(271)
Changes in operating assets and liabilities:		
Accounts receivable, net	8,201	(3,530)
Other receivables	(1,282)	2,435
Prepays and other current assets	(848)	(1,195)
Inventory	(6,824)	(3,867)
Accounts payable	1,555	(178)
Income taxes payable	(32,813)	—
Accrued liabilities	(7,894)	(3,150)
Cash flows used in operating activities	(47,693)	(33,911)
Investing activities		
Purchase of short-term investments	(422,612)	—
Proceeds from short-term investments	113,355	—
Proceeds from repayment on loan receivables	6,249	790
Purchase of property, plant and equipment	(804)	(711)
Purchase of intangible assets	—	(23)
Other investing activities	—	44
Cash flows provided by (used in) investing activities	(303,812)	100
Financing activities		
Withholding taxes paid on share-based awards	(743)	(534)
Other financing activities, net	—	70
Cash flows used in financing activities	(743)	(464)
Effect of foreign currency translation on cash and cash equivalents	1,271	8,837
Net change in cash and cash equivalents	(350,977)	(25,438)
Cash and cash equivalents, beginning of period	764,644	886,973
Cash and cash equivalents, end of period	\$ 413,667	\$ 861,535
Supplemental cash flow information		
Interest paid	\$ —	\$ —
Interest received	\$ 7,558	\$ 822
Income taxes paid	\$ 32,932	\$ 66

See notes to condensed consolidated interim financial statements.

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

(a) Background

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

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

(b) Basis of presentation

These condensed consolidated interim financial statements of Cronos 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 months ended March 31, 2023 are not necessarily indicative of the results that may be expected for any other reporting period.

These condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes included in its Annual Report on Form 10-K for the year ended December 31, 2022 (the “Annual Report”).

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

(c) Segment information

Segment reporting is prepared on the same basis that the Company’s chief operating decision maker (the “CODM”) manages the business, makes operating decisions and assesses the Company’s performance. The Company determined that it has the following two reportable segments: U.S. (the “U.S. segment”) and ROW (the “ROW segment”). The U.S. operating segment consists of the manufacture and distribution of U.S. hemp-derived cannabinoid infused products. The ROW operating segment, which is predominantly composed of operations in Canada and Israel, is involved in the cultivation, manufacture, and marketing of cannabis and cannabis-derived products for the medical and adult-use markets. These two segments represent the geographic regions in which the Company operates and the different product offerings within each geographic region. The results of each segment are regularly reviewed by the CODM to assess the performance of the segment and make decisions regarding the allocation of resources using Adjusted EBITDA (as defined below) as the measure of segment profit or loss. Adjusted EBITDA is defined as earnings before interest, tax, depreciation, non-cash items and items that do not reflect management’s assessment of ongoing business performance.

(d) Concentration of risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its operating activities, primarily accounts receivable and other receivables, and its investing activities, including cash held with banks and financial institutions, short-term investments and loans receivable. The Company’s maximum exposure to this risk is equal to the carrying amount of these financial assets, which amounted to \$935,955 and \$987,442 as of March 31, 2023 and December 31, 2022, respectively.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan and a failure to make contractual payments for a period of greater than 120 days past due. As of March 31, 2023 and December 31, 2022, the Company had \$4 and \$2, respectively, in expected credit losses that have been recognized on receivables from contracts with customers in the ROW segment. As of March 31, 2023 and December 31, 2022, the Company had \$237 and \$217, respectively, in expected credit losses that have been recognized on receivables from contracts with customers in the U.S. segment.

As of March 31, 2023, the Company assessed that there is a concentration of credit risk, as 43% of the Company’s accounts receivable were due from two customers with an established credit history with the Company. As of December 31, 2022, 55% of the Company’s accounts receivable were due from three customers with an established credit history with the Company.

The Company sells products to a limited number of major customers. Major customers are defined as customers that each individually accounted for greater than 10% of the Company’s revenue. During the three months ended March 31, 2023, the Company earned a total net revenue before excise taxes of \$15,168 from two major customers in the ROW segment, together accounting for 56% of the Company’s total net revenues before excise taxes. During the three months ended March 31, 2022, the ROW segment earned a total net revenue before excise taxes of \$9,833 from two major customers, together accounting for 33% of the Company’s total net revenues before excise taxes. During the three months ended March 31, 2023 and 2022, the U.S. segment had no major customers.

(e) Adoption of new accounting pronouncements

On January 1, 2023, the Company adopted ASU 2022-02, Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures (“ASU No. 2022-02”). ASU No. 2022-02 eliminates the existing troubled debt restructuring recognition and measurement guidance, and instead aligns the accounting treatment to that of other loan modifications. The amendments enhance existing disclosure requirements and introduce new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. ASU No. 2022-02 also requires that entities disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases. The adoption of ASU No. 2022-02 did not have a material impact on the Company’s condensed consolidated interim financial statements.

(f) New accounting pronouncements not yet adopted

In June 2022, the Financial Accounting Standards Board (“FASB”) issued ASU 2022-03, Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (“ASU No. 2022-03”). ASU No. 2022-03 clarifies that a contractual restriction on the sale of an equity security is not considered in measuring fair value. The amendments also require additional disclosures for equity securities subject to contractual sale restrictions. ASU 2022-03 is effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, and we expect to adopt ASU 2022-03 prospectively. The Company does not expect the adoption of ASU No. 2022-03 to have a material impact on its condensed consolidated interim financial statements.

2. Inventory, net

Inventory, net is comprised of the following items:

	As of March 31, 2023	As of December 31, 2022
Raw materials	\$ 8,540	\$ 7,421
Work-in-progress	15,263	15,646
Finished goods	19,719	13,503
Supplies and consumables	746	989
Total	\$ 44,268	\$ 37,559

3. Investments

(a) Equity method investments, net

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

	Ownership interest	As of March 31, 2023	As of December 31, 2022
Cronos Growing Company Inc. (“Cronos GrowCo”)	50%	\$ 18,313	\$ 18,755
		\$ 18,313	\$ 18,755

The following is a summary of the Company’s share of net loss from equity method investments:

	For the three months ended March 31,	
	2023	2022
Cronos GrowCo	\$ (496)	\$ —
	\$ (496)	\$ —

(b) Other investments

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

PharmaCann, Inc.

In 2021, the Company purchased an option (the “PharmaCann Option”) to acquire 473,787 shares of Class A Common Stock of PharmaCann, Inc. (“PharmaCann”), a vertically integrated cannabis company in the United States, which represented an ownership interest of approximately 10.5% as of the purchase date of the PharmaCann Option, for an aggregate purchase price of approximately \$110,392. The PharmaCann Option is classified as an equity security without a readily determinable fair value. The Company has elected to measure the fair value of the PharmaCann Option at cost less impairment, if any, and subsequently adjusted for observable price changes in orderly transactions for the identical or a similar investment of the same issuer. As of March 31, 2023, the Company’s proforma ownership percentage in PharmaCann on a fully-diluted basis was approximately 6.3%. The decrease in the Company’s ownership percentage since acquisition does not materially affect the Company’s rights under the PharmaCann Option.

Vitura Health Limited (formerly known as Cronos Australia)

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

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

	As of January 1, 2023	Unrealized loss	Impairment charges	Foreign exchange effect	As of March 31, 2023
PharmaCann	\$ 49,000	\$ —	\$ —	\$ —	\$ 49,000
Vitura	21,993	(7,923)	—	(237)	13,833
	<u>\$ 70,993</u>	<u>\$ (7,923)</u>	<u>\$ —</u>	<u>\$ (237)</u>	<u>\$ 62,833</u>

	As of January 1, 2022	Unrealized gain	Impairment charges	Foreign exchange effect	As of March 31, 2022
PharmaCann	\$ 110,392	\$ —	\$ (11,238)	\$ —	\$ 99,154
Vitura	8,000	4,196	—	411	12,607
	<u>\$ 118,392</u>	<u>\$ 4,196</u>	<u>\$ (11,238)</u>	<u>\$ 411</u>	<u>\$ 111,761</u>

During the three months ended March 31, 2022, the Company identified adverse forecast changes in the financial performance of PharmaCann as indicators of impairment related to the PharmaCann Option and conducted analyses comparing the PharmaCann Option's carrying amount to its estimated fair value. The fair value was estimated using a combination of the market and income approaches. Under the income approach, significant inputs used in the discounted cash flow method were the discount rate, growth rates, cash flow projections, and the timing of federal legalization of cannabis in the U.S. Under the market valuation approach, the key assumptions that require judgment under the Guideline Public Companies method are cash flow projections, selected multiples and the discount for lack of marketability. As a result of this analysis, the Company recorded a non-cash impairment charge of \$11,238 during the three months ended March 31, 2022, as the difference between the carrying amount of the PharmaCann Option and its estimated fair value in the condensed consolidated statements of net loss and comprehensive loss.

4. Loans Receivable, net

Loans receivable, net consists of the following:

	As of March 31, 2023	As of December 31, 2022
GrowCo Credit Facility	\$ 4,933	\$ 4,427
Add: Current portion of accrued interest	637	4,463
Total current portion of loans receivable	<u>5,570</u>	<u>8,890</u>
GrowCo Credit Facility	56,594	56,898
Mucci Promissory Note	13,474	13,438
Cannasoul Collaboration Loan	1,793	1,837
Add: Long-term portion of accrued interest	190	172
Total long-term portion of loans receivable	<u>72,051</u>	<u>72,345</u>
Total loans receivable, net	<u>\$ 77,621</u>	<u>\$ 81,235</u>

Cronos GrowCo Credit Facility

On August 23, 2019, the Company, as lender, and Cronos GrowCo, as borrower, entered into a senior secured credit agreement for an aggregate principal amount of C\$100,000 (the "GrowCo Credit Facility"). In August 2021, the GrowCo Credit Facility was amended to increase the aggregate principal amount available to C\$105,000. As of March 31, 2023 and December 31, 2022, Cronos GrowCo had drawn C\$104,000 (\$76,946) and C\$104,000 (\$76,730), respectively, from the GrowCo Credit Facility. The interest rate on the outstanding borrowings is the Canadian Prime Rate plus 1.25%, with interest payments due on December 2021, December 2022, and quarterly thereafter. Principal payments of C\$1,000 commenced in March 2022 and are due quarterly thereafter. As of March 31, 2023, Cronos GrowCo had repaid C\$5,000 (\$3,699) and C\$14,465 (\$10,702) in principal and interest, respectively, under the terms of the GrowCo Credit Facility.

Mucci Promissory Note

On June 28, 2019, the Company entered into a promissory note receivable agreement (the "Mucci Promissory Note") for C\$16,350 (approximately \$12,097) with the Cronos GrowCo joint venture partner ("Mucci"). The Mucci Promissory Note is secured by a general security agreement covering all the assets of Mucci. On September 30, 2022, the Mucci Promissory Note was amended and restated to increase the interest rate from 3.95% to the Canadian Prime Rate plus 1.25%, change the interest payments from quarterly to annual, and defer Mucci's initial cash interest payment from September 30, 2022 to July 1, 2023.

Prior to July 1, 2022, interest accrued on the Mucci Promissory Note was capitalized as part of the principal balance. As of July 1, 2023, interest is to be paid in cash.

Cannasoul Collaboration Loan

As of both March 31, 2023 and December 31, 2022, Cannasoul Lab Services Ltd. has received ILS 8,297 (approximately \$2,307 and \$2,359, respectively), from the Cannasoul Collaboration Loan.

Expected credit loss allowances on the Company's long-term financial assets for the three ended March 31, 2023 and 2022 were comprised of the following items:

	As of January 1, 2023	Increase (decrease) ⁽ⁱ⁾	Foreign exchange effect	As of March 31, 2023
GrowCo Credit Facility	\$ 12,455	\$ (770)	\$ 34	\$ 11,719
Mucci Promissory Note	89	2	—	91
Cannasoul Collaboration Loan	522	4	(12)	514
	<u>\$ 13,066</u>	<u>\$ (764)</u>	<u>\$ 22</u>	<u>\$ 12,324</u>

	As of January 1, 2022	Increase (decrease)	Foreign exchange effect	As of March 31, 2022
GrowCo Credit Facility	\$ 14,089	\$ (4)	\$ 269	\$ 14,354
Mucci Promissory Note	90	1	2	93
Cannasoul Collaboration Loan	415	3	(9)	409
	<u>\$ 14,594</u>	<u>\$ —</u>	<u>\$ 262</u>	<u>\$ 14,856</u>

⁽ⁱ⁾ During the three months ended March 31, 2023, \$764 was recorded as a decrease to general and administrative expenses on the condensed consolidated statements of net loss and comprehensive loss as a result of principal and interest payments made by Cronos GrowCo reducing our expected credit losses on loans receivable.

5. Derivative Liabilities

Pursuant to the investor rights agreement (the "Investor Rights Agreement") between the Company and Altria Group Inc. ("Altria"), the Company granted Altria certain rights, among others, summarized in this note.

The summaries below are qualified entirely by the terms and conditions fully set out in the Investor Rights Agreement.

- a. The Company granted to Altria, subject to certain qualifications and limitations, upon the occurrence of certain issuances of common shares of the Company executed by the Company (including issuances pursuant to the research and development ("R&D") partnership with Ginkgo Bioworks Holdings, Inc. ("Ginkgo"), the right to purchase up to such number of common shares of the Company in order to maintain their ownership percentage of issued and outstanding common shares of the Company immediately preceding any issuance of shares by the Company ("Pre-emptive Rights"), at the same price per common share of the Company at which the common shares are sold in the relevant issuance; provided that if the consideration paid in connection with any such issuance is non-cash, the price per common share of the Company that would have been received had such common shares been issued for cash consideration will be determined by an independent committee (acting reasonably and in good faith); provided further that the price per common share of the Company to be paid by Altria pursuant to its exercise of its Pre-emptive Rights related to the Ginkgo Collaboration Agreement 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%.
- b. 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 10 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 Pre-emptive Rights, and fixed price Top-up Rights have been classified as derivative liabilities on the Company's consolidated balance sheet.

As of March 31, 2023, Altria beneficially held 156,573,537 of the Company's common shares, an approximate 41% ownership interest in the Company (calculated on a non-diluted basis).

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

	As of January 1, 2023	Revaluation (gain) loss	Foreign exchange effect	As of March 31, 2023
Pre-emptive Rights	\$ —	\$ 79	\$ —	\$ 79
Top-up Rights	15	(14)	—	1
	<u>\$ 15</u>	<u>\$ 65</u>	<u>\$ —</u>	<u>\$ 80</u>

	As of January 1, 2022	Revaluation gain	Foreign exchange effect	As of March 31, 2022
Altria Warrant	\$ 13,720	\$ (10,011)	\$ 136	\$ 3,845
Pre-emptive Rights	180	(115)	2	67
Top-up Rights	475	(293)	5	187
	<u>\$ 14,375</u>	<u>\$ (10,419)</u>	<u>\$ 143</u>	<u>\$ 4,099</u>

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

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

	As of March 31, 2023	
	Pre-emptive Rights	Top-up Rights
Share price at valuation date (per share in C\$)	\$2.60	\$2.60
Subscription price (per share in C\$)	\$16.25	\$16.25
Weighted-average risk-free interest rate ⁽ⁱ⁾	3.81%	4.18%
Weighted-average expected life (in years) ⁽ⁱⁱ⁾	1.75	0.46
Expected annualized volatility ⁽ⁱⁱⁱ⁾	60%	50%
Expected dividend yield	—%	—%

	As of December 31, 2022	
	Pre-emptive Rights	Top-up Rights
Share price at valuation date (per share in C\$)	\$3.44	\$3.44
Subscription price (per share in C\$)	\$16.25	\$16.25
Weighted-average risk-free interest rate ⁽ⁱ⁾	4.14%	4.28%
Weighted-average expected life (in years) ⁽ⁱⁱ⁾	0.25	0.59
Expected annualized volatility ⁽ⁱⁱⁱ⁾	73%	73%
Expected dividend yield	—%	—%

⁽ⁱ⁾ The risk-free interest rate was based on Bank of Canada government treasury bills and bonds with a remaining term equal to the expected life of the derivative liabilities. As of March 31, 2023 and December 31, 2022, the risk-free interest rate uses a range of approximately 3.56% to 4.21% and 3.81% to 4.37%, respectively, for the Pre-emptive Rights and Top-up Rights.

⁽ⁱⁱ⁾ The expected life represents the period of time, in years, that the derivative liabilities are expected to be outstanding. The expected life of the Pre-emptive Rights and Top-up Rights is determined based on the expected term of the underlying options, warrants, and shares, to which the Pre-emptive Rights and Top-up Rights are linked. As of March 31, 2023 and December 31, 2022, the expected life uses a range of approximately 0.25 years to 2.50 years and 0.25 years to 2.75 years, respectively, for the Pre-emptive Rights and Top-up Rights.

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

6. Restructuring

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

During the three months ended March 31, 2022, the Company recognized \$3,084 of restructuring costs in connection with the Realignment, including the change in the nature of operations at the Peace Naturals Campus. Charges related thereto include employee-related costs such as severance, relocation and other termination benefits, as well as contract termination and other related costs. The Company incurred no restructuring costs during the three months ended March 31, 2023.

The Company incurred the following restructuring costs by reportable segment:

	Three ended March 31,	
	2023	2022
Rest of World	\$ —	\$ 2,031
United States	—	1,053
Total	\$ —	\$ 3,084

The following table summarizes the Company's restructuring activity for the three months ended March 31, 2023:

	As of January 1, 2023	Expenses	Payments/Write-offs	As of March 31, 2023
Employee termination benefits	\$ 403	\$ —	\$ (295)	\$ 108
Other restructuring costs	21	—	(21)	—
Total	\$ 424	\$ —	\$ (316)	\$ 108

The following table summarizes the Company's restructuring activity for the three months ended March 31, 2022:

	As of January 1, 2022	Expenses	Payments/Write-offs	As of March 31, 2022
Employee termination benefits	\$ —	\$ 2,503	\$ (1,249)	\$ 1,254
Other restructuring costs	—	581	(437)	144
Total	\$ —	\$ 3,084	\$ (1,686)	\$ 1,398

7. Share-based Compensation

(a) Share-based award plans

The Company has granted stock options, restricted share units (“RSUs”) and deferred share units (“DSUs”) to employees and non-employee directors under the Stock Option Plan dated May 26, 2015 (the “2015 Stock Option Plan”), the 2018 Stock Option Plan dated June 28, 2018 (the “2018 Stock Option Plan” and, together with the 2015 Stock Option Plan, the “Prior Option Plans”), the Employment Inducement Award Plan #1 (the “Employment Inducement Award Plan”), the 2020 Omnibus Equity Incentive Plan dated March 29, 2020 (the “2020 Omnibus Plan”) and the DSU Plan dated August 10, 2019 (the “DSU Plan”). The Company can no longer make grants under the Prior Option Plans or the Employment Inducement Award Plan.

The following table summarizes the total share-based compensation expense associated with the Company’s stock options, RSUs and liability-classified awards for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,	
	2023	2022
Stock options	\$ 734	\$ 1,729
RSUs	1,817	1,957
Total share-based compensation	\$ 2,551	\$ 3,686

(b) Stock options

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

The following is a summary of the changes in stock options for the three months ended March 31, 2023 and 2022:

	Weighted-average exercise price (C\$) ⁽ⁱ⁾	Number of options	Weighted-average remaining contractual term (years)
Balance as of January 1, 2023	\$ 10.57	5,350,600	0.73
Issuance of options	2.96	188,317	
Cancellation, forfeiture and expiry of options	9.05	(335,091)	
Balance as of March 31, 2023	\$ 10.40	5,203,826	0.75
Exercisable as of March 31, 2023	\$ 11.88	3,624,498	0.48
	Weighted-average exercise price (C\$) ⁽ⁱ⁾	Number of options	Weighted-average remaining contractual term (years)
Balance as of January 1, 2022	\$ 7.75	8,939,330	2.70
Exercise of options	3.14	(1,356,875)	
Cancellation, forfeiture and expiry of options	12.46	(55,791)	
Balance as of March 31, 2022	\$ 8.55	7,526,664	1.72
Exercisable as of March 31, 2022	\$ 7.96	4,654,574	1.14

⁽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.

For the three months ended March 31, 2023, the weighted-average fair value per option at grant date was C\$2.07. The fair value of the options issued during the period was determined using the Black-Scholes option pricing model, using the following inputs:

	2023
Share price at grant date (per share)	C\$2.96
Exercise price (per option)	C\$2.96
Risk-free interest rate	3.22%
Expected life of options (in years)	7
Expected annualized volatility	72.68%
Expected dividend yield	—
Weighted average Black-Scholes value at grant date (per option)	C\$2.07
Forfeiture rate	—

The following table summarizes stock options outstanding:

	As of March 31, 2023	As of December 31, 2022
2020 Omnibus Plan	2,977,264	2,788,947
2018 Stock Option Plan	1,400,937	1,422,069
2015 Stock Option Plan	825,625	1,139,584
Total stock options outstanding	5,203,826	5,350,600

(c) Restricted share units

The following is a summary of the changes in RSUs for the three months ended March 31, 2023 and 2022:

	Weighted-average grant date fair value (C\$) ⁽ⁱⁱ⁾	Number of RSUs
Balance as of January 1, 2023	\$ 4.63	5,725,470
Granted ⁽ⁱ⁾	2.74	1,927,487
Vested and issued	4.98	(345,433)
Cancellation and forfeitures	4.19	(70,108)
Balance as of March 31, 2023	\$ 4.11	7,237,416

	Weighted-average grant date fair value (C\$) ⁽ⁱⁱ⁾	Number of RSUs
Balance as of January 1, 2022	\$ 9.22	1,225,870
Granted ⁽ⁱ⁾	3.52	3,950,334
Vested and issued	10.81	(78,631)
Cancellation and forfeitures	7.92	(55,479)
Balance as of March 31, 2022	\$ 4.74	5,042,094

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

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

(d) Deferred share units

The following is a summary of the changes in DSUs for the three months ended March 31, 2023 and 2022:

	Financial liability	Number of DSUs
Balance as of January 1, 2023	\$ 674	265,732
Gain on revaluation	(163)	—
Balance as of March 31, 2023	\$ 511	265,732

	Financial liability	Number of DSUs
Balance as of January 1, 2022	\$ 408	104,442
Gain on revaluation	(66)	—
Balance as of March 31, 2022	\$ 342	104,442

8. Loss Per Share

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

	Three months ended March 31,	
	2023	2022
Basic and diluted loss per share computation		
Net loss from continuing operations attributable to the shareholders of Cronos Group	\$ (19,169)	\$ (32,638)
Weighted-average number of common shares outstanding for computation for basic and diluted loss per share ⁽ⁱ⁾	380,634,208	375,022,724
Basic loss from continuing operations per share	\$ (0.05)	\$ (0.09)
Diluted loss from continuing operations per share	\$ (0.05)	\$ (0.09)

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

For the three months ended March 31, 2023 and 2022, total securities of 30,086,428 and 118,224,080, respectively, were not included in the computation of diluted shares outstanding, because the effect would be anti-dilutive.

9. Segment Information

The tables below set forth our condensed consolidated results of operations by segment. The Company's condensed consolidated financial results for these periods are not necessarily indicative of the consolidated financial results that the Company will achieve in future periods. Segment data was as follows for the three months ended March 31, 2023 and 2022:

	Three months ended March 31, 2023			
	United States	Rest of World	Corporate	Total
Cannabis flower	\$ —	\$ 13,128	\$ —	\$ 13,128
Cannabis extracts	649	6,301	—	6,950
Other	—	66	—	66
Net revenue	\$ 649	\$ 19,495	\$ —	\$ 20,144
Share of loss from equity method investments	\$ —	\$ (496)	\$ —	\$ (496)
Total assets	\$ 267,513	\$ 276,094	\$ 615,968	\$ 1,159,575
Depreciation and amortization	78	1,455	—	1,533
Adjusted EBITDA	(2,857)	(10,028)	(3,879)	(16,764)

	Three Months Ended March 31, 2022			
	United States	Rest of World	Corporate	Total
Cannabis flower	\$ —	\$ 18,625	\$ —	\$ 18,625
Cannabis extracts	2,328	3,988	—	6,316
Other	—	92	—	92
Net revenue	<u>\$ 2,328</u>	<u>\$ 22,705</u>	<u>\$ —</u>	<u>\$ 25,033</u>
Share of loss from equity method investments	\$ —	\$ —	\$ —	\$ —
Total assets	\$ 441,064	\$ 283,182	\$ 646,755	\$ 1,371,001
Depreciation and amortization	96	1,197	—	1,293
Adjusted EBITDA	(7,086)	(3,425)	(8,389)	(18,900)

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 March 31, 2023			
	United States	Rest of World	Corporate	Total
Net income (loss)	\$ 337	\$ (15,439)	\$ (4,155)	\$ (19,257)
Interest income, net	(3,399)	(7,781)	—	(11,180)
Income tax benefit	—	(1,436)	—	(1,436)
Depreciation and amortization	200	2,205	—	2,405
EBITDA	(2,862)	(22,451)	(4,155)	(29,468)
Share of loss from equity method investments	—	496	—	496
Loss on revaluation of derivative liabilities ⁽ⁱⁱ⁾	—	65	—	65
Loss on revaluation of financial instruments ⁽ⁱⁱⁱ⁾	—	7,758	—	7,758
Foreign currency transaction loss	—	1,643	—	1,643
Other, net ^(v)	—	(85)	—	(85)
Share-based compensation ^(vii)	5	2,546	—	2,551
Financial statement review costs ^(viii)	—	—	276	276
Adjusted EBITDA	<u>\$ (2,857)</u>	<u>\$ (10,028)</u>	<u>\$ (3,879)</u>	<u>\$ (16,764)</u>

	Three Months Ended March 31, 2022			
	United States	Rest of World	Corporate	Total
Net income (loss)	\$ (22,216)	\$ 2,014	\$ (12,451)	\$ (32,653)
Interest income, net	(29)	(2,017)	—	(2,046)
Income tax expense	—	362	—	362
Depreciation and amortization	432	2,392	—	2,824
EBITDA	(21,813)	2,751	(12,451)	(31,513)
Impairment loss on long-lived assets ⁽ⁱ⁾	—	3,493	—	3,493
Gain on revaluation of derivative liabilities ⁽ⁱⁱ⁾	—	(10,419)	—	(10,419)
Gain on revaluation of financial instruments ⁽ⁱⁱⁱ⁾	—	(4,268)	—	(4,268)
Impairment loss on other investments ^(iv)	11,238	—	—	11,238
Foreign currency transaction loss	—	1,872	—	1,872
Other, net ^(v)	—	(135)	—	(135)
Restructuring costs ^(vi)	1,053	2,031	—	3,084
Share-based compensation ^(vii)	2,436	1,250	—	3,686
Financial statement review costs ^(viii)	—	—	4,062	4,062
Adjusted EBITDA	<u>\$ (7,086)</u>	<u>\$ (3,425)</u>	<u>\$ (8,389)</u>	<u>\$ (18,900)</u>

- ⁽ⁱ⁾ For the three months ended March 31, 2022, impairment loss on long-lived assets related to the Company's decision to seek a sublease for leased office space in Toronto, Ontario, Canada during the first quarter of 2022. See Note 12 "Impairment Loss on Long-lived Assets."
- ⁽ⁱⁱ⁾ For the three months ended March 31, 2023 and 2022, gain (loss) on revaluation of derivative liabilities represents the fair value changes on the derivative liabilities. See Note 5 "Derivative Liabilities."
- ⁽ⁱⁱⁱ⁾ For the three months ended March 31, 2023 and 2022, gain (loss) on revaluation of financial instruments related primarily to the Company's equity securities in Vitura. See Note 3 "Investments."
- ^(iv) For the three months ended March 31, 2022, impairment loss on other investments related to the PharmaCann Option for the difference between its fair value and carrying amount. See Note 3 "Investments."
- ^(v) For the three months ended March 31, 2023 and 2022, other, net related to gain on disposal of assets.
- ^(vi) For the three months ended March 31, 2022, restructuring costs related to the employee-related severance costs and other restructuring costs associated with the Realignment, including the change in the nature of operations at the Peace Naturals Campus.
- ^(vii) For the three months ended March 31, 2023 and 2022, share-based compensation related to the vesting expenses of share-based compensation awarded to employees under the Company's share-based award plans as described in Note 7 "Share-based Compensation."
- ^(viii) For the three months ended March 31, 2023 and 2022, financial statement review costs include costs and reserves taken related to the restatements of the Company's 2019 and second quarter 2021 interim financial statements, costs related to the Company's responses to requests for information from various regulatory authorities relating to such restatements and legal costs defending shareholder class action complaints brought against the Company as a result of the 2019 restatement.

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

	Three months ended March 31,	
	2023	2022
Canada	\$ 14,434	\$ 13,576
Israel	5,061	9,128
United States	649	2,329
Net revenue	<u>\$ 20,144</u>	<u>\$ 25,033</u>

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 of 2019 interim financial statements

On March 11 and 12, 2020, two alleged shareholders of the Company separately filed two putative class action complaints in the U.S. District Court for the Eastern District of New York against the Company and its Chief Executive Officer and now former Chief Financial Officer. The court has consolidated the cases, and the consolidated amended complaint alleges violations of Section 10(b) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rule 10b-5 promulgated thereunder against all defendants, and Section 20(a) of the Exchange Act against the individual defendants. The consolidated amended complaint generally alleges that certain of the Company’s prior public statements about revenues and internal control were incorrect based on the Company’s disclosures relating to the Audit Committee of the Board’s review of the appropriateness of revenue recognized in connection with certain bulk resin purchases and sales of products through the wholesale channel. The consolidated amended complaint does not quantify a damage request. Defendants moved to dismiss on February 8, 2021.

On June 3, 2020, an alleged shareholder filed a Statement of Claim, as amended on August 12, 2020, in the Ontario Superior Court of Justice in Toronto, Ontario, Canada, seeking, among other things, an order certifying the action as a class action on behalf of a putative class of shareholders and damages of an unspecified amount. The Amended Statement of Claim names (i) the Company, (ii) its Chief Executive Officer, (iii) now former Chief Financial Officer, (iv) former Chief Financial Officer and Chief Commercial Officer, and (v) current and former members of the Board as defendants and alleges breaches of the Ontario Securities Act, oppression under the Ontario Business Corporations Act and common law misrepresentation. The Amended Statement of Claim generally alleges that certain of the Company’s prior public statements about revenues and internal control were misrepresentations based on the Company’s March 2, 2020 disclosure that the Audit Committee of the Board was conducting a review of the appropriateness of revenue recognized in connection with certain bulk resin purchases and sales of products through the wholesale channel, and the Company’s subsequent restatement. The Amended Statement of Claim does not quantify a damage request. On June 28, 2021, the Court dismissed motions brought by the plaintiff for leave to commence a claim for misrepresentation under the Ontario Securities Act and for certification of the action as a class action. The plaintiff appealed the Court’s dismissal of the motions only with respect to the Company, the Chief Executive Officer, and the now former Chief Financial Officer; the remaining defendants were dismissed from the matter with prejudice, and the Company and all individual defendants agreed not to seek costs from plaintiff in connection with the dismissal of the motions. On September 26, 2022, the Court of Appeal for Ontario reversed the Superior Court’s dismissal of the leave and certification motions, granted the plaintiff leave to proceed to bring a claim for misrepresentation under the Ontario Securities Act, and remitted the certification motion back to the Superior Court.

(ii) Regulatory reviews relating to restatements

The Company has been responding to requests for information from various regulatory authorities relating to its previously disclosed restatement of its financial statements for the first three quarters of 2019 as well as the previously disclosed restatement of the second quarter of 2021 interim financial statements (collectively, the “Restatements”). The Company has been responding to all such requests for information and cooperating with all regulatory authorities.

SEC Settlement

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

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

The Settlement Order required the Company to cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Sections 10(b), 13(a), 13(b)(2)(B) of the Exchange Act and Rules 10b-5, 13a-13, 13a-15(a), 13a-16 and 12b-20 thereunder. Additionally, the Company agreed to certain undertakings, which include, among other things, retaining a qualified independent consultant (the “Consultant”) to engage in a review of, and make recommendations with respect to, certain of the Company’s internal accounting controls and internal control over financing reporting.

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

and (iii) is unable to rely on the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995 for a period of three years.

OSC Settlement

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

Pursuant to the terms of the Settlement Agreement, which fully and finally disposed the investigation of the Company by the OSC, Cronos agreed to pay a total of C\$1.34 million to fully settle the matter, and acknowledged that it had failed to comply with the requirement under Section 77 of the Securities Act (Ontario) to file interim financial reports in the manner set out therein and had acted in a manner contrary to the public interest. Additionally, the Company agreed to retain the Consultant to engage in a review of, and make recommendations with respect to, certain of the Company’s internal accounting controls and internal control over financing reporting, on substantially the same terms as were required by the SEC pursuant the Settlement Agreement.

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

On April 17, 2023, a group of plaintiffs led by the Green Leaf (Ale Yarok) political party filed a Statement of Claim and Request for Approval of a Class Action on behalf of a purported class of Israeli cannabis consumers in the District Court of Tel Aviv, Israel against 26 cannabis-related parties, including three Cronos Israel entities. The Statement of Claim alleges that the defendants violated certain laws relating to the marketing of medical cannabis products, including marketing to unlicensed cannabis consumers. The lawsuit seeks a total of ILS 420 million.

11. Fair Value Measurements

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

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

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

	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 413,667	\$ —	\$ —	\$ 413,667
Short-term investments	422,763	—	—	422,763
Other investments ⁽ⁱ⁾	13,833	—	—	13,833
Derivative liabilities	—	—	80	80
	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 764,644	\$ —	\$ —	\$ 764,644
Short-term investments	113,077	—	—	113,077
Other investments ⁽ⁱ⁾	21,993	—	—	21,993
Derivative liabilities	—	—	15	15

⁽ⁱ⁾ As of March 31, 2023 and December 31, 2022, the Company’s influence on Vitura is deemed non-significant and the investment is considered an equity security with a readily determinable fair value. See Note 3 “Investments” for additional information.

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

12. Impairment Loss on Long-lived Assets

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

During the three months ended March 31, 2022, the Company recognized an impairment charge of \$1,986 related to the right-of-use lease asset associated with the Company's corporate headquarters, encompassing approximately 29,000 square feet, in Toronto, Ontario, Canada, for which the Company determined it would seek a sublease. In addition, the Company recognized an impairment charge of \$1,507 during the three months ended March 31, 2022 related to leasehold improvements and other office equipment that it plans to include in any potential sublease agreement. The determination to seek a sublease of the property and include leasehold improvements and other office equipment in any potential sublease agreement triggered the impairment charges. Both of the impairment charges are recognized as impairment loss on long-lived assets on the condensed consolidated statements of net loss and comprehensive loss.

13. Related Party Transactions

(a) Cronos GrowCo

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

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

	Three months ended March 31,	
	2023	2022
Cronos GrowCo - purchases	\$ 7,466	\$ 3,218

As of March 31, 2023, and December 31, 2022, the Company had payables outstanding to Cronos GrowCo of \$3,087 and \$2,519, respectively.

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

(b) Vendor Agreement

In November 2022, the Company entered into an agreement with an external vendor whereby the vendor would provide certain manufacturing services to the Company. The vendor then subcontracted out a portion of those services to another company whose chief executive officer is an immediate family member of an executive of the Company. The Company has no direct contractual relationship with the related party.

During the three months ended March 31, 2023, the Company purchased \$833 of products and services under this agreement and had outstanding accounts payable related to the agreement of \$437 and \$nil as of March 31, 2023 and December 31, 2022, respectively.

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

The following discussion and analysis should be read together with other information, including Cronos Group’s condensed consolidated interim financial statements and the related notes to those statements, included in Part I, Item 1 of this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (this “Quarterly Report”), consolidated financial statements appearing in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 (the “Annual Report”), Part I, Item 1A, Risk Factors, of the Annual Report and Part II, Item 1A, Risk Factors, of this Quarterly Report.

Forward-Looking Statements

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

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

- expectations related to our announced realignment (the “Realignment”) and any progress, challenges and effects related thereto as well as changes in strategy, metrics, investments, reporting structure, costs, operating expenses, employee turnover and other changes with respect thereto;
- the timing of the change in the nature of operations at our facility in Stayner, Ontario (the “Peace Naturals Campus”) and the expected costs and benefits from the wind-down of cultivation and certain production activities at the Peace Naturals Campus;
- our ability to effectively wind-down cultivation and certain production activities at the Peace Naturals Campus in an organized fashion and acquire raw materials from other suppliers, including Cronos Growing Company Inc. (“Cronos GrowCo”), and the costs and timing associated therewith;
- expectations regarding the potential success of, and the costs and benefits associated with, our joint ventures, strategic alliances and equity investments, including the strategic partnership (the “Ginkgo Strategic Partnership”) with Ginkgo Bioworks Holdings, Inc. (“Ginkgo”);
- our ability 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 revenues, expenses, gross margins and capital expenditures;
- expectations regarding our future production and manufacturing strategy and operations, the costs and timing associated therewith and the receipt of applicable production and sale licenses;
- the ongoing impact of the legalization of additional cannabis product types and forms for adult-use in Canada, including federal, provincial, territorial and municipal regulations pertaining thereto, the related timing and impact thereof and our intentions to participate in such markets;
- the legalization of the use of cannabis for medical or adult-use in jurisdictions outside of Canada, the related timing and impact thereof and our intentions to participate in such markets, if and when such use is legalized;
- the grant, renewal, withdrawal, suspension, delay and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;
- our ability to successfully create and launch brands and further create, launch and scale U.S. hemp-derived cannabinoid consumer products and cannabis products;
- the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, including CBD and other cannabinoids;
- laws and regulations and any amendments thereto applicable to our business and the impact thereof, including uncertainty regarding the application of United States (“U.S.”) state and federal law to U.S. hemp (including CBD and other U.S. hemp-derived cannabinoids) products and the scope of any regulations by the U.S. Food and Drug Administration (the “FDA”), the U.S. Drug Enforcement Administration (the “DEA”), the U.S. Federal Trade Commission (the “FTC”), the U.S. Patent and Trademark

- Office (the “PTO”) and any state equivalent regulatory agencies over U.S. hemp (including CBD and other U.S. hemp-derived cannabinoids) products;
- the laws and regulations and any amendments thereto relating to the U.S. hemp industry in the U.S., including the promulgation of regulations for the U.S. hemp industry by the U.S. Department of Agriculture (the “USDA”) and relevant state regulatory authorities;
 - the anticipated benefits and impact of Altria Group Inc.’s investment in the Company (the “Altria Investment”), pursuant to a subscription agreement dated December 7, 2018;
 - uncertainties as to our ability to exercise our option (the “PharmaCann Option”) in PharmaCann Inc. (“PharmaCann”), in the near term or the future, in full or in part, including the uncertainties as to the status and future development of federal legalization of cannabis in the U.S. and our ability to realize the anticipated benefits of the transaction with PharmaCann;
 - expectations regarding the implementation and effectiveness of key personnel changes;
 - expectations regarding acquisitions and dispositions and the anticipated benefits therefrom;
 - our ability to timely and effectively remediate any material weaknesses in our internal control over financial reporting;
 - expectations of the amount or frequency of impairment losses, including as a result of the write-down of intangible assets, including goodwill;
 - 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;
 - the impact of the ongoing military conflict between Russia and Ukraine (and resulting sanctions) on our business, financial condition and results of operations or cash flows;
 - our compliance with the terms of the settlement with the SEC (the “Settlement Order”) and the settlement agreement with the Ontario Securities Commission (“Settlement Agreement”), including complying with any recommendations made by the independent consultant appointed pursuant to the Settlement Order and Settlement Agreement; and
 - the impact of the loss of our ability to rely on private offering exemptions under Regulation D of the Securities Act of 1933, as amended (the “Securities Act”), and the loss of our status as a well-known seasoned issuer, each as a result of the Settlement Order.

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

The Forward-Looking Statements contained herein are based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including: (i) our ability to realize the expected cost-savings, efficiencies and other benefits of our Realignment and employee turnover related thereto; (ii) our ability to efficiently and effectively wind-down our cultivation and certain production activities at the Peace Naturals Campus, receive the benefits of the change in the nature of our operations at our Peace Naturals Campus and acquire raw materials on a timely and cost-effective basis from third parties, including Cronos GrowCo; (iii) our ability to realize anticipated benefits, synergies or generate revenue, profits or value from our acquisitions and strategic investments; (iv) the production and manufacturing capabilities and output from our facilities and our joint ventures, strategic alliances and equity investments; (v) government regulation of our activities and products including, but not limited to, the areas of cannabis taxation and environmental protection; (vi) the timely receipt of any required regulatory authorizations, approvals, consents, permits and/or licenses; (vii) consumer interest in our products; (viii) competition; (ix) anticipated and unanticipated costs; (x) our ability to generate cash flow from operations; (xi) our ability to conduct operations in a safe, efficient and effective manner; (xii) our ability to hire and retain qualified staff, and acquire equipment and services in a timely and cost-efficient manner; (xiii) our ability to exercise the PharmaCann Option and realize the anticipated benefits of the transaction with PharmaCann; (xiv) our ability to complete planned dispositions, and, if completed, obtain our anticipated sales price; (xv) 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; (xvi) general economic, financial market, regulatory and political conditions in which we operate; (xvii) management’s perceptions of historical trends, current conditions and expected future developments; and (xviii) other considerations that management believes to be appropriate in the circumstances. While our management considers these assumptions to be reasonable based on information currently available to management, there is no assurance that such expectations will prove to be correct.

By their nature, Forward-Looking Statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct, and that objectives, strategic goals and priorities will not be achieved. A variety of factors, including known and unknown risks, many of which are beyond our control, could cause actual results to differ materially from the Forward-Looking Statements in this Quarterly Report and other reports we file with, or furnish to, the SEC and other regulatory agencies and made by our directors, officers, other employees and other persons authorized to speak on our behalf. Such factors include, without limitation, that we may not be able to wind-down cultivation and certain production activities at the Peace Naturals Campus in a disciplined manner or achieve the anticipated benefits of the change in the nature of our operations or be able to access raw materials on a timely and cost-effective basis from third-parties, including Cronos GrowCo; the risk that the COVID-19 pandemic and the military conflict between Russia and Ukraine may disrupt our operations and those of our suppliers and distribution channels and negatively impact the demand for and use of our products; the risk that cost savings and any other synergies from the Altria Investment may not be fully realized or may take longer to realize than expected; failure to execute key personnel changes; the risks that our Realignment, the change in the nature of our operations at the Peace Naturals Campus and our further leveraging of our strategic partnerships will not result in the expected cost-savings, efficiencies and other benefits or will result in greater than anticipated turnover in personnel; lower levels of revenues; the lack of consumer demand for our cannabis and U.S. hemp products; our inability to manage disruptions in credit markets or changes to our credit ratings; unanticipated future levels of capital, environmental or maintenance expenditures, general and administrative and other expenses; growth opportunities not turning out as expected; the lack of cash flow necessary to execute our business plan (either within the expected timeframe or at all); difficulty raising capital; the potential adverse effects of judicial, regulatory or other proceedings, or threatened litigation or proceedings, on our business, financial condition, results of operations and cash flows; volatility in and/or degradation of general economic, market, industry or business conditions; compliance with applicable environmental, economic, health and safety, energy and other policies and regulations and in particular health concerns with respect to vaping and the use of cannabis and U.S. hemp products in vaping devices; the unexpected effects of actions of third parties such as competitors, activist investors or federal (including U.S. federal), state, provincial, territorial or local regulatory authorities or self-regulatory organizations; adverse changes in regulatory requirements in relation to our business and products; legal or regulatory obstacles that could prevent us from being able to exercise the PharmaCann Option and thereby realizing the anticipated benefits of the transaction with PharmaCann; dilution of our fully diluted ownership of PharmaCann and the loss of our rights as a result of that dilution; a delay in our remediation of a material weakness in our internal control over financial reporting and the improvement of our control environment and our systems, processes and procedures; and the factors discussed under Part I, Item 1A “Risk Factors” of the Annual Report and under Part II, Item 1A “Risk Factors” in our Quarterly Reports. Readers are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on Forward-Looking Statements.

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

Foreign currency exchange rates

All currency amounts in this Quarterly Report are stated in U.S. dollars, which is our reporting currency, unless otherwise noted. All references to “dollars” or “\$” are to U.S. dollars. The assets and liabilities of our foreign operations are translated into dollars at the exchange rate in effect as of March 31, 2023, March 31, 2022, and December 31, 2022. Transactions affecting the shareholders’ equity (deficit) are translated at historical foreign exchange rates. The condensed consolidated statements of net loss and comprehensive loss and condensed consolidated statements of cash flows of our foreign operations are translated into dollars by applying the average foreign exchange rate in effect for the reporting period as reported on Bloomberg.

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

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

	As of		
	March 31, 2023	March 31, 2022	December 31, 2022
Spot rate	1.3516	1.2507	1.3554
Year-to-date average rate	1.3520	1.2665	N/A

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

(Exchange rates are shown as ILS per \$)

	As of		
	March 31, 2023	March 31, 2022	December 31, 2022
Spot rate	3.5966	3.1906	3.5178
Year-to-date average rate	3.5319	3.1942	N/A

Business Overview

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

Strategy

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

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

Business segments

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

The U.S. segment manufactures, markets and distributes U.S. hemp-derived products through e-commerce, retail and hospitality partner channels in the United States under the Lord Jones[®] brand.

The ROW segment is involved in the cultivation, manufacturing, and marketing of cannabis products for the medical and adult-use markets. In Canada, Cronos operates two wholly owned license holders under the Cannabis Act (Canada) (the “Cannabis Act”), Peace Naturals Project Inc. (“Peace Naturals”), which has production facilities near Stayner, Ontario (the “Peace Naturals Campus”), and Thanos Holdings Ltd., known as Cronos Fermentation (“Cronos Fermentation”), which has a production facility in Winnipeg, Manitoba. In Israel, the Company operates under the IMC-GAP, IMC-GMP and IMC-GDP certifications required for the cultivation, production and marketing of dried flower, pre-rolls and oils in the Israeli medical market. Cronos has established two strategic joint ventures in Canada and Israel.

Recent Developments

Brand and Product Portfolio

Cronos added to its infused pre-roll portfolio under the Spinach FEELZ[™] brand with two new pre-roll products infused with rare cannabinoids:

- Spinach FEELZ[™] Mango Kiwi Haze THC:CBC, infused with high potency cold filtered extract, with 32% THC and 5% cannabichromene (“CBC”); and
- Spinach FEELZ[™] Blackberry Kush THC:CBN (Deep Dreamz) infused with high potency cold filtered extract with 32% THC and 5% cannabinol (“CBN”).

In the first quarter of 2023, Cronos also added to its Spinach FEELZ[™] vape portfolio by adding a product featuring CBC: its Mango Kiwi Haze 7:1 THC:CBC 1-gram vape.

In April 2023, Cronos built on the early success of its Spinach[®] Sonic Lemon Fuel strain by expanding it into the pre-roll category with a 3x0.5g 20-26% THC offering. In addition to the pre-rolls, Sonic Lemon Fuel is available in 28g and 3.5g flower formats.

Consolidated Results of Operations

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

	Three months ended March 31,	
	2023	2022
Net revenue, before excise taxes	\$ 27,203	\$ 29,406
Excise taxes	(7,059)	(4,373)
Net revenue	20,144	25,033
Cost of sales	17,764	18,107
Gross profit	2,380	6,926
Operating expenses		
Sales and marketing	5,872	5,012
Research and development	2,041	4,039
General and administrative	12,379	22,368
Restructuring costs	—	3,084
Share-based compensation	2,551	3,686
Depreciation and amortization	1,533	1,293
Impairment loss on long-lived assets	—	3,493
Total operating expenses	24,376	42,975
Operating loss	(21,996)	(36,049)
Other income	1,303	3,758
Income tax benefit (expense)	1,436	(362)
Net loss	(19,257)	(32,653)
Net loss attributable to non-controlling interest	(88)	(15)
Net loss attributable to Cronos Group	\$ (19,169)	\$ (32,638)

Summary of select financial results

	Three months ended March 31,		Change	
	2023	2022	\$	%
Net revenue	\$ 20,144	\$ 25,033	\$ (4,889)	(20) %
Cost of sales	17,764	18,107	(343)	(2) %
Gross profit	2,380	6,926	(4,546)	(66) %
Gross margin ⁽ⁱ⁾	12 %	28 %	N/A	(16)pp

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

Net revenue

For the three months ended March 31, 2023, we reported consolidated net revenue of \$20.1 million, representing a decrease of \$4.9 million from the three months ended March 31, 2022. The decrease was primarily due to lower cannabis flower sales in Israel due to competitive activity, the slowdown in patient permit authorizations and geopolitical unrest, and a reduction in revenue in the U.S. segment. Net revenue in Canada was impacted by an adverse price/mix in the cannabis flower category driving increased excise tax payments as a percentage of revenue and increased returns. Furthermore, the weakened Canadian dollar and Israeli Shekel against the U.S. dollar during the current period impacted results. These decreases were partially offset by higher cannabis extract sales in Canada.

Cost of sales

For the three months ended March 31, 2023, we reported consolidated cost of sales of \$17.8 million, representing a decrease of approximately \$0.3 million from the three months ended March 31, 2022. The decrease was primarily due to lower cannabis flower sales in the Israeli medical market, lower sales volumes in the U.S. segment, lower cannabis biomass costs and the impact of the weakened Canadian dollar and Israeli Shekel against the U.S. dollar during the current period, partially offset by higher cannabis extract sales in the Canadian adult-use market.

Gross profit

For the three months ended March 31, 2023, we reported gross profit of \$2.4 million, representing a decrease in gross profit of \$4.5 million compared to the three months ended March 31, 2022. The decrease was primarily due to lower cannabis flower sales in the Israeli medical market, a reduction in revenue in the U.S. segment, adverse price/mix on cannabis flower sales in Canada and increased returns, partially offset by higher cannabis extract sales in the Canadian adult-use market that carry a higher margin profile than other product categories and lower cannabis biomass costs.

Operating expenses

	Three months ended March 31,		Change	
	2023	2022	\$	%
Sales and marketing	\$ 5,872	\$ 5,012	\$ 860	17 %
Research and development	2,041	4,039	(1,998)	(49)%
General and administrative	12,379	22,368	(9,989)	(45)%
Restructuring costs	—	3,084	(3,084)	N/A
Share-based compensation	2,551	3,686	(1,135)	(31)%
Depreciation and amortization	1,533	1,293	240	19 %
Impairment loss on long-lived assets	—	3,493	(3,493)	N/A
Total operating expenses	\$ 24,376	\$ 42,975	\$ (18,599)	(43)%

Sales and marketing

For the three months ended March 31, 2023, sales and marketing expenses were \$5.9 million, representing an increase of \$0.9 million from the three months ended March 31, 2022. The increase was primarily due to higher advertising and marketing spend and higher payroll-related costs in the ROW segment, partially offset by lower advertising and marketing spend and lower payroll-related costs in the U.S. segment as a result of the Realignment announced in 2022.

Research and development

For the three months ended March 31, 2023, research and development expenses were \$2.0 million, representing a decrease of \$2.0 million from the three months ended March 31, 2022. The decrease was primarily due to lower costs associated with the achievement of Ginkgo milestones.

General and administrative

For the three months ended March 31, 2023, general and administrative expenses were \$12.4 million, representing a decrease of \$10.0 million from the three months ended March 31, 2022. The decrease was primarily due to lower professional fees related to financial statement review costs and lower personnel-related costs associated with the Realignment announced in 2022.

Restructuring costs

For the three months ended March 31, 2023, we incurred no restructuring costs, compared to \$3.1 million of restructuring costs for the three months ended March 31, 2022. Restructuring costs for the three months ended March 31, 2022 were related to the Realignment announced in 2022.

Share-based compensation

For the three months ended March 31, 2023, share-based compensation expense was \$2.6 million, representing a decrease of \$1.1 million from the three months ended March 31, 2022. The decrease was primarily due to the acceleration of expense in the three months ended March 31, 2022 on equity awards granted to certain executive employees in connection with their separation from the Company.

Depreciation and amortization

For the three months ended March 31, 2023, depreciation and amortization expenses were \$1.5 million, representing an increase of \$0.2 million from the three months ended March 31, 2022. The increase was primarily due to higher amortization on Ginkgo-related intangible assets.

Impairment loss on long-lived assets

For the three months ended March 31, 2023, we recorded no impairment loss on long-lived assets, compared to \$3.5 million in the three months ended March 31, 2022. For further information, see Note 12 “Impairment Loss on Long-lived Assets” to the condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

Other income (loss) and income tax benefit (expense)

	Three months ended March 31,		Change	
	2023	2022	\$	%
Interest income, net	\$ 11,180	\$ 2,046	\$ 9,134	446 %
Gain (loss) on revaluation of derivative liabilities	(65)	10,419	(10,484)	N/M
Share of loss from equity method investments	(496)	—	(496)	N/A
Gain (loss) on revaluation of financial instruments	(7,758)	4,268	(12,026)	N/M
Impairment loss on other investments	—	(11,238)	11,238	N/A
Foreign currency transaction loss	(1,643)	(1,872)	229	12 %
Other, net	85	135	(50)	(37)%
Total other income	1,303	3,758	(2,455)	(65)%
Income tax benefit (expense)	1,436	(362)	1,798	N/M
Net loss	\$ (19,257)	\$ (32,653)	\$ 13,396	41 %

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

Interest income, net

For the three months ended March 31, 2023, interest income, net was \$11.2 million, representing an increase of \$9.1 million from the three months ended March 31, 2022. The increase in net interest income was primarily due to higher short-term investment balances and higher interest rates during the current period.

Gain (loss) on revaluation of derivative liabilities

For the three months ended March 31, 2023, the loss on revaluation of derivative liabilities was \$0.1 million, compared to a gain on revaluation of derivative liabilities of \$10.4 million in the three months ended March 31, 2022. We expect continued changes in derivative valuations as our share price fluctuates period to period and the remaining expected terms of our derivative instruments change over time. For further information, see Note 5 “Derivative Liabilities” to the condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

Share of loss from equity method investments

For the three months ended March 31, 2023, our share of loss from equity method investments was \$0.5 million, representing an increased loss of \$0.5 million from the three months ended March 31, 2022. The change was due to a higher loss pick-up from our equity method investment in Cronos GrowCo.

Gain (loss) on revaluation of financial instruments

For the three months ended March 31, 2023, the loss on revaluation of financial instruments was \$7.8 million, representing an increased loss of \$12.0 million compared to the three months ended March 31, 2022. The change was primarily related to the change in fair value of our investment in Vitura. For further information, see Note 3 “Investments” to the condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

Impairment loss on other investments

There were no impairment losses on other investments during the three months ended March 31, 2023. For the three months ended March 31, 2022, impairment loss on other investments was \$11.2 million, due to impairment charges recorded on our PharmaCann Option for the difference between its estimated fair value and its carrying amount. For more information, see Note 3 “Investments” in our condensed consolidated interim financial statements under Item 1 of this Quarterly Report.

Foreign currency transaction loss

For the three months ended March 31, 2023, foreign currency transaction loss was \$1.6 million, compared to \$1.9 million in the three months ended March 31, 2022. For both periods, these losses primarily related to certain foreign currency-denominated intercompany loans anticipated to be settled in the foreseeable future.

Other, net

For both the three months ended March 31, 2023 and 2022, other, net was income of \$0.1 million.

Results of Operations by Business Segment:

The tables below set forth our condensed consolidated results of operations by our two business segments: the ROW segment and the U.S. segment, expressed in U.S. dollars and in thousands for the periods presented. Our condensed consolidated financial results for these periods are not necessarily indicative of the consolidated financial results that we will achieve in future periods. Certain totals in the tables below will not sum to exactly 100% due to rounding.

Summary of select financial results – ROW

	Three months ended March 31,		Change	
	2023	2022	\$	%
Net revenue	\$ 19,495	\$ 22,705	\$ (3,210)	(14) %
Cost of sales	16,568	15,995	573	4 %
Gross profit	2,927	6,710	(3,783)	(56) %
Gross margin	15 %	30 %	N/A	(15)pp

Net revenue – ROW

	Three months ended March 31,		Change	
	2023	2022	\$	%
Cannabis flower	\$ 13,128	\$ 18,625	\$ (5,497)	(30) %
Cannabis extracts	6,301	3,988	2,313	58 %
Other	66	92	(26)	(28) %
Net revenue	\$ 19,495	\$ 22,705	\$ (3,210)	(14) %

For the three months ended March 31, 2023, the ROW segment reported net revenue of \$19.5 million, representing a decrease of \$3.2 million from the three months ended March 31, 2022. The decrease was primarily due to lower cannabis flower sales in Israel driven by increased competition, the slowdown in patient permit authorizations and geopolitical unrest. Net revenue in Canada was impacted by an adverse price/mix in the cannabis flower category driving increased excise tax payments as a percentage of revenue and increased returns. Furthermore, the weakened Canadian dollar and Israeli Shekel against the U.S. dollar during the current period impacted results.

Cost of sales – ROW

For the three months ended March 31, 2023, the ROW segment reported cost of sales of \$16.6 million, representing an increase of \$0.6 million from the three months ended March 31, 2022. The increase was primarily due to higher sales volumes in the Canadian adult-use market, partially offset by lower cannabis flower sales in the Israeli medical market, lower cannabis biomass costs and the impact of the weakened Canadian dollar and Israeli Shekel against the U.S. dollar during the current period.

Gross profit – ROW

For the three months ended March 31, 2023, the ROW segment reported gross profit of \$2.9 million, representing a decrease in gross profit of \$3.8 million from the three months ended March 31, 2022. The change was primarily due to decreased revenue driven mainly by lower sales of cannabis flower in Israel, adverse price/mix in cannabis flower sales in Canada and increased returns, partially offset

by higher cannabis extract sales in Canada, which carry a higher margin profile than other product categories, and lower cannabis biomass costs.

Summary of select financial results – U.S.

	Three months ended March 31,		Change	
	2023	2022	\$	%
Net revenue	\$ 649	\$ 2,328	\$ (1,679)	(72) %
Cost of sales	1,196	2,112	(916)	(43) %
Gross profit	(547)	216	(763)	(353) %
Gross margin	(84)%	9 %	N/A	(93)pp

Net revenue – U.S.

For the three months ended March 31, 2023, the U.S. segment reported net revenue of \$0.6 million, representing a decrease of \$1.7 million from the three months ended March 31, 2022. The decrease was primarily driven by a reduction in sales as a result of a decrease in promotional spending and SKU rationalization efforts as the Company implemented the Realignment in the U.S. segment.

Cost of sales – U.S.

For the three months ended March 31, 2023, the U.S. segment reported cost of sales of \$1.2 million, representing a decrease of \$0.9 million from the three months ended March 31, 2022. The decrease was primarily due to lower sales volumes, partially offset by higher inventory reserves associated with discontinued products.

Gross profit – U.S.

For the three months ended March 31, 2023, the U.S. segment reported gross profit of \$(0.5) million, representing a decrease of \$0.8 million from the three months ended March 31, 2022. The change was primarily due to lower sales volumes and higher inventory reserves.

Non-GAAP Measures

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

Adjusted EBITDA

Management reviews Adjusted EBITDA, a non-GAAP measure, which excludes non-cash items and items that do not reflect management’s assessment of ongoing business performance of our operating segments. Management defines Adjusted EBITDA as net income (loss) before interest, tax expense (benefit), depreciation and amortization adjusted for: share of income (loss) from equity method investments; impairment loss on goodwill and intangible assets; impairment loss on long-lived assets; (gain) loss on revaluation of derivative liabilities; (gain) loss on revaluation of financial instruments; transaction costs related to strategic projects; impairment loss on other investments; foreign currency transaction loss; other, net; loss from discontinued operations; restructuring costs; share-based compensation; and financial statement review costs and reserves related to the restatements of our 2019 and 2021 interim financial statements (the “Restatements”), including the costs related to the settlement of the SEC’s and the OSC’s investigations of the Restatements and legal costs defending shareholder class action complaints brought against us as a result of the 2019 restatement (see Part II, Item 1 “Legal Proceedings” of this Quarterly Report for a discussion of the shareholder class action complaints relating to the restatement of the 2019 interim financial statements and the settlement of the SEC’s and the OSC’s investigations of the Restatements).

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

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

	Three months ended March 31, 2023			
	United States	Rest of World	Corporate	Total
Net income (loss)	\$ 337	\$ (15,439)	\$ (4,155)	\$ (19,257)
Interest income, net	(3,399)	(7,781)	—	(11,180)
Income tax benefit	—	(1,436)	—	(1,436)
Depreciation and amortization	200	2,205	—	2,405
EBITDA	(2,862)	(22,451)	(4,155)	(29,468)
Share of loss from equity method investments	—	496	—	496
Loss on revaluation of derivative liabilities ⁽ⁱⁱ⁾	—	65	—	65
Loss on revaluation of financial instruments ⁽ⁱⁱⁱ⁾	—	7,758	—	7,758
Foreign currency transaction loss	—	1,643	—	1,643
Other, net ^(v)	—	(85)	—	(85)
Share-based compensation ^(vii)	5	2,546	—	2,551
Financial statement review costs ^(viii)	—	—	276	276
Adjusted EBITDA	\$ (2,857)	\$ (10,028)	\$ (3,879)	\$ (16,764)

	Three Months Ended March 31, 2022			
	United States	Rest of World	Corporate	Total
Net income (loss)	\$ (22,216)	2,014	\$ (12,451)	\$ (32,653)
Interest income, net	(29)	(2,017)	—	(2,046)
Income tax expense	—	362	—	362
Depreciation and amortization	432	2,392	—	2,824
EBITDA	(21,813)	2,751	(12,451)	(31,513)
Impairment loss on long-lived assets ⁽ⁱ⁾	—	3,493	—	3,493
Gain on revaluation of derivative liabilities ⁽ⁱⁱ⁾	—	(10,419)	—	(10,419)
Gain on revaluation of financial instruments ⁽ⁱⁱⁱ⁾	—	(4,268)	—	(4,268)
Impairment loss on other investments ^(iv)	11,238	—	—	11,238
Foreign currency transaction loss	—	1,872	—	1,872
Other, net ^(v)	—	(135)	—	(135)
Restructuring costs ^(vi)	1,053	2,031	—	3,084
Share-based compensation ^(vii)	2,436	1,250	—	3,686
Financial statement review costs ^(viii)	—	—	4,062	4,062
Adjusted EBITDA	\$ (7,086)	\$ (3,425)	\$ (8,389)	\$ (18,900)

(i) For the three months ended March 31, 2022, impairment loss on long-lived assets related to the Company's decision to seek a sublease for leased office space in Toronto, Ontario, Canada during the first quarter of 2022. See Note 12 "Impairment Loss on Long-lived Assets."

(ii) For the three months ended March 31, 2023 and 2022, gain (loss) on revaluation of derivative liabilities represents the fair value changes on the derivative liabilities. See Note 5 "Derivative Liabilities."

(iii) For the three months ended March 31, 2023 and 2022, gain (loss) on revaluation of financial instruments related primarily to the Company's equity securities in Vitrua.

(iv) For the three months ended March 31, 2022, impairment loss on other investments related to the PharmaCann Option for the difference between its fair value and carrying amount. See Note 3 "Investments."

(v) For the three months ended March 31, 2023 and 2022, other, net related to gain on disposal of assets.

(vi) For the three months ended March 31, 2022, restructuring costs related to the employee-related severance costs and other restructuring costs associated with the Realignment, including the change in nature of operations at the Peace Naturals Campus. See Note 6 "Restructuring."

(vii) For the three months ended March 31, 2023 and 2022, share-based compensation related to the vesting expenses of share-based compensation awarded to employees under the Company's share-based award plans as described in Note 7 "Share-based Compensation."

(viii) For the three months ended March 31, 2023 and 2022, financial statement review costs include costs and reserves taken related to the Restatements, costs related to the Company's responses to requests for information from various regulatory authorities relating to the Restatements and legal costs incurred defending shareholder class action complaints brought against the Company as a result of the 2019 restatement.

Constant Currency

To supplement the consolidated financial statements presented in accordance with U.S. GAAP, we have presented constant currency adjusted financial measures for net revenues, gross profit, gross profit margin, operating expenses, net income (loss) and Adjusted EBITDA for the three months ended March 31, 2023 as well as cash and cash equivalents and short-term investment balances as of March 31, 2023 compared to December 31, 2022, which are considered non-GAAP financial measures. We present constant currency information to provide a framework for assessing how our underlying operations performed excluding the effect of foreign currency rate fluctuations. To present this information, current and comparative prior period income statement results in currencies other than U.S. dollars are converted into U.S. dollars using the average exchange rates from the three-month comparative periods in 2022 rather than the actual average exchange rates in effect during the respective current periods; constant currency current and prior comparative balance sheet information is translated at the prior year-end spot rate rather than the current period spot rate. All growth comparisons relate to the corresponding period in 2022. We have provided this non-GAAP financial information to aid investors in better understanding the performance of our segments. The non-GAAP financial measures presented in this Quarterly Report should not be considered as a substitute for, or superior to, the measures of financial performance prepared in accordance with U.S. GAAP.

The table below sets forth certain measures of consolidated results from continuing operations on a constant currency basis for the three months ended March 31, 2023 compared to the three months ended March 31, 2022 as well as cash and cash equivalents and short-term investments as of March 31, 2023 and December 31, 2022, both on an as-reported and constant currency basis (in thousands):

	As Reported				As Adjusted for Constant Currency			
	Three months ended March 31,		As Reported Change		Three months ended March 31,		Constant Currency Change	
	2023	2022	\$	%	2023	\$	%	
Net revenue	\$ 20,144	\$ 25,033	\$ (4,889)	(20) %	\$ 21,653	\$ (3,380)	(14) %	
Gross profit	2,380	6,926	(4,546)	(66) %	2,651	(4,275)	(62) %	
Gross margin	12 %	28 %	N/A	(16)pp	12 %	N/A	(16)pp	
Operating expenses	24,376	42,975	(18,599)	(43) %	26,034	(16,941)	(39) %	
Net loss	(19,257)	(32,653)	13,396	41 %	(23,383)	9,270	28 %	
Adjusted EBITDA	(16,764)	(18,900)	2,136	11 %	(17,951)	949	5 %	

	As of March 31,	As of December 31,	As Reported Change		Three months ended	Constant Currency Change	
	2023	2022	\$	%	March 31,	\$	%
					2023		
Cash and cash equivalents	\$ 413,667	\$ 764,644	\$ (350,977)	(46) %	\$ 413,579	\$ (351,065)	(46) %
Short-term investments	422,763	113,077	309,686	274 %	421,577	308,500	273 %
Total cash and cash equivalents and short-term investments	\$ 836,430	\$ 877,721	\$ (41,291)	(5) %	\$ 835,156	\$ (42,565)	(5) %

Net revenue

	As Reported				As Adjusted for Constant Currency			
	Three months ended March 31,		As Reported Change		Three months ended March 31,		Constant Currency Change	
	2023	2022	\$	%	2023	\$	%	
Cannabis flower	\$ 13,128	\$ 18,625	\$ (5,497)	(30)%	\$ 14,203	\$ (4,422)	(24)%	
Cannabis extracts	6,950	6,316	634	10 %	7,380	1,064	17 %	
Other	66	92	(26)	(28)%	70	(22)	(24)%	
Net revenue	\$ 20,144	\$ 25,033	\$ (4,889)	(20)%	\$ 21,653	\$ (3,380)	(14)%	

	As Reported				As Adjusted for Constant Currency			
	Three months ended March 31,		As Reported Change		Three months ended March 31,		Constant Currency Change	
	2023	2022	\$	%	2023	\$	%	
Canada	\$ 14,434	\$ 13,576	\$ 858	6 %	\$ 15,409	\$ 1,833	14 %	
Israel	5,061	9,128	(4,067)	(45)%	5,595	(3,533)	(39)%	
United States	649	2,329	(1,680)	(72)%	649	(1,680)	(72)%	
Net revenue	\$ 20,144	\$ 25,033	\$ (4,889)	(20)%	\$ 21,653	\$ (3,380)	(14)%	

For the three months ended March 31, 2023, net revenue on a constant currency basis was \$21.7 million, representing a 14% decrease from the three months ended March 31, 2022. Net revenue decreased for the three months ended March 31, 2023 on a constant currency basis and was primarily due to lower cannabis flower sales in Israel due to competitive activity, the slowdown in patient permit authorizations and geopolitical unrest and a reduction in revenue in the U.S. segment. Net revenue in Canada was impacted by an adverse price/mix in the cannabis flower category driving increased excise tax payments as a percent of revenue and increased returns, partially offset by higher cannabis extract sales in the Canadian adult-use market.

Gross profit

For the three months ended March 31, 2023, gross profit on a constant currency basis was \$2.7 million, representing a 62% decrease from the three months ended March 31, 2022. The change was primarily due to lower cannabis flower sales in the Israeli medical market, a reduction in revenue in the U.S. segment, adverse price/mix on cannabis flower sales in Canada and increased returns, partially offset by higher cannabis extract sales in the Canadian adult-use market that carry a higher margin profile than other product categories and lower cannabis biomass costs.

Operating expenses

For the three months ended March 31, 2023, operating expenses on a constant currency basis was \$26.0 million, representing a 39% decrease from the three months ended March 31, 2022. On a constant currency basis, operating expenses decreased for the three months ended March 31, 2023 primarily due to decreases in professional fees related to financial statement review costs, personnel-related costs associated with the Realignment, restructuring costs associated with the Realignment, impairment loss on long-lived assets and research and development costs.

Net loss

For the three months ended March 31, 2023, net loss on a constant currency basis was \$23.4 million, representing a 28% reduction in net loss from the three months ended March 31, 2022.

Adjusted EBITDA

For the three months ended March 31, 2023, Adjusted EBITDA on a constant currency basis was \$(18.0) million, representing a 5% improvement from the three months ended March 31, 2022. The improvement in Adjusted EBITDA for the three months ended March 31, 2023 on a constant currency basis was primarily driven by decreases in general and administrative expenses and research and development expenses as a result of the Company's strategic Realignment, partially offset by a decrease in gross profit.

Cash and cash equivalents & short-term investments

Cash and cash equivalents and short-term investments on a constant currency basis decreased 5% to \$835.2 million as of March 31, 2023 from \$877.7 million as of December 31, 2022. The decrease in cash and cash equivalents and short-term investments is primarily due to cash flows used in operating activities in the three months ended March 31, 2023.

Liquidity and Capital Resources

As of March 31, 2023, we had \$413.7 million in cash and cash equivalents and \$422.8 million in short-term investments. We believe that the existing cash and cash equivalents and short-term investments will be sufficient to fund the business operations and capital expenditures over the next twelve months. The following table summarizes the cash flows from operating, investing and financing activities:

(In thousands of U.S. dollars)

	Three months ended March 31,	
	2023	2022
Cash flows used in operating activities	\$ (47,693)	\$ (33,911)
Cash flows used in investing activities	(303,812)	100
Cash flows used in financing activities	(743)	(464)
Effect of foreign currency translation on cash and cash equivalents	1,271	8,837
Net change in cash	<u>\$ (350,977)</u>	<u>\$ (25,438)</u>

Comparison of cash flows between the three months ended March 31, 2023 and the three months ended March 31, 2022

Operating activities

During the three months ended March 31, 2023, we used \$47.7 million of cash in operating activities as compared to cash used of \$33.9 million in the three months ended March 31, 2022, representing an increase in cash used of \$13.8 million. This change is primarily driven by a \$32.8 million decrease in income taxes payable as a result of a tax payment connected to the previously disclosed relinquishment by Altria of the its warrant to purchase additional shares of the Company, partially offset by a \$16.6 million increase in net income after adjusting for non-cash items during the three months ended March 31, 2023 compared to the three months ended March 31, 2022.

Investing activities

During the three months ended March 31, 2023, we used \$303.8 million of cash in investing activities, compared to \$0.1 million of cash provided in investing activities during the three months ended March 31, 2022, representing an increase of \$303.9 million in cash used by investing activities. This change is primarily driven by purchases of short-term investments in the three months ended March 31, 2023.

Financing activities

During the three months ended March 31, 2023, cash used in financing activities was \$0.7 million, compared to \$0.5 million of cash used in financing activities during the three months ended March 31, 2022, representing an increase of \$0.3 million in cash used in financing activities. This change is primarily driven by an increase of \$0.2 million in withholding taxes paid on share-based awards during the three months ended March 31, 2023 compared to the three months ended March 31, 2022.

Cash Requirements

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

Critical Accounting Policies and Estimates

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Foreign currency risk

The Company's condensed consolidated financial statements included in Part I, Item 1. "Financial Statements" of this Quarterly Report are expressed in U.S. dollars. The Company is exposed to foreign currency risk based on its net assets, liabilities, and 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 positively impact operating income and net earnings, while depreciating foreign currencies relative to the U.S. dollar will have an adverse impact.

A 10% change in the exchange rates for the Canadian dollar would have affected the carrying amount of the net assets by approximately \$75.8 million and \$77.4 million as of March 31, 2023 and December 31, 2022, respectively. The corresponding impact would be recorded in accumulated other comprehensive income. We have not historically engaged in hedging transactions and do not currently contemplate engaging in hedging transactions to mitigate foreign exchange risks. As we continue to recognize gains and losses in foreign currency transactions, depending upon changes in future currency rates, such gains and losses could have a significant, and potentially adverse, effect on the Company's results of operations.

During the three months ended March 31, 2023 and 2022, the Company had foreign currency gain on translation of \$2.4 million and \$16.0 million, respectively.

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 March 31, 2023. Based on that evaluation, management has concluded that, as of March 31, 2023, due to the existence of a material weakness 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 control 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, 2022 (the "Annual Report"), we have identified the following material weakness:

- **ITGCs - User Access:**

We did not design and maintain effective controls over Information Technology General Controls ("ITGC"), pertaining to user access management and the provisioning and monitoring of user access, including privileged access. We believe this weakness to be the result of ineffective monitoring of security administrator activities, insufficient retention of documentation to support access requests and lack of training on the importance of ITGC. This material weakness did not impact any information derived from information systems and did not result in any identified misstatements to our financial statements.

Remediation Plan and Status

As discussed above, we have identified a material weakness related to ITGCs in user access management and the provisioning and monitoring of privileged access. As of the filing date, the Company is in the process of implementing various initiatives intended to address the identified material weakness. In this regard, some of our key remedial initiatives include:

Material Weakness	Control, Control Enhancement or Mitigant	Implementation Status	Management Testing Status	Remediation Status
ITGCs	• Train security administrators on access provisioning and approval protocols.	In Progress	Not Tested	Not Remediated
	• Align approval requirements for all privileged access for consistency and appropriate visibility within the IT function.	In Progress	Not Tested	Not Remediated
	• Implement a process to identify instances where privileged access roles or profiles are assigned and, when identified, review activities performed during the period of assigned privileged access.	In Progress	Not Tested	Not Remediated
	• Implement a periodic control to compare each user's system access to their responsibilities.	In Progress	Not Tested	Not Remediated
	• Implement an oversight control over security administrator actions.	In Progress	Not Tested	Not Remediated

(b) Changes in Internal Control over Financial Reporting

Other than the material weakness identified above and measures described above to remediate such material weakness, 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 March 31, 2023, 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 11(b), Contingencies, to the Company's condensed consolidated interim financial statements included in Part I, Item 1. "Financial Statements" of this Quarterly Report is incorporated herein by reference.

Item 1A: Risk Factors.

An investment in us involves a number of risks. A detailed discussion of our risk factors appears in Part I, Item 1A. Risk Factors of the Annual Report. Any of the matters highlighted in the risk factors described in the Annual Report 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 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, 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.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

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

Exhibit Number	Exhibit Index
3.1	Certificate of Continuance, Notice of Articles and Articles of Cronos Group Inc. (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q of Cronos Group Inc., filed August 6, 2020).
10.1†*	Executive Employment Agreement, dated as of June 21, 2019, by and among Cronos Group Inc., Hortican Inc. and Jeff Jacobson.
31.1*	Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

† Management contract or compensatory plan or arrangement.

* Filed herewith.

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

SIGNATURES

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

CRONOS GROUP INC.

By: /s/ James Holm

James Holm
Chief Financial Officer

May 9, 2023

By: /s/ Carlos Cortez

Carlos Cortez
Vice President, Controller, and Principal Accounting Officer

May 9, 2023

EXECUTIVE EMPLOYMENT AGREEMENT

(this "Agreement")

BETWEEN:

HORTICAN INC.

(the "Company")

- and -

Jeff Jacobson

(the "Executive")

- and -

solely for the purposes specified herein,

CRONOS GROUP INC.

("Cronos Group")

WHEREAS the Company is a wholly-owned subsidiary of Cronos Group;

WHEREAS the Company wishes to continue to engage the services of the Executive in a senior and specialized capacity and the Executive has extensive access to the customers, vendors, suppliers, distribution processes and other unique and valuable confidential information and trade secrets of the Company;

AND WHEREAS the Company and the Executive desire to enter into a written employment agreement, and the Executive acknowledges that this Agreement and, specifically, the proprietary rights, non-solicitation and non-competition provisions that form part of this Agreement are essential to protect the legitimate business interests of the Company;

NOW THEREFORE in consideration of the above, the mutual covenants and agreements contained in this Agreement, and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Company and the Executive, and solely for the purposes of Section 5.3 herein, Cronos Group, agree as follows.

1. Position

1.1 The Executive will continue to be employed in the position of Vice President, Business Development and the Executive's original start date with the Company will continue to be recognized for all employment-related purposes 1st April 2013.

2. Location

2.1 The Executive shall be based primarily in the Company's location in [Toronto, Ontario], with business travel as reasonably required to perform the Executive's duties hereunder. The Company may at its discretion relocate the Executive's principal office or place of work at any time within 100 kilometres of its current location, and the Executive acknowledges and agrees that this shall not constitute a constructive termination of the Executive's employment or Good Reason (as defined below) and the Executive agrees not to make any claim or demand to the contrary.

3. Work Authorizations

3.1 It is a condition of this Agreement and the Executive's employment that the Executive shall be able to work lawfully in Canada. However, it is understood and agreed that the Executive's position may require that the Executive work abroad, as needed by the Company. The Executive's employment with the Company is therefore also conditional upon the securing of all necessary visas, work permits and other authorizations that may be required to enter and/or to work in any of the countries in which the Executive may be assigned to work or visit during the term of employment. The Company shall provide reasonable assistance in respect of immigration matters. Despite such assistance, the Company cannot guarantee when or whether the Executive's application for a work permit, visa, permanent residence status or other immigration status or documents will be approved. Should the necessary authorizations that permit the Executive to legally work in Canada or in any other jurisdiction in which the Executive will be required to work not be obtained, this Agreement shall be null and void and of no force or effect. At any time, should necessary authorizations that permit the Executive to legally work in Canada or any other jurisdiction in which the Executive will be required to work or visit expire without the possibility of renewal, the Executive's employment shall come to an end and shall be treated by the Company as a termination without Just Cause (as defined below).

4. Employment Duties

4.1 The Executive shall perform such duties and exercise such powers as are normally associated with or incidental and ancillary to the Executive's position and as may be assigned to the Executive from time to time. In fulfilling his/her duties to the Company, the Executive shall be instructed by and shall regularly report to the CEO. The Executive's duties, hours of work, location of employment and reporting relationships may be adjusted from time to time by the Company to meet changing business and operational needs. Without limiting the foregoing, the Executive shall:

- (a) devote his/her full working time and attention during normal business hours and such other times as may be reasonably required to the business and affairs of the Company and shall not, without the prior written consent of the CEO, undertake any other business or occupation or public office;
- (b) perform those duties that may be assigned to the Executive diligently, honestly, and faithfully to the best of the Executive's ability and in the best interest of the Company;
- (c) abide by all Company policies, as instituted and amended from time to time including but not limited to, the Cronos Group Employee Handbook;

- (d) use best efforts to promote the interests and goodwill of the Company and not knowingly do, or permit to be done, anything which may be prejudicial to the Company's interests, it being understood and agreed that the Executive is a fiduciary of the Company and owes fiduciary obligations to the Company that are not extinguished by this Agreement; and
- (e) identify and immediately report to the CEO any gross misrepresentations or violations of the Cronos Group Employee Handbook or applicable law by the Company or its management.

5. Compensation and Benefits

- 5.1 **Base Salary.** The Company shall pay the Executive an annual base salary of CAD280,000 less applicable deductions and withholdings ("**Base Salary**"). The Executive's base salary shall be paid by direct deposit on a bi-weekly basis (as may be amended from time to time), in accordance with the Company's payroll practices. Any changes to Base Salary shall be at the sole discretion of the Company. This is effective on the 13th May 2019.
- 5.2 **Annual Performance Bonus.** In addition to the Executive's annual Base Salary, the Executive shall be eligible to participate in the Company's annual cash bonus plan as may be in effect from time to time, and to receive an annual bonus, subject to the terms and conditions of that plan as determined by the Company at its sole discretion. The Executive's annual target bonus opportunity shall initially be 86% of Base Salary, provided that the actual bonus amount, if any, will be determined pursuant to the terms of the applicable annual bonus plan. Nothing in this Agreement guarantees that the Company will maintain an annual bonus plan, and the Company reserves the right to amend or terminate any annual bonus plan established or adopted at any time, without notice or further obligation (subject only to the minimum requirements of applicable employment standards legislation, if any). The Executive must be actively employed by the Company through the applicable payment date in order to be eligible for any annual bonus for that year, subject only to the minimum requirements of applicable employment standards legislation, unless provided otherwise pursuant to the applicable annual cash bonus plan. For certainty, if the Executive's employment is terminated by the Company with or without Just Cause, or the Executive resigns or otherwise terminates employment for any reason, regardless of any applicable notice period, pay in lieu of notice, severance payment or similar amount, the Executive shall be entitled to no annual bonus or any part thereof for the year in which the Executive ceases the Executive's active employment or thereafter, or damages in lieu thereof, subject only to the minimum requirements of applicable employment standards legislation or unless provided otherwise pursuant to the applicable annual cash bonus plan. There shall be no guarantee of a bonus in any given year.
- 5.3 **Long-Term Incentive Opportunity.** The Executive shall be eligible to receive annual grants of equity-based awards over shares of Cronos Group with an initial target incentive opportunity of CAD280,000 (based on the grant date fair value of such awards), provided that the actual amount, if any, of the grants shall be determined by the board of directors of Cronos Group (the "**Board**") at its sole discretion. Any such equity-based grants shall be governed by the terms and conditions of the equity award plan or any other applicable plan of Cronos Group and/or the applicable award agreement. Such plan or plans may be amended from time to time at Cronos Group's sole discretion. In the event of the cessation of the Executive's employment for any reason, the Executive's entitlements in respect of any equity-based awards shall be governed by the terms and conditions of the applicable equity award plan, any other applicable plan and the applicable award agreement. Subject to the express minimum requirements of applicable employment standards legislation, if any, the Executive shall not be eligible for any further grants of options following the effective date of termination or damages in lieu thereof, regardless of any applicable notice period, pay in lieu of notice, severance payment or similar amount.
- 5.4 **Group Insured Benefits.** The Executive shall be eligible to participate in the Company's benefits programs for health and dental, life insurance, disability and other benefits as may be available to the employees of the Company from time to time, subject to the terms and conditions of the applicable plan

document. The Company reserves the right to alter, amend or discontinue all benefits, coverages, plans and programs referred to in this paragraph, without advance notice or other obligation, subject only to the minimum requirements of applicable employment standards legislation.

- 5.5 **Vacation.** The Executive shall be entitled accrue, on a pro-rata basis, four (4) weeks' paid vacation per year. The Executive shall take vacation time at such times as are approved in advance by the Company. Vacation time entitlement shall be prorated for the period of the Executive's active employment in the calendar year that the Executive commences and terminates employment, subject to the minimum requirements of applicable employment standards legislation. Vacation may be carried forward until March 31 of the following year after which time it shall be forfeited to the extent it exceeds the minimum vacation entitlement provided for under applicable employment standards legislation. Vacation shall be earned but shall not be taken during the first three (3) months of the Executive's employment.
- 5.6 **Business Expenses.** The Executive shall be reimbursed for all reasonable travel and other out-of-pocket expenses properly incurred by the Executive from time to time in connection with performance of the Executive's duties. The Executive shall furnish to the Company on a monthly basis and in accordance with any of the Company's policies or procedures for expense reimbursement all invoices or statements in respect of expenses for which the Executive seeks reimbursement.
- 5.7 **Deductions and Withholdings.** The Company shall make such deductions and withholdings from the Executive's remuneration and any other payments or benefits provided to the Executive pursuant to this Agreement as may be required by law.

6. Termination of Employment

- 6.1 **Termination by the Executive.** The Executive may terminate his/her employment with the Company at any time by providing the Company with at least three (3) months of notice in writing. If, upon receipt of the Executive's resignation (or any later date during such notice period), the Company terminates the Executive's employment before the date the resignation was to be effective, the Company shall, in full satisfaction of its obligations to the Executive: (a) pay the Executive's Base Salary and vacation pay accrued until the date the resignation was to be effective up to a maximum of three (3) months; (b) reimburse the outstanding expenses properly incurred by the Executive until the date the Executive's employment ceases; and (c) provide the Executive with such other compensation and benefits that are expressly required pursuant to applicable employment standards legislation, if any. In such circumstances the Executive shall be ineligible for any pro-rated bonus for the year of termination, and any entitlements in respect of any equity-based awards shall be governed by the terms and conditions of the applicable equity award plan, any other applicable plan and the applicable award agreement.
- 6.2 **Termination by the Company for Just Cause or on Death or Disability.** The Company may terminate the Executive's employment at any time for Just Cause without prior notice or in the event of the Executive's death or Disability (as defined below). On the termination of the Executive's employment for Just Cause or on the Executive's death or Disability, this Agreement and the Executive's employment shall terminate and the Company shall, in full satisfaction of its obligations to the Executive: (a) pay the Executive's Base Salary and vacation pay accrued until the date the Executive's employment ceases; (b) reimburse the outstanding expenses properly incurred by the Executive until the date the Executive's employment ceases; and (c) provide the Executive with such other compensation and benefits that are expressly required pursuant to applicable employment standards legislation, if any. In such circumstances the Executive shall be ineligible for any pro-rated bonus for the year of termination, and any entitlements in respect of equity-based awards shall be governed by the terms and conditions of the applicable equity award plan, any other applicable plan and the applicable award agreement. For the purposes of this Agreement, (A) "**Just Cause**" means: (i) any act or omission constituting "just cause" for dismissal without notice under applicable law; (ii) the Executive's repeated failure or refusal to perform the Executive's principal duties and responsibilities after notice from the CEO or other officer of the Company; (iii) misappropriation of the funds or property of the Company; (iv) use of alcohol or drugs in violation of the Company's policies on such use or that interferes with the Executive's obligations under this Agreement, continuing after a single

warning (subject to the Company's obligations under applicable human rights legislation); (v) the indictment, arrest or conviction in a court of law for, or the entering of a plea of guilty to, a summary or indictable offence or any crime involving moral turpitude, fraud, dishonesty or theft (subject to the Company's obligations under applicable human rights legislation); (vi) the misuse of Company computers or computer network systems for non-Company business; (vii) engaging in any act (including, without restriction, an act of sexual harassment as determined by the Company) which is a violation of any law, regulation or Company policy; or (viii) any wilful or intentional act which injures or could reasonably be expected to injure the reputation, business or business relationships of the Company, and (B) "Disability" means a physical or mental incapacity of the Executive that has prevented the Executive from performing the duties customarily assigned to the Executive for 180 calendar days, whether or not consecutive, out of any twelve (12) consecutive months and that in the opinion of the Company, acting on the basis of advice from a duly qualified medical practitioner, is likely to continue to a similar degree.

6.3 **Termination by the Company without Just Cause or Resignation for Good Reason on Change of Control.:** The Company may terminate the Executive's employment at any time without Just Cause, on providing thirty (30) days' written notice to the Executive. The Executive may resign the Executive's employment for Good Reason (as defined below) within twenty-four (24) months of the occurrence of a Change in Control (as defined below), on providing thirty (30) days' written notice to the Company. If: (i) the Company terminates the Executive's employment without Just Cause, or (ii) if the Executive resigns his employment for Good Reason within twenty-four (24) months of the occurrence of a Change of Control, and if the Executive signs and delivers and does not revoke a release in favour of the Company and its affiliates to the Company in consideration of amounts in excess of the Executive's minimum entitlements under applicable employment standards legislation, the Company, shall, in full satisfaction of its obligations to the Executive:

- (a) pay the Executive's Base Salary and accrued but unpaid vacation pay in accordance with applicable employment standards legislation;
- (b) reimburse the Executive's expenses properly incurred until the date the Executive's employment ceases;
- (c) in lieu of notice, pay the Executive the greater of (i) one (1) month of the Executive's annual base salary in effect at the time of termination for each completed year of service with the Company, to a maximum of twelve (12) months of base salary, payable by way of lump sum payment within sixty (60) days following such termination, and (ii) the minimum termination pay and severance pay entitlements of the Executive pursuant to applicable employment standards legislation.
- (d) continue the Executive's group insured benefits, if any, until the end of the notice period calculated under (c) above or the date on which the Executive obtains alternate benefit coverage, whichever occurs first, subject to the terms and conditions of the benefit plans, as amended from time to time, and the minimum requirements of applicable employment standards legislation. If the Company is unable for any reason to continue its contributions to the benefit plans as set out in this Agreement, it shall pay the Executive an amount equal to the Company's required contributions to such benefit plans on behalf of the Executive for such period. The Executive agrees that he/she is required to notify the Company when he/she obtains alternate life, medical and dental benefit coverage; and
- (e) determine the Executive's entitlements in respect of equity-based awards in accordance with the terms and conditions of the applicable equity award plan, any other applicable plan and the applicable award agreement

In this Agreement, "**Change of Control**" means:

- (a) the consummation of any transaction or series of transactions including any reorganization, recapitalization, statutory share exchange, consolidation, amalgamation, arrangement, merger or issue of voting shares in the capital of Cronos Group, the result of which is that any individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, association, joint-stock company, estate, trust, organization, governmental authority or other entity of any kind or nature ("**Person**") or group of Persons acting jointly or in concert for purposes of such transaction or series of transactions becomes the beneficial owner, directly or indirectly, of more than 50% of the voting securities in the capital of the entity resulting from such transaction or series of transactions or the entity that acquired all or substantially all of the business or assets of Cronos Group in a transaction or series of transactions described in paragraph (ii) below (in each case, the "**Surviving Company**") or the ultimate parent entity that has beneficial ownership of sufficient voting power to elect a majority of the board of directors (or analogous governing body) of the Surviving Company (the "**Parent Company**"), measured by voting power of the outstanding voting securities eligible to elect members of the board of directors (or the analogous governing body) of the Parent Company (or, if there is no Parent Company, the Surviving Company) rather than number of securities (but shall not include the creation of a holding company or other transaction that does not involve any substantial change in the proportion of direct or indirect beneficial ownership of the voting securities of Cronos Group prior to the consummation of the transaction or series of transactions), provided that the exercise by Altria Summit LLC (or any of its affiliates) of the Purchased Warrant (as defined in the Subscription Agreement by and among Cronos
- (b) the direct or indirect sale, transfer or other disposition, in one or a series of transactions, of all or substantially all of the business or assets of Cronos Group, taken as a whole, to any person or group of persons acting jointly or in concert for purposes of such transaction or series of transactions (other than to any affiliates of Cronos Group); or
- (c) Incumbent Directors during any consecutive twelve (12) month period ceasing to constitute a majority of the Board of Cronos Group (for the purposes of this paragraph, an "Incumbent Director" shall mean any member of the Board who is a member of the Board immediately prior to the occurrence of a contested election of directors of Cronos Group).

In this Agreement, "**Good Reason**" means the occurrence of any of the following events without the Executive's consent, except in each case for any isolated, immaterial or inadvertent action not taken in bad faith and which is remedied by the Company within thirty (30) days after a written notice thereof by the Executive (provided that such notice must be given to the Company within sixty (60) days of Executive becoming aware of such condition):

- (a) the assignment to the Executive of duties materially different than the duties assigned to the Executive hereunder;
- (b) a material diminution in the Executive's title, status, seniority, reporting relationship, responsibilities or authority;
- (c) a material reduction in the Executive's Base Salary; or
- (d) the relocation of the Executive's primary work location, except as permitted by Section 2

6.4 **Resignation on Termination.** The Executive agrees that upon any termination of employment with the Company for any reason the Executive shall immediately tender resignation from any position the Executive may hold as an officer or director of the Company and take all steps necessary to remove Executive from any and all designated positions under any applicable laws, including without limitation, the *Cannabis Act* (Canada) and the regulations thereunder, as the same may be amended from time to time, or any subsidiary or affiliate of the Company. In the event that the Executive fails to comply with this obligation within three (3) days of the Executive's termination or resignation, the Executive hereby irrevocably authorizes the Company to appoint a Person in the Executive's name and on the Executive's

behalf to sign or execute any documents and/or do all things necessary or requisite to give effect to such resignation.

6.5 **Compliance with Laws.** The Executive understands and agrees that the entitlements under this Section 6 are provided in full satisfaction of the Executive's entitlements to notice of termination, pay in lieu of notice, and severance pay, if any, under applicable employment standards legislation, this Agreement, any employee benefit plan sponsored or maintained by the Company or any of its affiliates, applicable law (including the common law) or otherwise.

7. **Restrictive Covenants**

7.1 **Non-Disclosure.** The Executive acknowledges and agrees that:

- (a) during the term of the Executive's employment, the Executive may be given access to or may become acquainted with confidential and proprietary information of the Company and its affiliates and related entities and third parties to which the Company and its affiliates and related entities may have any obligations of non-disclosure or confidentiality, including but not limited to: trade secrets; know-how; Intellectual Property (as defined below); Employee Inventions (as defined below), Invention Records (as defined below), existing and contemplated work product resulting from or related to projects performed or to be performed by or for the Company; programs and program modules; processes; algorithms; design concepts; system designs; production data; test data; research and development information; information regarding the acquisition, protection, enforcement and licensing of proprietary rights; technology; joint ventures; business, accounting, engineering and financial information and data; marketing and development plans and methods of obtaining business; forecasts; future plans and strategies of the Company; pricing, cost, billing and fee arrangements and policies; quoting procedures; special methods and processes; lists and/or identities of customers, suppliers, vendors and contractors; the type, quantity and specifications of products and services purchased, leased, licensed or received by the Company and/or any of its customers, suppliers, or vendors; internal personnel and financial information; business and/or personal information about any senior staff members of the Company or any Person with which the Company enters a strategic alliance or any other partnering arrangements; vendor and supplier information; the manner and method of conducting the Company's business; the identity or nature of relationship of any persons or entities associated with or engaged as consultants, advisers, agents, distributors or sales representatives (the "**Confidential Information**") the disclosure of any of which to competitors of the Company or to the general public, or the use of same by the Executive or any competitor of the Company, would be highly detrimental to the interests of the Company;
- (b) disclosure or use of Confidential Information, other than in connection with the Company's business or as specifically authorized by the Company, will be highly detrimental to the business and interests of the Company and could result in serious loss of business and damage to it. Accordingly, the Executive specifically agrees to hold all Confidential Information in strictest confidence, and the Executive agrees that the Executive shall not, without the Company's prior written consent, disclose, divulge or reveal to any person, or use for any purpose other than for the exclusive benefit of the Company, any Confidential Information, in whatever form contained; provided that the foregoing shall not apply to information (except for personal information about identifiable individuals) that: (i) was known to the public prior to its disclosure to the Executive; (ii) becomes generally known to the public subsequent to disclosure to the Executive other than by reason of the Executive's breach of this Section; (iii) becomes available to the Executive from a source independent of the Company; or (iv) the Executive is specifically required to disclose by applicable law or legal process (provided that the Executive provides the Company with prompt advance written notice of the contemplated disclosure and cooperates with the Company in seeking a protective order or other appropriate protection of such information); and
- (c) the Executive shall deliver to the Company, immediately upon termination of employment (for any reason and regardless of whether the Executive or the Company terminate the employment) or at any time the Company so requests: (i) any and all documents, files, notes, memoranda, models, databases, computer files and/or other computer programs reflecting any Confidential Information whatsoever or otherwise relating to the Company's business; (ii) lists or other documents regarding customers, suppliers, or vendors of the Company or leads or referrals to prospective business deals; and (iii) any computer equipment, home office equipment, automobile

or other business equipment belonging to the Company that the Executive may then possess or have under the Executive's control.

- (d) For the avoidance of doubt, nothing in this Agreement limits, restricts or in any other way affects the Executive communicating with any governmental authority or entity concerning matters relevant to the governmental authority or entity. The Executive and the Company agree that no confidentiality or other obligation the Executive owes to the Company prohibits the Executive from reporting possible violations of law or regulation to any governmental authority or entity under any applicable whistleblower protection provision of applicable Canadian, U.S. Federal or U.S. State law or regulation (including Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes Oxley Act of 2002) or requires the Executive to notify the Company of any such report. The Executive is hereby notified that the immunity provisions in Section 1833 of title 18 of the United States Code provide that an individual cannot be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (i) in confidence to federal, state or local government officials, either directly or indirectly, or to an attorney, and is solely for the purpose of reporting or investigating a suspected violation of the law, (ii) under seal in a complaint or other document filed in a lawsuit or other proceeding, or (iii) to the Executive's attorney in connection with a lawsuit for retaliation for reporting a suspected violation of law (and the trade secret may be used in the court proceedings for such lawsuit) as long as any document containing the trade secret is filed under seal and the trade secret is not disclosed except pursuant to court order.

7.2 Intellectual Property

- (a) In this section, the term "**Germplasm**" means any living or preserved biological tissue or material which may be used for the purpose of plant breeding and/or propagation, including but not limited to plants, cuttings, seeds, clones, cells, tissues, plant materials, and genetic materials (including but not limited to nucleic acids, genes, promoters, reading frames, regulatory sequences, terminators, chromosomes whether artificial or natural, and vectors).
- (b) The Executive agrees to promptly disclose to the Company (including to the Executive's manager) all ideas, suggestions, discoveries, designs, works, developments, improvements, processes, formulas, data, techniques, know-how, confidential and proprietary information, trade secrets, inventions and improvements, and any other intellectual property rights, including with respect to, but not limited to, Germplasm, and whether or not any of the foregoing are registrable as patents, industrial designs, copyrights, trademarks or plant breeder rights (collectively, "**Intellectual Property**") which the Executive may author, make, conceive, develop, discover, or reduce to practice, solely, jointly or in common with other employees, during the Executive's employment with the Company and which relate to the business activities of the Company ("**Employee Inventions**"). The Executive agrees to maintain as confidential any Employee Inventions, and not to make application for registration of rights in respect of such unless it is at the request and direction of the Company. Intellectual Property coming within the scope of the business of the Company made and/or developed by the Executive while in the employ of the Company, whether or not conceived or made during regular working hours and whether or not the Executive is specifically instructed to make or develop the same, shall be for the benefit of the Company and shall be considered to have been made pursuant to this Agreement and shall be deemed Employee Inventions and shall immediately become exclusive property of the Company. The Executive must keep, maintain, and make available to the Company complete and up-to-date records relating to any such Intellectual Property, and agree that all such records are the sole and absolute property of the Company.
- (c) The Executive hereby assigns and transfers, and shall assign and transfer, to the Company, the Executive's entire right, title and interest in and to any and all Employee Inventions, and the Executive agrees to execute and deliver to the Company any and all instruments necessary or desirable to accomplish the foregoing and, in addition, to do all lawful acts which may be necessary or desirable to assist the Company to obtain and enforce protection of Employee Inventions. The Executive shall, at the request and cost of the Company, and for no additional compensation or consideration from the Company, sign, execute, make and do all such deeds, documents, acts and things as the Company and its duly authorized agents may reasonably require: (i) to apply for, obtain and vest in the name of the Company alone (unless the Company otherwise directs) patents, letters patent, copyrights, plant breeders rights, or other analogous

protection in any country throughout the world and when so obtained or vested to renew and restore the same; (ii) to perfect or evidence ownership by the Company or its designees of any and all Employee Inventions, in form suitable for recordation in the United States, Canada, and any other patent office; (iii) to defend any opposition proceedings of any type whatsoever in respect of such applications, and any opposition proceedings or petitions or applications of any type whatsoever for revocation of such patents, letters patent, copyright or other analogous protection, whether such proceedings are brought before a court or any administrative body; and (iv) to defend and/or assert the Company's rights in any Intellectual Property against any third party. For greater certainty, all materials related to Employee Inventions (including notes, records and correspondence, whether written or electronic) (collectively, "**Invention Records**") are the property of the Company, which the Executive shall provide to the Company upon request. Invention Records shall not be removed from Company premises without the prior written consent of the Company. The Executive further waives all moral rights in and to any Employee Inventions and all work the Executive produced during the course of the Executive's employment.

- (d) In the course of performing duties pursuant to this Agreement, the Executive shall only use Germplasm provided by the Company, and the Executive agrees that any such Germplasm provided by the Company remains the sole property of the Company and that such Germplasm shall not be removed from Company premises without the prior written consent of the Company.
- (e) The Executive represents and warrants that the Executive does not possess any Intellectual Property or Germplasm of any third party, including but not limited to any prior employer or competitor of the Company, and the Executive shall not acquire and/or use Intellectual Property or Germplasm of any third party in the course of performing duties pursuant to this Agreement and shall not bring any Germplasm of any third party onto Company premises.

7.3 **Non-Competition.** The Executive shall not at any time during the Executive's employment with the Company and for a period of one (1) year following the termination of this Agreement and the Executive's employment with the Company for any reason, either individually or in partnership or jointly or in conjunction with any Person as principal, agent, consultant, employee, partner, director, shareholder (other than an investment of less than five (5) per cent of the shares of a company traded on a registered stock exchange or traded in the over the counter market in Canada), or in any other capacity whatsoever:

- (a) engage in employment or enter into a contract to do work related to the research into, development, cultivation, production, supply, sales or marketing of cannabis or cannabis derived products; or the development or provision of any services (including, but not limited to, technical and product support, or consultancy or customer services) which relate to cannabis or cannabis derived products (the "**Business**"); or
- (b) have any financial or other interest (including by way of royalty or other compensation arrangements) in or in respect of the business of any Person which carries on the Business; or
- (c) advise, lend money to or guarantee the debts or obligations of any Person which carries on the Business;

anywhere in within Canada and/or the United States of America

7.4 **Non-Solicitation of Customers.** The Executive shall not, during the Executive's employment and for the one (1) year period immediately following the termination of the Executive's employment for any reason, whether alone or for or in conjunction with any Person or entity, whether as an employee, partner, director, principal, agent, consultant or in any other capacity whatsoever, directly or indirectly solicit or attempt to solicit any Customer or Prospective Customer for the purpose of obtaining the business of any Customer or Prospective Customer of the Company or persuading any such Customer or Prospective Customer to cease to do business with or reduce the amount of business it would otherwise provide to the Company or its affiliates. For the purpose of this Agreement, "**Customer**" means any Person which is a current customer or has been a customer of the Company or an affiliate of the Company during the term of the Executive's employment with the Company but in the event of the cessation of the Executive's employment "**Customer**" shall include only those current customers of the Company or an affiliate of the Company with whom the Executive had direct contact or access to Confidential Information by virtue of the Executive's role as an employee of the Company at any time during the twelve (12) month period

preceding the date of the cessation of the Executive's employment; "**direct contact**" means direct communications with or by the Executive, whether in Person or otherwise, for purposes of servicing, selling, or marketing on behalf of the Company, but only if such communications are more than trivial in nature, and in any case excluding bulk or mass marketing communications directed to multiple customers; and, "**Prospective Customer**" means any organization, individual or entity which has been actively contacted and solicited for its business by representatives of the Company or affiliates of the Company, but in the event of the cessation of the Executive's employment within the twelve (12) month period immediately preceding the date of the cessation of the Executive's employment, with the involvement and knowledge of the Executive.

- 7.5 **Non-Solicitation of Employees.** The Executive shall not, during the Executive's employment and for two (2) years following the termination of the Executive's employment for any reason, whether alone or for or in conjunction with any Person or entity, whether as an employee, partner, director, principal, agent, consultant or in any other capacity whatsoever, directly or indirectly solicit or assist in the solicitation of any employee of the Company or an affiliate of the Company to leave such employment.
- 7.6 **Disclosure.** During the Executive's employment with the Company, the Executive shall promptly disclose to the Board full information concerning any interest, direct or indirect, of the Executive (whether as owner, shareholder, partner, lender or other investor, director, officer, employee, consultant or otherwise) or any member of the Executive's immediate family, in any business which is reasonably known to the Executive to purchase or otherwise obtain services or products from, or to sell or otherwise provide services or products to the Company or to any of their respective suppliers or Customers.
- 7.7 **Other Employment.** During the Executive's employment with the Company, the Executive shall not, except as a representative of the Company or with the prior written approval of the Executive's manager, whether paid or unpaid, be directly or indirectly engaged, concerned or have any financial interest in any capacity in any other business, trade, professional or occupation (or the setting up of any business, trade, profession or occupation).
- 7.8 **Return of Materials.** All files, forms, brochures, books, materials, written correspondence (including email and instant messages), memoranda, documents, manuals, computer disks, software products and lists (including financial and other information and lists of customers, suppliers, products and prices) pertaining to the Company or its affiliates which may come into the Executive's possession or control shall at all times remain the property of the Company or its affiliates as applicable. Upon termination of the Executive's employment for any reason, the Executive agrees to immediately deliver to the Company all such property in the Executive's possession or directly or indirectly under the Executive's control. The Executive agrees not to make, for the Executive's personal or business use or that of any other person, reproductions or copies of any such property or other property of the Company or its affiliates.

8. General

- 8.1 **Reasonableness of Restrictions and Covenants.** The Executive hereby confirms and agrees that the covenants and restrictions contained in this Agreement, including, without limitation, those contained in Section 7, are reasonable and valid the Executive further acknowledges and agrees that the Company may suffer irreparable injury in the event of any breach by the Executive of the obligations under any such covenant or restriction. Accordingly, the Executive hereby acknowledges and agrees that damages would be an inadequate remedy at law in connection with any such breach and that the Company shall therefore be entitled, in addition to any other right or remedy which it may have at law, in equity or otherwise, to temporary and permanent injunctive relief enjoining and restraining the Executive from any such breach.
- 8.2 **Survival.** Section 7 and this Section survive the termination of this Agreement and the Executive's employment for any reason whatsoever.
- 8.3 **Entire Agreement.** This is the entire agreement between the Company and the Executive on the subject matters addressed herein. There are no representations, warranties or collateral agreements, whether written or oral, outside of this written Agreement. This Agreement and the terms and conditions of employment contained herein supersede and replace any prior understandings or discussions between the Executive and the Company regarding the Executive's employment.

- 8.4 **Withholding Taxes.** The Company may withhold from any amounts or benefits payable under this Agreement income taxes and payroll taxes that are required to be withheld pursuant to any applicable law or regulation.
- 8.5 **Section 409A Compliance.** To the extent applicable, this Agreement is intended to comply with the requirements of Section 409A of the United States Internal Revenue Code of 1986, as amended (together with the applicable regulations thereunder, "**Section 409A**"). To the extent that any provision in this Agreement is ambiguous as to its compliance with Section 409A or to the extent any provision in this Agreement must be modified to comply with Section 409A (including, without limitation, Treasury Regulation 1.409A-3(c)), such provision shall be read, or shall be modified (with the mutual consent of the parties, which consent shall not be unreasonably withheld), as the case may be, in such a manner so that all payments due under this Agreement shall comply with Section 409A. For purposes of Section 409A, each payment made under this Agreement shall be treated as a separate payment. In no event may Executive, directly or indirectly, designate the calendar year of payment. Notwithstanding any provision of this Agreement to the contrary, if necessary to comply with the restriction in Section 409A(a)(2)(B) concerning payments to "specified employees" (as defined in Section 409A) any payment on account of the Executive's separation from service that would otherwise be due hereunder within six months after such separation shall nonetheless be delayed until the first business day of the seventh month following the Executive's date of termination and the first such payment shall include the cumulative amount of any payments that would have been paid prior to such date if not for such restriction. Notwithstanding anything contained herein to the contrary, the Executive shall not be considered to have terminated employment with the Company for purposes of this Agreement unless he would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A.
- 8.6 **Amendments.** This Agreement may only be amended by written agreement executed by the Company and the Executive. However, changes to the Executive's position, duties, vacation, benefits and compensation, over time in the normal course, do not affect the validity or enforceability of the Agreement.
- 8.7 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario. The Company and the Executive each irrevocably consent to the exclusive jurisdiction of the courts of Ontario and the courts of Ontario shall have the sole and exclusive jurisdiction to entertain any action arising under this Agreement.
- 8.8 **Severability.** If any provision in this Agreement is determined to be invalid or unenforceable, such provision shall be severed from this Agreement, and the remaining provisions shall continue in full force and effect. If for any reason any court of competent jurisdiction will find any provisions of this Agreement unreasonable in duration or geographic scope or otherwise, the Executive and the Company agree that the restrictions and prohibitions contained herein will be effective to the fullest extent allowed under applicable law in such jurisdiction.
- 8.9 **Assignment.** The Company may assign this Agreement to an affiliate or subsidiary, and it enures to the benefit of the Company, its successors or assigns.
- 8.10 **Independent Legal Advice.** The Executive acknowledges that the Executive has been encouraged to obtain independent legal advice regarding the execution of this Agreement, and that the Executive has either obtained such advice or voluntarily chosen not to do so, and hereby waives any objections or claims the Executive may make resulting from any failure on the Executive's part to obtain such advice.
- 8.11 **Waiver.** No waiver of any of the provisions of this Agreement shall be effective or binding, unless made in writing and signed by the party purporting to give the same. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions, whether or not similar, nor shall such waiver constitute a continuing waiver, unless expressly stated otherwise.

- 8.12 **Conditions.** This Agreement and the Executive's continued employment hereunder is conditional on the Company's satisfaction (determined in the Company's sole discretion) that the Executive has met the legal requirements to perform the Executive's role, including but not limited to satisfactory results of Health Canada or any other applicable security clearance checks and criminal record checks and other reference checks that the Company performs. The Executive acknowledges and agrees that in signing this Agreement, and providing the Company with the necessary documentation to perform the checks required for the Executive's role and with references, the Executive is providing consent to the Company or its agent, to perform such checks and contact the references the Executive provided to the Company.
- 8.13 **Prior Restrictions.** By signing below, the Executive represents that the Executive is not bound by the terms of any agreement with any Person which restricts in any way the Executive's hiring by the Company and the performance of the Executive's expected job duties; the Executive also represents that, during the Executive's employment with the Company, the Executive shall not disclose or make use of any confidential information of any other persons or entities in violation of any of their applicable policies or agreements and/or applicable law.
- 8.14 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by electronic transmission, including in portable document format (.pdf), shall be deemed as effective as delivery of an original executed counterpart of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF this Agreement has been executed by the Company and the Executive on the dates below.

HORTICAN INC.

By: /s/ Michael Gorenstein
Name: Michael Gorenstein
Title: Chief Executive Officer

CRONOS GROUP INC.

By: /s/ Michael Gorenstein
Name: Michael Gorenstein
Title: Chief Executive Officer

EXECUTIVE

/s/ Jeff Jacobson
Name: Jeff Jacobson
Date: June 21, 2019

SIGNED AND DELIVERED
in the presence of
/s/ Terry Doucet
Witness Signature

Terry Doucet, July 24, 2019
Witness Print Name and Date

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

I, Michael Gorenstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cronos Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael Gorenstein

Michael Gorenstein

President and Chief Executive Officer

(Principal Executive Officer)

Date: May 9, 2023

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

I, James Holm, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cronos Group Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ James Holm

James Holm
Chief Financial Officer
(Principal Financial Officer)

Date: May 9, 2023

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

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2023 of Cronos Group Inc. (the "Company") as filed with the U.S. Securities and Exchange Commission (the "SEC") on the date hereof (the "Report"), I, Michael Gorenstein, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

/s/ Michael Gorenstein

Michael Gorenstein

President and Chief Executive Officer

(Principal Executive Officer)

Date: May 9, 2023

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

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

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

In connection with the Quarterly Report on Form 10-Q for the period ended March 31, 2023 of Cronos Group Inc. (the "Company") as filed with the U.S. Securities and Exchange Commission (the "SEC") on the date hereof (the "Report"), I, James Holm, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

/s/ James Holm

James Holm

Chief Financial Officer

(Principal Financial Officer)

Date: May 9, 2023

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

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