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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): March 30, 2020

CRONOS GROUP INC.
(Exact Name of Registrant as Specified in Charter)

Ontario, Canada	**001-38403**	**N/A**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

720 King St. W., Suite 320 **Toronto, Ontario**	**M5V 2T3**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: **416-504-0004**

Not Applicable
(Former Name or Former Address if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company o

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.

Item 2.02 Results of Operations and Financial Condition.

On March 30, 2020, Cronos Group Inc. (the “Company”) issued a press release announcing its financial results for its fourth quarter and fiscal year ended December 31, 2019. A copy of the press release is attached as Exhibit 99.1 to and is incorporated by reference in this Current Report on Form 8-K.

The information in this Item 2.02, including Exhibit 99.1 attached hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such a filing or document.

Item 7.01 Regulation FD Disclosure.

As of June 30, 2019, the Company determined that it no longer qualified as a “foreign private issuer” as such term is defined in Rule 405 under the Securities Act, and is thus required, as of January 1, 2020, to comply with the periodic disclosure and current reporting requirements of the Exchange Act as a domestic registrant. As a result of the Company’s status change, it is required to change the accounting standards in which it prepares its financial statements from International Financial Reporting Standards (“IFRS”) to generally accepted accounting principles in the United States (“U.S. GAAP”).

In accordance with Canadian securities laws, the Company is required to restate its unaudited condensed interim consolidated financial statements for (i) the three months ended March 31, 2019; (ii) the three and six months ended June 30, 2019; and (iii) the three and nine months ended September 30, 2019 (collectively, the “2019 Interim Financial Statements”) to reflect the Company’s transition to U.S. GAAP. The original 2019 Interim Financial Statements, which were prepared in accordance with IFRS, were filed with the Securities and Exchange Commission (“SEC”) on Forms 6-K on May 9, 2019, August 8, 2019 and November 12, 2019, respectively, each as amended by its respective Form 6-K/A in each case filed with the SEC on March 30, 2020. Copies of the restated 2019 Interim Financial Statements are attached as Exhibit 99.2, Exhibit 99.3 and Exhibit 99.4, respectively, to and are incorporated by reference in this Current Report on Form 8-K.

The information in this Item 7.01, including Exhibits 99.2, 99.3 and 99.4 attached hereto, shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, nor shall they be deemed incorporated by reference into any filing or other document pursuant to the Securities Act or the Exchange Act, regardless of any general incorporation language in such filing, except as shall be expressly set forth by specific reference in such a filing or document.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits*.

Exhibit No.	Description
99.1	Press Release issued by Cronos Group Inc. dated March 30, 2020
99.2	Unaudited condensed interim consolidated financial statements for the three months ended March 31, 2019
99.3	Unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2019
99.4	Unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2019

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 hereunto duly authorized.

Date: March 30, 2020

CRONOS GROUP INC.

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

Exhibit 99.1

Cronos Group Reports 2019 Fourth Quarter and Full-Year Results

Completed Audit Committee Review and Restated Certain 2019 Unaudited Interim Financial Statements

Expanded Canadian distribution to new provinces and product categories across the adult-use market

Established Cronos Fermentation, a critical step in advancing the production of cultured cannabinoids in partnership with Ginkgo Bioworks

Enhanced research and development capabilities at the Peace Naturals Campus

Advanced operational readiness of Cronos Israel with GAP and GMP certifications

TORONTO, March 30, 2020 - Cronos Group Inc. (NASDAQ: CRON) (TSX: CRON) ("Cronos Group" or the "Company"), today announces its 2019 fourth quarter and full-year business results.

The Audit Committee of the Cronos Group Board of Directors has completed its review of certain bulk resin purchases and sales of products through the wholesale channel. Following completion of the review, and on the recommendation of the Audit Committee and advice from the Company's independent auditor, KPMG LLP, the Board determined that Cronos Group will restate its unaudited interim financial statements for the first, second and third quarters of 2019. Accordingly, the Company reduced revenue for the three months ended March 31, 2019 by C$2.5 million and the three months ended September 30, 2019 by C$5.1 million.

"We are pleased that the Audit Committee has completed its review, and that Cronos Group is now current with the filing of our financial reports. As we move forward, we are committed to improving our internal controls and financial reporting practices, maintaining the highest standards of transparency and accountability, and enhancing our capabilities and resources across functions to support our strategy," said Mike Gorenstein, CEO of Cronos Group.

"Cronos Group ended 2019 with a strong foundation and balance sheet, and a clear focus on achieving our core strategic initiatives to drive long-term, sustainable growth. Importantly, we expanded our Canadian distribution footprint, broadened our brand portfolio, enhanced our global supply chain capabilities and advanced our breakthrough intellectual property and research and development initiatives. While the world currently faces an unprecedented time of uncertainty related to COVID-19, we believe we are well-positioned to build on these accomplishments as we maintain our investments in brands and products that will resonate with adult consumers and generate sustainable, long-term value for shareholders."

Financial Results

(in thousands of USD)	Three months December 31,		Change		Year ended December 31,		Change	
	2019	2018	$	%	2019	2018	$	%
Net revenue								
United States	$ 2,693	$ —	$ 2,693	N/A	$ 3,364	$ —	$ 3,364	N/A
Rest of World	4,615	4,285	330	8 %	20,386	12,121	8,265	68 %
Consolidated net revenue	7,308	4,285	3,023	71 %	23,750	12,121	11,629	96 %
Gross profit (loss)	(20,375)	1,880	(22,255)	(1184)%	(17,864)	6,213	(24,077)	(388)%
Gross margin	(279)%	44%	—	(323)pp	(75)%	51%	—	(126)pp
Reported operating loss	$ (63,869)	$ (8,871)	$ (54,998)	620 %	$ (121,484)	$ (21,341)	$ (100,143)	469 %
Adjusted operating loss (i)	(56,601)	(8,871)	(47,730)	538 %	(114,216)	(21,341)	(92,875)	435 %
Other Data								
Cash and cash equivalents					1,199,693	23,927	1,175,766	4914 %
Short-term investments					306,347	—	306,347	N/A
Capital expenditures	757	32,676	(31,919)	(98)%	38,953	88,586	(49,633)	(56)%

(i) See "Non-GAAP Measures" for more information, including a reconciliation of adjusted operating loss

(ii) Dollar amounts are as of the last day of the period indicated

Fourth Quarter 2019

- Net revenue of $7.3 million in Q4 2019 increased by $3.0 million from Q4 2018, primarily driven by an increase in the volume of products sold in the Rest of World segment and the Redwood acquisition, partially offset by a decrease in the price of products sold in the Rest of World segment.
- Gross profit (loss) of ($20.4) million in Q4 2019 decreased by $22.3 million from Q4 2018, primarily driven by the inventory write-down of $24.0 million.
- The Company incurred an inventory write-down of $24.0 million, made up of a one-time charge of $1.9 million, related to the repurposing of certain facilities at the Peace Naturals Campus, and a $22.1 million write-down on cannabis plants, based on the estimated market value of the specific strains previously in production, and cannabis oil, primarily driven by downward pressure in market prices during the year. If we were to adjust for the effects of the inventory write-down, gross profit in Q4 2019, would have been $3.6 million, representing a gross margin of 50%. We anticipate inventory write-downs in the short-term due to pricing pressures in the marketplace and while the Company executes its operational repurposing of the Peace Naturals Campus.
- Reported operating loss of ($63.9) million in Q4 2019 increased by $55.0 million from Q4 2018, primarily driven by the inventory write-down in Q4 2019, one-time charges related to the repurposing of certain facilities at the Peace Naturals Campus, an increase in general and administrative expenses in order to support Cronos Group's growth strategy, an increase in sales and marketing in order to create, build and develop brands and an increase in R&D costs.
- Adjusted operating loss of ($56.6) million in Q4 2019 increased by $47.8 million from Q4 2018, primarily driven by inventory write-downs in Q4 2019 and an increase in general and administrative expenses in order to support Cronos Group's growth strategy, an increase in sales and marketing in order to create, build and develop brands and an increase in R&D costs.

Full-Year 2019

- Net revenue of $23.8 million in Full-Year 2019 increased by $11.6 million from Full-Year 2018, primarily driven by an increase in the volume of sales in the Rest of World Segment due to increases in production, increases in the volume of wholesale sales and the launch of the adult-use market in Canada.
- Gross profit (loss) of ($17.9) million in Full-Year 2019 decreased by $24.1 million from Full-Year 2018, primarily driven by the inventory write-down of $29.4 million.
- The Company incurred an inventory write-down of $29.4 million, made up of a one-time charge of $1.9 million, related to the repurposing of certain facilities at the Peace Naturals Campus, and a $27.5 million write-down on cannabis plants, based on the estimated market value of the specific strains previously in production, and cannabis oil, primarily driven by downward pressure in market prices during the year. If we were to adjust for the effects of the inventory write-downs, gross profit in Full-Year 2019, would have been $11.6 million, representing a gross margin of 49%.
- Reported operating loss of ($121.5) million in Full-Year 2019 increased by $100.1 million from Full-Year 2018, primarily driven by inventory write-downs in Full-Year 2019, an increase in general and administrative expenses in order to support Cronos Group's growth strategy, an increase in sales and marketing in order to create, build and develop brands and an increase in R&D costs related to the Company's two research partnerships and one-time charges related to the repurposing of certain facilities at the Peace Naturals Campus.
- Adjusted operating loss of ($114.2) million in Full-Year 2019 increased by $92.9 million from Full-Year 2018, primarily driven by inventory write-downs in Full-Year 2019, an increase in general and administrative expenses in order to support Cronos Group's growth strategy, an increase in sales and marketing in order to create, build and develop brands and an increase in R&D costs related to the Company's two research partnerships.

Business Updates

Brand Portfolio

In December 2019, Cronos Group launched cannabis vaporizer devices for the Canadian adult-use market under the COVE™ and Spinach™ brands. In conjunction with this launch, the Company created new, tailored 510 thread vaporizer product lines for the COVE™ and Spinach™ brands, including cartridges that are tamper resistant, made from high-quality stainless-steel components and food grade silicone and have rechargeable draw batteries to prevent overheating. The formulations use premium cannabis extract and come in all-natural terpene-rich flavors. The vaporizer products are currently available at cannabis control authorities in Ontario, British Columbia, Manitoba, New Brunswick, and Nova Scotia, as well as from private-sector retailers in Saskatchewan.

In the fourth quarter, we successfully executed three holiday pop-up shops in Los Angeles and New York City to provide consumers with a curated retail experience of its Lord Jones™ products.

Cronos Group made the decision to pause distribution of PEACE+™ hemp-derived CBD tinctures through Altria Group. Inc.'s ("Altria") sales and distribution network. Cronos Group remains focused on meeting the demands of adult consumers and will continue to evaluate other product formats and categories that we believe may be more suitable for the PEACE+™ brand in the evolving environment.

Global Sales and Distribution

In the fourth quarter, Cronos Group began selling cannabis flower and extract products to cannabis control authorities in Alberta, Manitoba, and Quebec. In addition to the new territories, the Company sells dried flower, pre-rolls, cannabis oils and cannabis extracts through its adult-use brands, COVE™ and Spinach™, to cannabis control authorities in Ontario, British Columbia, Nova Scotia and Prince Edward Island, as well as to private-sector retailers in Saskatchewan.

On October 25, 2019, Cronos Australia announced the closing of an A$20.0 million initial public offering. Cronos Group currently holds approximately 31 percent of the issued capital of Cronos Australia. With the initial public offering complete, Cronos Group is positioned to continue participating in Cronos Australia's growth in the medicinal market in the Asia-Pacific region while generating value for the Company's shareholders.

In the fourth quarter of 2019, Cronos Group completed its first test export of PEACE NATURALS™ branded cannabis oil products to Cronos Australia for distribution to the Australian medical market.

Global Supply Chain

In November 2019, Cronos Group began an operational redesign at the Peace Naturals Campus to better align the business with our strategic priorities. As part of this effort, specific facilities at the Peace Naturals Campus are in the process of being repurposed from cultivation to R&D, with a focus on developing new technologies for value-added product manufacturing, and production of derivative products. This redesign will also increase vault and warehousing capabilities at the facility.

In the fourth quarter of 2019, the Company recorded pre-tax charges of $7.2 million related to the repurposing efforts at the Peace Naturals Campus, with $1.9 million associated with an inventory write-down and $5.3 million of operating expenses, primarily related to impairment costs. The Company does not expect to incur any further significant costs related to the repurposing activities.

The Cronos Israel facility continues to move closer to operational readiness. Construction of Cronos Israel's greenhouse and facility was completed in the third quarter of 2019. In December 2019, Cronos Israel successfully achieved GAP certification for propagation and cultivation, as well as GMP certification for the manufacturing and production facilities. Commencement of operations at the Cronos Israel facility will be subject to obtaining the remaining necessary cannabis production licenses under applicable law.

Intellectual Property Initiatives

Ginkgo Bioworks ("Ginkgo") has filed certain patent applications pertaining to biosynthesis of cannabinoids to protect intellectual property developed as part of the research progressing under the partnership with Cronos Group. Under the partnership, Cronos Group is the exclusive licensee of the intellectual property covered by the patent applications for the target cannabinoids.

In July 2019, Cronos Group acquired a GMP compliant fermentation and manufacturing facility ("Cronos Fermentation") in Winnipeg, Manitoba. The acquisition is expected to provide the fermentation and manufacturing capabilities needed in order to capitalize on the progress underway with Ginkgo by enabling Cronos Group to produce high-quality cannabinoids at scale using fermentation. In November 2019, a team of engineers, scientists, production and quality assurance personnel previously employed by Apotex Fermentation Inc., joined Cronos Group.

Cronos Group commenced work on developing scale-up and downstream processes at Cronos Fermentation, while in parallel Ginkgo develops microorganisms for producing cultured cannabinoids. As Cronos Group develops the processes and parameters, these learnings will be applied for the strains that will be utilized for commercial production of cultured cannabinoids. Commercial production at the facility is subject to completion of the equipment alignment for cannabinoid-based production, the receipt of the appropriate licenses from Health Canada and the achievement of the relevant milestones under the Ginkgo Strategic Partnership.

Update on COVID-19

Despite the significant challenges posed by the outbreak of COVID-19, as a designated essential business, Cronos Group's global facilities currently remain operational. During this unprecedented time, the health, safety and well-being of our employees and our consumers remains Cronos Group's top priority. The Company has business continuity plans in place to support its employee base while continuing to develop and produce reliable, high-quality products that meet the needs of consumers. As part of this, the Company implemented certain measures such as, among other measures, work-from-home policies for certain employees, enhanced hygiene and sanitation practices, modified schedules and social distancing protocols at the Peace Naturals Campus, Redwood, Cronos Fermentation, OGBC and Cronos Israel facilities. Cronos Group will continue to act in accordance with guidance from local, federal and international health and governmental authorities, and is prepared to make additional operational adjustments as necessary.

The spread and impact from COVID-19 on the global economy continues to rapidly evolve, and the ultimate impact of the COVID-19 outbreak is uncertain and subject to change. Despite Cronos Group's business continuity efforts, the Company may see an impact on certain parts of its business and operations such as operational capacity or supply chain delays. The Company continues to closely monitor the rapidly evolving COVID-19 situation, and the impact it may have on the Company, its customers and its supply chain.

Rest of World Results

Cronos Group's Rest of World reporting segment includes results of the Company's operations for all markets outside of the United States of America. Cronos Group owns and operates license holders, Peace Naturals and OGBC, and currently sells dried flower, pre-rolls and cannabis extracts in the Canadian adult-use and medical markets. The Company established strategic joint ventures in Canada, Israel and Colombia. Cronos Group currently exports cannabis products to countries that permit the import of such products, such as Germany and Australia.

(in thousands of USD)	**Three months December 31,**		**Change**		**Year ended December 31,**		**Change**	
	2019	**2018**	**$**	**%**	**2019**	**2018**	**$**	**%**
Cannabis flower	$ 2,877	$ 3,228	$ (351)	(11)%	$ 15,020	$ 9,210	$ 5,810	63 %
Cannabis extracts	1,678	1,028	650	63 %	5,338	2,732	2,606	95 %
Other	60	29	31	107 %	28	179	(151)	(84)%
Net revenue	4,615	4,285	330	8 %	20,386	12,121	8,265	68 %
Gross profit	(21,805)	1,880	(23,685)	(1,260)%	(19,737)	6,213	(25,950)	(418)%
Gross margin	(472)%	44%	—	(516)pp	(97)%	51%	—	(148)pp
Reported operating loss	$ (59,066)	$ (8,871)	$ (50,195)	566 %	$ (106,928)	$ (21,341)	$ (85,587)	401 %
Adjusted operating loss (i)	(51,798)	(8,871)	(42,927)	484 %	(99,660)	(21,341)	(78,319)	367 %

(i) *See "Non-GAAP Measures" for more information, including a reconciliation of adjusted operating loss*

Fourth Quarter 2019

- Net revenue of $4.6 million in Q4 2019 increased by $0.3 million from Q4 2018, primarily driven by the introduction of vaporizer products and an increase in the volume of products sold, which were partially offset by a decrease in the price of products sold.
- Gross profit (loss) of ($21.8) million in Q4 2019 decreased by $23.7 million from Q4 2018, primarily driven by the inventory write-down of $24.0 million.

- The Company incurred an inventory write-down of $24.0 million, made up of a one-time charge of $1.9 million, related to the repurposing of certain facilities at the Peace Naturals Campus, and a $22.1 million write-down on cannabis plants, based on the estimated market value of the specific strains previously in production, and cannabis oil, primarily driven by downward pressure in market prices during the year. If we were to adjust for the effects of the inventory write-down, gross profit in Q4 2019, would have been $2.2 million, representing a gross margin of 48%. We anticipate inventory write-downs in the short-term due to pricing pressures in the marketplace and while the Company executes its operational repurposing of the Peace Naturals Campus.
- Reported operating loss of ($59.1) million in Q4 2019 increased by $50.2 million from Q4 2018, primarily driven by the inventory write-down in Q4 2019, one-time charges related to the repurposing of certain facilities at the Peace Naturals Campus, an increase in general and administrative expenses in order to support the segment's growth, an increase in sales and marketing in order to create, build and develop brands and an increase in R&D costs.
- Adjusted operating loss of ($51.8) million in Q4 2019 increased by $42.9 million from Q4 2018, primarily driven by inventory write-downs in Q4 2019 and an increase in general and administrative expenses in order to support the segment's growth, an increase in sales and marketing in order to create, build and develop brands and an increase in R&D costs.

Full-Year 2019

- Net revenues of $20.4 million in Full-Year 2019 increased by $8.3 million from Full-Year 2018, primarily driven by higher volume of wholesale sales and an increase in the volume of products sold due to increased cannabis production and the growth of the adult-use market in Canada.
- Gross profit (loss) of ($19.7) million in Full-Year 2019 decreased by $26.0 million from Full-Year 2018, primarily driven by the inventory write-down of $29.4 million.
- The Company incurred an inventory write-down of $29.4 million, made up of a one-time charge of $1.9 million, related to the repurposing of certain facilities at the Peace Naturals Campus, and a $27.5 million write-down on cannabis plants, based on the estimated market value of the specific strains previously in production, and cannabis oil, primarily driven by downward pressure in market prices during the year. If we were to adjust for the effects of the inventory write-downs, gross profit in Full-Year 2019, would have been $9.7 million, representing a gross margin of 48%.
- Reported operating loss of ($106.9) million in Full-Year 2019 increased $85.6 million from Full-Year 2018, primarily driven by inventory write-downs in Q4 2019, one-time charges related to the repurposing of certain facilities at the Peace Naturals Campus, an increase in general and administrative expenses in order to support the segment's growth, an increase in sales and marketing in order to create, build and develop brands and an increase in R&D costs.
- Adjusted operating loss of ($99.7) million in Full-Year 2019 increased by $78.3 million from Full-Year 2018, primarily driven by inventory write-downs in Q4 2019, an increase in general and administrative expenses in order to support the segment's growth, an increase in sales and marketing in order to create, build and develop brands and an increase in R&D costs.

United States Results

As a result of Cronos Group's acquisition of Redwood on September 5, 2019, a manufacturer and distributor of hemp-derived CBD infused products in the United States under the brand, Lord Jones™, the Company established the United States reporting segment.

(in thousands of USD)	Three months December 31		Change		Year ended December 31,		Change	
	2019	2018	$	%	2019	2018	$	%
Net revenue	$ 2,693	—	N/A	N/A	$ 3,364	—	N/A	N/A
Gross profit	1,430	—	N/A	N/A	1,873	—	N/A	N/A
Gross margin	53%	—	N/A	N/A	56%	—	N/A	N/A
Reported operating loss	$ (1,797)	—	N/A	N/A	$ (2,777)	—	N/A	N/A

Fourth Quarter 2019

- Net revenues of $2.7 million in Q4 2019, driven by expanded distribution of Lord Jones™ branded products through online sales and an increased retail channel footprint.
- Gross profit of $1.4 million in Q4 2019, driven by strong sales prices and brand equity. Gross margin for Q4 2019 was 53%.
- Operating loss of ($1.8) million in Q4 2019, driven by increased investments in sales and marketing and general and administrative expenses as the business focuses on growth prospects and developing new brands and products.

Full-Year 2019

- Net revenue of $3.4 million in Full-Year 2019, driven by the Redwood Acquisition on September 5, 2019.
- Gross profit of $1.9 million in Full-Year 2019, driven by sales through e-commerce, retail and hospitality channels within Q4 2019. Gross margin in Full-Year 2019 was 56%.
- Operating loss of $2.8 million in Full-Year 2019, driven by the increase in gross profit and the increased sales and marketing costs incurred in relation to the preparation for the launch of the PEACE+™ U.S hemp-derived CBD brand, as well as the introduction of several new U.S. hemp-derived CBD products under the Lord Jones™ brand.

Conference Call

The Company will host a conference call and live audio webcast on Monday, March 30, 2020 at 5:30 p.m. EDT to discuss 2019 fourth quarter and full-year results, the Company's outlook and other matters. The call will last approximately one hour. An audio replay of the call will be archived on the Company's website for replay. Instructions for the conference call are provided below:

- *Live audio webcast: https://ir.thecronosgroup.com/events-presentations*
- *Toll Free from the U.S. and Canada dial-in: (866) 795-2258*
- *International dial-in: (409) 937-8902*
- *Conference ID: 6999389*

About Cronos Group

Cronos Group is an innovative global cannabinoid company with international production and distribution across five continents. Cronos Group is committed to building disruptive intellectual property by advancing cannabis research, technology and product development. With a passion to responsibly elevate the consumer experience, Cronos Group is building an iconic brand portfolio. Cronos Group's portfolio includes PEACE NATURALS™, a global health and wellness platform, two adult-use brands, COVE™ and Spinach™, and two hemp-derived CBD brands, Lord Jones™ and PEACE+™. For more information about Cronos Group and its brands, please visit: www.thecronosgroup.com.

Forward-looking statements

This press release may contain information that may constitute forward-looking information and forward-looking statements within the meaning of applicable securities laws (collectively, "Forward-Looking Statements"), which are based upon our current internal expectations, estimates, projections, assumptions and beliefs. All information that is not clearly historical in nature may constitute Forward-Looking Statements. In some cases, Forward-Looking Statements can be identified by the use of forward-looking terminology such as "expect", "likely", "may", "will", "should", "intend", "anticipate", "potential", "proposed", "estimate" and other similar words, expressions and phrases, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussion of strategy. Forward-Looking Statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance or other statements that are not statements of historical fact.

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

- the uncertainties associated with the COVID-19 pandemic, including our ability to continue operations, the ability of our suppliers and distribution channels to continue to operate, and the use of our products by consumers;
- laws and regulations and any amendments thereto applicable to our business and the impact thereof including uncertainty regarding the application of United States ("U.S.") state and federal law to U.S. hemp (including CBD) products and the scope of any regulations by the U.S. Federal Drug Administration (the "FDA"), the U.S. Federal Trade Commission (the "FTC"), the U.S. Patent and Trademark Office and any state equivalent regulatory agencies over U.S. hemp (including CBD) products;
- expectations regarding the regulation of 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");
- the grant, renewal and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;
- our international activities and joint venture interests, including required regulatory approvals and licensing, anticipated costs and timing, and expected impact;
- the ability to successfully create and launch brands and further create, launch and scale U.S. hemp-derived consumer products, including through the Redwood Acquisition (as defined herein) and cannabis products in jurisdictions where such products are legal and that we currently operate in;
- the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis including CBD and other cannabinoids;
- the anticipated benefits and impact of the Altria Group Inc.'s C$2.4 billion (approximately $1.8 billion) investment in us (the "Altria Investment");
- the potential exercise of the warrant held by Altria Group Inc., pre-emptive rights and/or top-up rights in connection with the Altria Investment, including proceeds to us that may result therefrom;
- expectations regarding the use of proceeds of equity financings, including the proceeds from the Altria Investment;

- the legalization of the use of cannabis for medical or adult-use in jurisdictions outside of Canada, the related timing and impact thereof and our intentions to participate in such markets, if and when such use is legalized;
- expectations regarding the potential success of, and the costs and benefits associated with, our joint ventures, strategic alliances and equity investments, including the strategic partnership with Ginkgo Bioworks, Inc.;
- our ability to execute on our strategy and the anticipated benefits of such strategy;
- the ongoing impact of the legalization of additional cannabis product types and forms for adult-use in Canada, including federal, provincial, territorial and municipal regulations pertaining thereto, the related timing and impact thereof and our intentions to participate in such markets;
- the future performance of our business and operations;
- our competitive advantages and business strategies;
- the competitive conditions of the industry;
- the expected growth in the number of customers using our products;
- our ability or plans to identify, develop, commercialize or expand our technology and research and development (“R&D”) initiatives in cannabinoids, or the success thereof;
- expectations regarding acquisitions and the anticipated benefits therefrom, including the Redwood Acquisition and the acquisition of certain assets from Apotex Fermentation Inc.;
- expectations regarding revenues, expenses and anticipated cash needs;
- expectations regarding cash flow, liquidity and sources of funding;
- expectations regarding capital expenditures;
- the expansion of our production and manufacturing, the costs and timing associated therewith and the receipt of applicable production and sale licenses;
- the expected growth in our growing, production and supply chain capacities;
- expectations regarding the resolution of litigation and other legal proceedings;
- expectations with respect to future production costs;
- expectations with respect to future sales and distribution channels;
- the expected methods to be used to distribute and sell our products;
- our future product offerings;
- the anticipated future gross margins of our operations;
- accounting standards and estimates;
- expectations regarding our distribution network; and
- expectations regarding the costs and benefits associated with our contracts and agreements with third parties, including under our third-party supply and manufacturing agreements.

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

The Forward-Looking Statements contained herein are based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including: (i) management’s perceptions of historical trends, current conditions and expected future developments; (ii) our ability to generate cash flow from operations; (iii) general economic, financial market, regulatory and political conditions in which we operate; (iv) the production and manufacturing capabilities and output from our facilities and our joint ventures, strategic alliances and equity investments; (v) consumer interest in our products; (vi) competition; (vii) anticipated and unanticipated costs; (viii) government regulation of our activities and products including but not limited to the areas of taxation and environmental protection; (ix) the timely receipt of any required regulatory authorizations, approvals, consents, permits and/or licenses; (x) our ability to obtain qualified staff, equipment and services in a timely and cost-efficient

manner; (xi) our ability to conduct operations in a safe, efficient and effective manner; (xii) our ability to realize anticipated benefits, synergies or generate revenue, profits or value from our recent acquisitions into our existing operations; (xiii) our ability to continue to operate in light of the COVID-19 pandemic and the impact of the pandemic on sales of our products and our distribution channels; and (xiv) 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 press release and other reports we file with, or furnish to, the SEC and other regulatory agencies and made by our directors, officers, other employees and other persons authorized to speak on our behalf. Such factors include, without limitation, the risk that the COVID-19 pandemic may disrupt our operations and those of our suppliers and distribution channels and negatively impact the use of our products; that cost savings and any other synergies from the Altria Investment may not be fully realized or may take longer to realize than expected; disruption from the Altria Investment making it more difficult to maintain relationships with customers, employees or suppliers; future levels of revenues; consumer demand for cannabis and U.S. hemp products; our ability to manage disruptions in credit markets or changes to our credit rating; future levels of capital, environmental or maintenance expenditures, general and administrative and other expenses; the success or timing of completion of ongoing or anticipated capital or maintenance projects; business strategies, growth opportunities and expected investment; the adequacy of our capital resources and liquidity, including but not limited to, availability of sufficient cash flow to execute our business plan (either within the expected timeframe or at all); the potential effects of judicial or other proceedings on our business, financial condition, results of operations and cash flows; volatility in and/or degradation of general economic, market, industry or business conditions; compliance with applicable environmental, economic, health and safety, energy and other policies and regulations and in particular health concerns with respect to vaping and the use of cannabis and U.S. hemp products in vaping devices; the anticipated effects of actions of third parties such as competitors, activist investors or federal (including U.S. federal), state, provincial, territorial or local regulatory authorities, self-regulatory organizations, plaintiffs in litigation or persons threatening litigation; changes in regulatory requirements in relation to our business and products; and the factors discussed under the heading “Risk Factors” in this press release. 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 at and for periods ended on certain dates and to present information about management’s current expectations and plans relating to the future, and the reader is cautioned that the Forward-Looking Statements may not be appropriate for any other purpose. While we believe that the assumptions and expectations reflected in the Forward-Looking Statements are reasonable based on information currently available to management, there is no assurance that such assumptions and expectations will prove to have been correct. Forward-Looking Statements are made as of the date they are made and are based on the beliefs, estimates, expectations and opinions of management on that date. We undertake no obligation to update or revise any Forward-Looking Statements, whether as a result of new information, estimates or opinions, future events or results or otherwise or to explain any material difference between subsequent actual events and such Forward-Looking Statements. The Forward-Looking Statements contained in this press release 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.

Use of Non-GAAP Measures

Cronos Group reports its financial results in accordance with accounting principles generally recognized in the United States ("GAAP"). However, management use various measures which are not recognized under GAAP such as adjusted operating loss, adjusted operating loss by business segment and adjusted earnings before interest, tax depreciation and amortization ("Adjusted EBITDA"). These non-GAAP measures may not be calculated the same as similarly titled measures used by other companies and should thus be considered as supplemental in nature and not considered in isolation or as a substitute for the related financial information prepared in accordance with GAAP. Management believes these measures provide useful insight into underlying trends and results and will provide a more meaningful comparison of year-over-year results, going forward. Management uses these metrics for planning, forecasting and evaluating business and financial performance, including allocating resources. Reconciliations of each non-GAAP measure to US GAAP recognized measures are provided below.

Cronos Group Inc.
Consolidated Balance Sheets
As of December 31, 2019 and 2018
(In thousands of USD)

	As of December 31,	
	2019	**2018**
Assets		
Current assets		
Cash and cash equivalents	$ 1,199,693	$ 23,927
Short-term investments	306,347	—
Accounts receivable, net of current expected credit loss ("CECL") of $136 and $37 as of December 31, 2019 and 2018, respectively	4,638	3,052
Other receivables	7,232	2,507
Current portion of loans receivable	4,664	230
Prepaids and other assets	9,395	2,842
Inventory	38,043	7,386
Total current assets	1,570,012	39,944
Investments in equity accounted investees	557	2,960
Advances to joint ventures	19,437	4,689
Other investments	—	297
Loan receivable	44,967	—
Property, plant and equipment	161,809	125,905
Right-of-use assets	6,546	125
Intangible assets	72,320	8,237
Goodwill	214,794	1,314
Total assets	$ 2,090,442	$ 183,471
Liabilities		
Current liabilities		
Accounts payable and other liabilities	$ 35,301	$ 33,239
Current portion of lease obligation	427	30
Derivative liabilities (Note 28)	297,160	—
Total current liabilities	332,888	33,269
Due to non-controlling interests	1,844	1,566
Lease obligation	6,680	87
Total liabilities	341,412	34,922
Commitments and contingencies (Note 21 & 22)		
Shareholders' equity		
Share capital (authorized: 2019 and 2018 – unlimited; issued: 2019 – 348,817,472; 2018 – 178,720,022)	561,165	175,001
Additional paid-in capital	23,234	11,263
Retained earnings (accumulated deficit)	1,137,646	(27,945)
Accumulated other comprehensive income (loss)	27,838	(9,870)
Total equity attributable to shareholders of Cronos Group	1,749,883	148,449
Non-controlling interests	(853)	100
Total shareholders' equity	1,749,030	148,549
Total liabilities and shareholders' equity	$ 2,090,442	$ 183,471

See notes to consolidated financial statements.

Cronos Group Inc.
Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)
For the years ended December 31, 2019, 2018, and 2017
(In thousands of USD, except share and per share amounts)

	Year ended December 31,		
	2019	**2018**	**2017**
Net revenue, before excise taxes	$ 25,639	$ 13,234	$ 3,147
Excise taxes	(1,889)	(1,113)	—
Net revenue	23,750	12,121	3,147
Cost of sales	12,174	5,908	1,573
Inventory write-down	29,440	—	—
Gross profit (loss)	(17,864)	6,213	1,574
Operating expenses			
Sales and marketing	23,045	3,173	443
Research and development	12,155	1,814	—
General and administrative	49,372	13,447	4,904
Share-based payments	11,619	8,151	1,931
Depreciation and amortization	2,101	969	417
Repurposing charges	5,328	—	—
Total operating expenses	103,620	27,554	7,695
Operating loss	(121,484)	(21,341)	(6,121)
Other income (expense)			
Interest income (expense)	27,982	83	(97)
Financing and transaction costs	(32,208)	—	—
Gain on revaluation of derivative liabilities (Note 28)	1,276,819	—	—
Gain on revaluation of financial liabilities	197	—	—
Gain on disposal of Whistler	15,530	—	—
Gain on other investments	747	164	3,746
Share of income (loss) from investments in equity accounted investees	(2,009)	(723)	127
Total other income (expense)	1,287,058	(476)	3,776
Income (loss) before income taxes	1,165,574	(21,817)	(2,345)
Income tax recovery	—	—	(862)
Net income (loss)	$ 1,165,574	$ (21,817)	$ (1,483)
Net income (loss) attributable to:			
Cronos Group	$ 1,166,506	$ (21,636)	$ (1,483)
Non-controlling interests	(932)	(181)	0
	$ 1,165,574	$ (21,817)	$ (1,483)
Other comprehensive income (loss)			
Foreign exchange gain (loss) on translation	$ 37,687	$ (12,337)	$ 2,456
Gain on revaluation and disposal of other investments, net of tax	—	3	415
Unrealized gains reclassified to net income	—	—	(12)
Total other comprehensive income (loss)	37,687	(12,334)	2,859
Comprehensive income (loss)	$ 1,203,261	$ (34,151)	$ 1,376
Comprehensive income (loss) attributable to:			
Cronos Group	$ 1,204,214	$ (33,964)	$ 1,376
Non-controlling interests	(953)	(187)	—
	$ 1,203,261	$ (34,151)	$ 1,376
Net income (loss) per share			
Basic	$ 3.76	$ (0.13)	$ (0.01)
Diluted	3.33	(0.13)	(0.01)
Weighted average number of outstanding shares			
Basic	310,067,179	172,269,170	134,803,542
Diluted	342,811,992	172,269,170	176,789,161

See notes to consolidated financial statements.

Cronos Group Inc.
Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)
For the quarters ended December 31, 2019 and 2018
(In thousands of USD, except share and per share amounts)

		Three months ended December 31,	
		2019	**2018**
Net revenue, before excise taxes	$	7,915	5,398
Excise taxes		(607)	(1,113)
Net revenue		7,308	4,285
Cost of sales		3,667	2,405
Inventory write-down		24,016	—
Gross profit		(20,375)	1,880
Operating expenses			
Sales and marketing		13,324	1,970
Research and development		6,079	1,814
General and administrative		14,314	4,544
Share-based payments		3,670	2,183
Depreciation and amortization		779	240
Repurposing costs		5,328	—
Total operating expenses		43,494	10,751
Operating loss		(63,869)	(8,871)
Other income (expense)			
Interest income (expense)		7,514	177
Financing and transaction cost		(524)	—
Gain (loss) on revaluation of derivative liabilities (Note 11)		118,811	—
Gain on other investments		2	(225)
Gain on disposal of Whistler Medical Marijuana Company		32	(15)
Share of income (loss) from investments in equity accounted investees		(505)	(758)
Gain (loss) on revaluation of financial liabilities		50	—
Total other income (expense)		125,380	(821)
Income (loss) before income taxes		61,511	(9,692)
Income tax recovery		58	—
Net income (loss)		61,569	(9,692)
Net income (loss) attributable to:			
Cronos Group	$	62,005	(9,558)
Non-controlling interests		(436)	(134)
	$	61,569	(9,692)
Other comprehensive income (loss)			
Foreign exchange gain (loss) on translation	$	28,264	(8,511)
Gain on revaluation and disposal of other investments, net of tax		—	3
Total other comprehensive income (loss)	$	28,264	(8,508)
Comprehensive income (loss)			
Comprehensive income (loss) attributable to:			
Cronos Group	$	90,284	(18,056)
Non-controlling interests		(451)	(144)
	$	89,833	(18,200)
Net income (loss) per share			
Basic		$ 0.18	$ (0.05)
Diluted		0.16	(0.05)
Weighted average number of outstanding shares			
Basic		345,981,864	178,720,022
Diluted		375,318,457	178,720,022

Cronos Group Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2019, 2018, and 2017
(In thousands of USD)

	Year ended December 31,		
	2019	**2018**	**2017**
Operating activities			
Net income (loss)	$ 1,165,574	$ (21,817)	$ (1,483)
Items not affecting cash:			
Inventory write-down	29,440	—	—
Share-based payments	11,619	8,151	1,931
Depreciation and amortization	3,913	1,937	768
Share of loss (income) from investments in equity accounted investees	2,009	723	(127)
Non-cash repurposing costs	4,439	—	—
Gain on disposal of Whistler	(15,530)	—	—
Gain on revaluation of derivative liabilities (Note 28)	(1,276,819)	—	—
Gain on revaluation of financial liabilities	(197)	—	—
Gain on other investments	(747)	(164)	(3,746)
Deferred income tax expense (recovery)	—	—	(862)
Foreign exchange gain	115	(9)	—
Non-cash sales and marketing	410	—	—
Non-cash interest	(25)	—	—
Net changes in non-cash working capital	(54,208)	3,662	(759)
Cash flows used in operating activities	(130,007)	(7,517)	(4,278)
Investing activities			
Purchase of short-term investments, net	(299,923)	—	—
Repayment of purchase price liability	—	—	(1,997)
Investments in equity accounted investees	(1,658)	(480)	(830)
Investment in Vivo	—	—	(783)
Proceeds from sale of other investments	19,614	747	8,388
Payment to exercise Vivo warrants	—	(88)	(1,749)
Advances to joint ventures	(15,135)	(5,358)	—
Purchase of property, plant and equipment, net of disposals	(38,664)	(88,308)	(32,926)
Payment of accrued interest on construction loan payable	(89)	(143)	—
Purchase of intangible assets	(289)	(278)	—
Acquisition of Redwood	(224,295)	—	—
Advances on loans receivable	(43,337)	—	—
Proceeds from repayment of loans receivable	237	—	—
Cash flows used in investing activities	(603,539)	(93,908)	(29,897)
Financing activities			
Repayment of lease obligations	(919)	—	—
Proceeds from Altria Investment	1,809,556	—	—
Proceeds from exercise of Top-up Rights	67,051	—	—
Proceeds from exercise of warrants and options	1,455	2,612	1,697
Withholding taxes paid on share appreciation rights	(915)	(16)	—
Proceeds from share issuance	—	115,510	38,542
Share issuance costs	(3,722)	(7,577)	(2,114)
Proceeds from construction loan payable	—	11,583	5,022
Repayment of construction loan payable	(15,971)	—	—
Advance under Credit Facility	48,715	—	—
Repayment of Credit Facility	(48,309)	—	—
Repayment of mortgage payable	—	—	(3,084)
Transaction costs paid on construction loan payable	—	—	(989)
Cash flows provided by financing activities	1,856,941	122,112	39,074
Effect of foreign currency translation on cash and cash equivalents	52,371	(4,085)	(152)
Increase in cash and cash equivalents	1,175,766	16,602	4,747
Cash and cash equivalents, beginning of period	23,927	7,325	2,578
Cash and cash equivalents, end of period	$ 1,199,693	$ 23,927	$ 7,325

See notes to consolidated financial statements.

Cronos Group Inc.
Consolidated Statements of Cash Flows
For the quarters ended December 31, 2019 and 2018
(In thousands of USD)

	Three months December 31,	
	2019	**2018**
Operating activities		
Net income (loss)	61,570	(9,692)
Items not affecting cash:		
Inventory write down	24,016	—
Share-based payments	3,670	2,182
Depreciation and amortization	957	928
Share of loss (income) from investments in equity accounted investees	505	773
Non-cash repurposing costs	4,439	—
Gain on disposal of Whistler	(33)	—
Gain on revaluation of derivative liabilities	(118,811)	—
Gain on revaluation of financial liabilities	(50)	—
Gain on other investments	(2)	225
Deferred income tax (recovery) expense	(58)	—
Foreign exchange gain	(692)	(1)
Non-cash sales and marketing	410	—
Non-cash interest	(25)	—
Net changes in non-cash working capital	(29,110)	23,882
Cash flows used in operating activities	(53,214)	18,297
Investing activities		
Purchase of short term investments	84,365	—
Repayment of purchase price liability	—	—
Investments in equity accounted investees	—	(326)
Proceeds from sale of other investments	—	(10)
Payment to exercise Vivo Cannabis ("Vivo") warrants	—	1
Advances to joint ventures	816	(2,291)
Purchase of property, plant and equipment	(1,042)	(32,625)
Payments of interest on construction in progress	—	2
Purchase of intangible assets	285	(51)
Acquisition of Redwood	2,929	—
Advances on loans receivable	(10,325)	—
Proceeds from repayment of loans receivable	(1)	—
Cash assumed on acqusition	(2,957)	—
Cash assumed on acquisition of Cronos Israel	—	(998)
Cash flows used in investing activities	74,070	(36,298)
Financing activities		
Advance from non-controlling interests	(183)	—
Repayment of lease liabilities	(505)	—
Proceeds from Altria Investment	—	—
Proceeds from exercise of Top-up Rights	35,485	—
Proceeds from exercise of options and warrants	—	(15)
Withholding taxes paid on share appreciation rights	(54)	(16)
Proceeds from share issuance	—	—
Share issuance costs	—	26
Proceeds from construction loan payable	—	11,583
Repayment of construction loan payable	—	—
Advance under Credit Facility	—	—
Repayment of Credit Facility	—	—
Repayment of mortgage payable	—	—
Transaction costs paid on construction loan payable	—	—
Cash flows provided by financing activities	34,743	11,578
Effect of foreign currency translation on cash and cash equivalents	29,680	(1,782)
Increase (decrease) in cash and cash equivalents	85,279	(8,205)

Cash and cash equivalents, beginning of period	1,114,414	32,132
Cash and cash equivalents, end of period	$ 1,199,693	$ 23,927

Non-GAAP Measures

The Company uses certain measures that are not recognized under GAAP. These financial measures are not recognized under GAAP, do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as a supplement to those GAAP measures to provide additional information regarding our 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 GAAP. All non-GAAP measures presented in this press release are reconciled to their closest reported GAAP measure. Reconciliations of historical adjusted financial measures to corresponding GAAP measures are provided below.

Adjusted operating loss

Management reviews operating loss on an adjusted basis, which excludes certain income and expense items that management believes are not part of underlying operations. These items include repurposing charges. Management does not view these items to be part of underlying results as they may be highly variable, may be infrequent, are difficult to predict and can distort underlying business trends and results.

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

(In thousands of USD)	**Three months ended December 31,**		**Year ended December 31,**	
	2019	**2018**	**2019**	**2018**
Reported operating loss	$ (63,869)	$ (8,871)	$ (121,484)	$ (21,341)
Adjustments				
Repurposing charges	7,268	—	7,268	—
Adjusted operating loss	(56,601)	(8,871)	(114,216)	(21,341)

Adjusted operating loss by business segment

Management reviews segment operating loss, which excludes corporate expenses, and adjusted operating loss by business segment, which further excludes certain income and expense items that management believes are not part of the underlying segment's operations. Corporate expenses are expenses that relate to the consolidated business and not to an individual operating segment while the income and expenses items include repurposing charges. Management does not view the income and expense items above to be part of underlying results of the segment as they may be highly variable, may be infrequent, are difficult to predict and can distort underlying business trends and results.

Management believes that adjusted operating loss by business segment provides useful insight into underlying segment trends and results and will provide a more meaningful comparison of year-over-year results, going forward. Management uses adjusted operating loss by business segment for planning, forecasting and evaluating segment performance, including allocating resources and evaluating results relative to employee compensation.

(In thousands of USD)	**Year ended December 31, 2019**				
	US	**RoW**	**Total Segments**	**Corporate Expenses**	**Total**
Reported operating loss	$ (2,777)	$ (106,928)	$ (109,705)	$ (11,779)	$ (121,484)
Adjustments					
Repurposing charges	—	7,268	7,268	—	7,268
Adjusted operating loss	(2,777)	(99,660)	(102,437)	(11,779)	(114,216)

(In thousands of USD)	Three months December 31, 2019				
	US	RoW	Total Segments	Corporate Expenses	Total
Reported operating loss	$ (1,797)	$ (59,066)	$ (60,863)	$ (3,006)	$ (63,869)
Adjustments					
Repurposing charges	—	7,268	7,268	—	7,268
Adjusted operating loss	(1,797)	(51,798)	(53,595)	(3,006)	(56,601)

Adjusted EBITDA

Adjusted earnings before interest, tax depreciation and amortization ("Adjusted EBITDA") is used by management as a supplemental measure to review and assess operating performance and trends on a comparable basis with the rest of the industry, although our measure of Adjusted EBITDA may not be directly comparable to similar measures used by other companies.

Management reviews EBITDA on an adjusted basis, which excludes net income attributable to non-controlling interests, repurposing charges and special items. Special items consist of financing and transaction costs, other non-cash gains (losses) and other unforeseeable, non-recurring charges which management has described below.

(In thousands of USD)	Three months December 31,		Year ended December 31,	
	2019	2018	2019	2018
Net income (loss)	$ 61,569	$ (9,692)	$ 1,165,574	$ (21,817)
Adjustments				
Interest expense (income)	(7,514)	(177)	(27,982)	(83)
Income tax expense (recovery)	—	—	—	—
Repurposing charges	7,268	—	7,268	—
Financing and transaction costs	524	—	32,208	—
Loss (gain) on revaluation of derivative liabilities	(118,811)	—	(1,276,819)	—
Loss (gain) on revaluation of financial liabilities	(50)	—	(197)	—
Loss (gain) on disposal of investments	(34)	240	(16,277)	(164)
Share of loss (income) from equity accounted investees	505	758	2,009	723
Share-based payments	3,670	2,183	11,619	8,151
Adjusted EBIT	(52,873)	(6,688)	(102,597)	(13,190)
Adjustments				
Depreciation and amortization	957	928	3,913	1,937
Adjusted EBITDA	(51,916)	(5,760)	(98,684)	(11,253)

Special Items

Management does not view any of the following special items to be part of the underlying results as they may be highly variable, may be infrequent, may be unpredictable and may distort underlying business results and trends.

Peace Natural Campus repurposing charges

- In Q4 of 2019, Cronos Group recorded pre-tax charges of $7.2 million related to the Company's decision to redesign its efforts at the Peace Naturals Campus, which includes impairment costs, inventory write-down, and employee termination benefits.

Financing and transaction costs

- In Full-Year 2019, Cronos Group recorded pre-tax charges of $32.2 million related to the Altria Investment; acquisition related costs associated with the Cronos Fermentation and Redwood transactions; and a term loan credit facility.

- No financing and transaction costs were recorded in 2018.

Gain on revaluation of derivative liabilities

- In Q4 2019, Cronos Group recorded a pre-tax unrealized gain of $118.8 million primarily resulting from the non-cash change in the fair value of financial derivative liabilities associated with the investment by Altria Group, Inc. (“Altria”).
- In Full-Year 2019, Cronos Group recorded a pre-tax unrealized gain of $1,276.8 million primarily resulting from the non-cash change in the fair value of financial derivative liabilities associated with the investment by Altria.

Gain on disposal of investments

- In Full-Year 2019, Cronos Group recorded a pre-tax gain of $21.5 million primarily related to the disposal of shares in Whistler Marijuana Company (“Whistler”) to Aurora Cannabis Inc. (“Aurora”) in connection with Aurora’s acquisition of Whistler.
- In Full-Year 2018, Cronos Group recorded a pre-tax gain of $0.2 million related to the disposal of its investment in AB Cann Global Corporation.

Foreign currency exchange rates

All currency amounts in this Press Release are stated in U.S. dollars (“USD”), which is our reporting currency, unless otherwise noted. All references to “dollars” or “$” are to USD. The assets and liabilities of the Company's foreign operations are translated into USD at the exchange rate in effect as of December 31, 2019 and December 31, 2018. Transactions affecting shareholders' equity are translated at historical foreign exchange rates. The consolidated statements of net income (loss) and comprehensive income (loss) and the consolidated statements of cash flows of the Company's foreign operations are translated into USD by applying the average foreign exchange rate in effect for the reporting period.

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

(Exchange rates are shown as C$ per $)	**As at December 31,**		
	2019	**2018**	**2017**
Average rate	1.3268	1.2955	1.2969
Spot rate	1.2990	1.3639	1.2571

For further information, please contact:

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Exhibit 99.2

NOTICE TO READER

As of June 30, 2019, Cronos Group Inc. (the "**Company**") determined that it no longer qualified as a "foreign private issuer" as such term is defined in Rule 405 under the Securities Act of 1933, which means that the Company, as of January 1, 2020, has been required to comply with all of the periodic disclosure and current reporting requirements of the Securities Exchange Act of 1934 applicable to U.S. domestic issuers, such as Forms 10-K, 10-Q and 8-K, rather than the forms the Company has filed with the Securities and Exchange Commission ("**SEC**") in the past as a foreign private issuer, such as Forms 40-F and 6-K.

The Company is accordingly now required to prepare its financial statements filed with the SEC in accordance with generally accepted accounting principles in the United States ("**U.S. GAAP**"). As required pursuant to section 4.3(4) of National Instrument 51-102 - *Continuous Disclosure Obligations*, the Company must restate its amended and restated interim financial reports for the fiscal year ended December 31, 2019 in accordance with U.S. GAAP, such amended and restated interim financial reports having previously been prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The attached unaudited condensed consolidated financial statements for the three months ended March 31, 2019 and 2018 have been prepared in accordance with U.S. GAAP.

CRONOS

GROUP

CRONOS GROUP INC.

Consolidated Financial Statements

For the Three Months Ended March 31, 2019 and March 31, 2018

(In thousands of U.S. dollars)

Cronos Group Inc.

Unaudited Interim Condensed Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

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Cronos Group Inc.
Consolidated Balance Sheets
As of March 31, 2019
(In thousands of U.S. dollars, expect share and per share amounts)

	As of	
	March 31, 2019	**December 31, 2018**
Assets		
Current assets		
Cash and cash equivalents	$ 1,811,531	$ 23,927
Accounts receivable, net of current expected credit loss ("CECL") of $166 and $37 as of March 31, 2019 and December 31, 2018, respectively	2,068	3,052
Other receivables	6,270	2,507
Prepaids and other assets	3,815	2,842
Inventory	11,123	7,386
Current portion of loan receivable	—	230
Total current assets	1,834,807	39,944
Investments in equity accounted investees	1,637	2,960
Advances to joint ventures	16,420	4,689
Other investments	—	297
Property, plant and equipment	138,261	125,905
Right-of-use assets	1,472	125
Intangible assets	8,305	8,237
Goodwill	1,342	1,314
Total assets	$ 2,002,244	$ 183,471
Liabilities		
Current liabilities		
Bank indebtedness	$ 316	$ —
Accounts payable and other liabilities	38,722	33,239
Current portion of lease obligation	100	30
Derivative liabilities (Note 10)	1,246,708	—
Total current liabilities	1,285,846	33,269
Due to non-controlling interests	1,684	1,566
Lease obligation	1,369	87
Total liabilities	$ 1,288,899	$ 34,922
Commitments and contingencies (Note 17)		
Shareholders' equity (deficit)		
Share capital (authorized: 2019 and 2018 – unlimited; issued: 2019 – 333,020,377; 2018 – 178,720,022)	$ 421,340	$ 175,001
Additional paid-in capital	12,244	11,263
Retained earnings (accumulated deficit)	285,736	(27,945)
Accumulated other comprehensive loss	(5,975)	(9,870)
Total equity attributable to shareholders of Cronos Group	713,345	148,449
Non-controlling interests	—	100
Total shareholders' equity	713,345	148,549
Total liabilities and shareholders' equity	$ 2,002,244	$ 183,471

See notes to consolidated financial statements.

Cronos Group Inc.
Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)
For the three months ended March 31, 2019 and 2018
(In thousands of U.S. dollars, except share and per share amounts)

	Three months ended March 31,	
	2019	**2018**
Net revenue, before excise taxes	$ 3,391	$ 2,329
Excise taxes	(387)	—
Net revenue	3,004	2,329
Cost of sales	1,449	1,239
Gross profit	1,555	1,090
Operating expenses		
Sales and marketing	1,128	463
Research and development	1,171	—
General and administrative	7,293	1,947
Share-based payments	1,771	1,862
Depreciation and amortization	318	225
Total operating expenses	11,681	4,497
Operating loss	(10,126)	(3,407)
Other income (expense)		
Interest income (expense)	2,087	(18)
Financing and transaction cost	(22,233)	—
Gain (loss) on revaluation of derivative liabilities (Note 10)	328,216	—
Gain on disposal of Whistler Medical Marijuana Company	15,498	—
Gain on other investments	745	168
Share of income (loss) from investments in equity accounted investees	(198)	33
Total other income (expense)	324,115	183
Income (loss) before income taxes	313,989	(3,224)
Income tax expense	—	—
Net income (loss)	$ 313,989	$ (3,224)
Net income (loss) attributable to:		
Cronos Group	$ 314,092	$ (3,224)
Non-controlling interests	(103)	—
	$ 313,989	$ (3,224)
Other comprehensive income (loss)		
Foreign exchange gain (loss) on translation	$ 3,898	$ (3,088)
Total other comprehensive income (loss)	3,898	(3,088)
Comprehensive income (loss)	$ 317,887	$ (6,312)
Comprehensive income (loss) attributable to:		
Cronos Group	$ 317,987	$ (6,312)
Non-controlling interests	(100)	—
	$ 317,887	$ (6,312)
Net income (loss) per share		
Basic	$ 1.43	$ (0.02)
Diluted	0.33	(0.02)
Weighted average number of outstanding shares		
Basic	218,949,590	157,054,891
Diluted	271,086,575	157,054,891

See notes to consolidated financial statements.

Cronos Group Inc.
Consolidated Statements of Stockholder's Equity (Deficit)
For the three months ended March 31, 2019 and 2018
(In thousands of U.S. dollars, except share amounts)

	Number of shares	Share capital	Shares to be issued	Additional paid-in capital	Restricted earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Non-controlling interests	Total shareholders' equity (deficit)
Balance at January 1, 2019	178,720,022	$ 175,001	$ —	$ 11,263	$ (27,945)	$ (9,870)	$ 100	$ 148,549
Shares issued	149,831,154	248,302	—	—	—	—	—	248,302
Share issuance costs	—	(3,642)	—	—	—	—	—	(3,642)
Warrants exercised	4,390,961	1,417	—	(529)	—	—	—	888
Vesting of options	—	—	—	1,771	—	—	—	1,771
Options exercised	375	1	—	—	—	—	—	1
Share appreciation rights ("SARs") exercised	77,865	261	—	(261)	(411)	—	—	(411)
Net income (loss)	—	—	—	—	314,092	—	(103)	313,989
Other comprehensive loss	—	—	—	—	—	3,895	3	3,898
Balance at March 31, 2019	333,020,377	$ 421,340	$ —	$ 12,244	$ 285,736	$ (5,975)	$ —	$ 713,345
Balance at January 1, 2018	149,360,603	$ 62,834	$ —	$ 4,734	$ (6,737)	$ 2,902	$ —	$ 63,733
Cumulative effect from adoption of ASU 2016-01	—	—	—	—	444	(444)	—	—
Balance at January 1, 2018 as restated	149,360,603	62,834	—	4,734	(6,293)	2,458	—	63,733
Shares issued	5,257,143	37,255	—	—	—	—	—	37,255
Share issuance costs	—	(2,495)	—	—	—	—	—	(2,495)
Warrants exercised	6,972,479	1,555	—	(543)	—	—	—	1,012
Vesting of options	—	—	—	1,862	—	—	—	1,862
Options exercised	42,256	83	—	(26)	—	—	—	57
Shares to be issued	—	—	760	—	—	—	—	760
Net loss	—	—	—	—	(3,224)	—	—	(3,224)
Other comprehensive income	—	—	—	—	—	(3,088)	—	(3,088)
Balance at March 31, 2018	161,632,481	$ 99,232	$ 760	$ 6,027	$ (9,517)	$ (630)	$ —	$ 95,872

See notes to consolidated financial statements.

Cronos Group Inc.
Consolidated Statements of Cash Flows
For the three months ended March 31, 2019 and 2018
(In thousands of U.S. dollars, except share amounts)

	Three months ended March 31,	
	2019	**2018**
Operating activities		
Net income (loss)	$ 313,989	$ (3,224)
Items not affecting cash:		
Share-based payments	1,771	1,862
Depreciation and amortization	494	359
Share of loss (income) from investments in equity accounted investees	198	(33)
Gain on disposal of Whistler	(15,498)	—
Gain on revaluation of derivative liabilities	(328,216)	—
Gain on other investments	(745)	(168)
Foreign exchange gain	51	(12)
Net changes in non-cash working capital	14,118	(9,668)
Cash flows used in operating activities	(13,838)	(10,884)
Investing activities		
Investments in equity accounted investees	(1,658)	—
Proceeds from sale of other investments	19,614	543
Payment to exercise Vivo Cannabis ("Vivo") warrants	—	(90)
Advances to joint ventures	(11,893)	(732)
Payments of interests on construction in progress	(89)	(146)
Purchase of property, plant and equipment	(10,119)	(6,045)
Purchase of intangible assets	(38)	(103)
Cash flows used in investing activities	(4,183)	(6,573)
Financing activities		
Increase in bank indebtedness	316	—
Advance from non-controlling interests	84	—
Proceeds from exercise of options and warrants	889	1,069
Proceeds received for share to be issued	—	760
Proceeds from share issuance	—	37,255
Proceeds from Altria Investment	1,809,556	—
Share issuance costs	(3,642)	(2,495)
Repayment of lease liabilities	(23)	—
Advance under Credit Facility	48,715	—
Repayment of Credit Facility	(48,309)	—
Repayment of construction loan payable	(15,971)	—
Withholding taxes paid on share appreciation rights	(411)	—
Cash flows provided by financing activities	1,791,204	36,589
Effect of foreign currency translation on cash and cash equivalents	14,421	(1,356)
Increase (decrease) in cash and cash equivalents	1,787,604	17,776
Cash and cash equivalents, beginning of period	23,927	7,325
Cash and cash equivalents, end of period	$ 1,811,531	$ 25,101
Supplemental cash flow information		
Interest paid	$ 507	$ 243

See notes to consolidated financial statements.

1. Background

Cronos Group Inc. (the "Cronos Group" or the "Company") is a corporation incorporated on August 21, 2012 under the Business Corporations Act (Ontario) with principal executive offices at 720 King Street West, Suite 320, Toronto, Ontario, M5V 2T3. The Company's common shares are currently listed on the Toronto Stock Exchange ("TSX") and Nasdaq Global Market ("Nasdaq") under the ticker symbol "CRON".

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

Cronos Group has established five strategic joint ventures in Canada, Israel, Australia, and Colombia. One of these strategic joint ventures, Cronos Israel (as defined herein), is considered a subsidiary for financial reporting purposes.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying interim condensed consolidated financial statements ("financial statements") of Cronos Group are unaudited. The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim financial information. These financial statements do not include all the information and footnotes required for annual financial statements and should be read in conjunction with the audited consolidated financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2019 (the "Annual Financial Statements").

These financial statements reflect all adjustments, consisting solely of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of the Company's financial positions and results of operations. The results of operations for any interim period are not necessarily indicative of results that can be expected for the full year.

Other than as described herein, there were no changes to the Company's significant accounting policies described in the Annual Financial Statements that had a material impact on the financial statements and related notes.

(b) Basis of Consolidation

The accompanying financial statements include the accounts of the Company, and all entities in which the Company has a controlling voting interest or variable interest as of and for the periods presented. The Company consolidates the financial results of the following entities, which the Company controls:

Subsidiaries	Jurisdiction of Incorporation	Incorporation Date	Ownership Interest
Cronos Israel G.S. Cultivations Ltd. (i)	Israel	February 4, 2018	70%
Cronos Israel G.S. Manufacturing Ltd. (i)	Israel	September 4, 2018	90%
Cronos Israel G.S. Store Ltd. (i)	Israel	June 28, 2018	90%
Cronos Israel G.S. Pharmacies Ltd. (i)	Israel	February 15, 2018	90%

(i) These Israeli entities are collectively referred to as "Cronos Israel".

(ii) "Ownership interest" is defined as the proportionate share of net income to which the Company is entitled; equity interest may differ from ownership interest as described herein.

In the unaudited condensed consolidated statements of net income (loss) and comprehensive income (loss), the net income (loss) and comprehensive income (loss) are attributed to the equity holders of the Company and to the non-controlling interests. Non-controlling interests in the equity of Cronos Israel are presented separately in the stockholder's equity (deficit) section of the condensed consolidated balance sheets and condensed consolidated statements of stockholders' equity (deficit). All intercompany transactions and balances are eliminated upon consolidation.

3. New Accounting Pronouncements

(a) Adoption of new accounting pronouncements

Leases:

On January 1, 2019, the Company adopted Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) and all related ASU amendments (collectively "ASU No. 2016-02"), which requires entities to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The Company applied the guidance retrospectively at the beginning of the period of adoption, and the Company recognized the cumulative effect of initially applying ASU No. 2016-02 as an adjustment to the accumulated deficit as of January 1, 2019. As a result, comparative periods prior to adoption will continue to be presented in accordance with prior lease guidance, including disclosures. The Company has applied the following practical expedients:

(i) The Company used hindsight in determining the lease terms and assessing impairment of right-of-use assets when transitioning to ASU No. 2016-02 using its actual knowledge and current expectation as of the effective date.

(ii) The Company has elected not to assess whether any land easements existing or entered into prior to the adoption of ASU No. 2016-02 are, or contain, leases in accordance with ASU No. 2016-02.

(iii) On transition to ASU No. 2016-02, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied ASU No. 2016-02 only to contracts that were previously identified as leases. Contracts that were not identified as leases previously were not reassessed for whether there is a lease. The Company applied the definition of a lease under ASU No. 2016-02 to contracts entered into or changed on or after January 1, 2019.

The impact of the adoption was not material to the Company's consolidated financial statements. As a result of the adoption, the Company, as the lessee, recorded right-of use assets of $1,492 and lease liabilities of $1,198 for its leases at January 1, 2019. The Company's finance leases were not material for any of the periods presented. The Company did not identify an impact from the initial application of ASU No. 2016-02 to the accumulated deficit as at January 1, 2019.

The following table summarizes the impacts of adopting ASC 842 on the Company's financial statements as of the adoption date of January 1, 2019.

As of January 1, 2019	As Previously Reported	Adjustments	As Restated under ASC 842
Right-of-use assets	$ 159	$ 1,333	$ 1,492
Current lease liabilities	30	222	252
Non-current lease liabilities	87	1,111	1,198

Financial instrument - Credit Losses:

On January 1, 2019, the Company early adopted ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and all related ASU amendments (collectively "ASU No. 2016-13"). ASU No. 2016-13 requires the measurement of lifetime expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Adoption of ASU No. 2016-13 requires organizations to use forward-looking information to better formulate their credit loss estimates.

The Company has applied the guidance using a modified retrospective approach requiring that the Company recognize the cumulative effect of initially applying the impairment standard as an adjustment to opening accumulated deficit in the period of initial application. There was no adjustment to the Company's opening accumulated deficit in the period as there were no incremental impairment losses as a result of the early adoption of ASU No. 2016-13 as of the date of initial application.

(b) New accounting pronouncements not yet adopted

In January 2020, the FASB issued ASU No. 2020-01, Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815). ASU No. 2020-01 clarifies the interaction of accounting for the transition into and out of the equity method. The new standard also clarifies the accounting for measuring certain purchased options and forward contracts to acquire investments. The guidance in ASU No. 2020-01 is effective for annual and interim periods beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements.

In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes ("ASU No. 2019-12"). ASU No. 2019-12 eliminates certain exceptions, and simplifies the application of U.S. GAAP related to changes in enacted tax laws or rates and employee stock option plans. ASU No. 2019-12 is effective for annual and interim periods beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the effect of adopting this ASU on the Company's financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-13, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820) ("ASU No. 2018-13"). ASU No. 2018-13 adds, modifies, and removes certain fair value measurement disclosure requirements. ASU No. 2018-13 is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. The Company's adoption of ASU No. 2018-13 is not expected to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles - Goodwill and Other Internal-use-software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract ("ASU No. 2018-15"). ASU No. 2018-15 amends current guidance to align the accounting for costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing costs associated with developing or obtaining internal-use software. The guidance in ASU No. 2018-15 is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. The Company's adoption of ASU No. 2018-15 is not expected to have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment ("ASU No. 2017-04"). ASU No. 2017-04 eliminates step 2 from the goodwill impairment test and instead requires an entity to measure the impairment of goodwill assigned to a reporting unit if the carrying value of assets and liabilities assigned to the reporting unit, including goodwill, exceeds the reporting unit's fair value. The guidance in ASU No. 2017-04 is effective for annual and interim goodwill tests completed by the Company beginning on January 1, 2020. After the adoption of this standard, which will be applied prospectively, the Company will follow a one-step model for goodwill impairment. The Company's adoption of ASU No. 2017-04 is not expected to have a material impact on its consolidated financial statements.

4. Revenues from Contracts with Customers

On January 1, 2018, Cronos Group adopted ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which establishes principles for reporting information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Cronos Group elected to apply the guidance using the modified retrospective transition method. Cronos Group disaggregates net revenues based on product type. For further discussion, see Note 16. Receivables were $2,068 at March 31, 2019 (2018 – $3,052). The Company recorded a CECL of $166 as of March 31, 2019 (2018 – $37).

Cronos Group offers discounts to customers for prompt payment and calculates cash discounts as a percentage of the list price based on historical experience and agreed-upon payment terms. Cronos Group records an allowance for cash discounts, which is included as a contra-asset against receivables on the Company's consolidated balance sheets.

Revenue is measured net of returns. As a result, the Company is required to estimate the amount of returns based on the historical data by customer and product type, adjusted for forward-looking information. This is included in other accrued liabilities on the Company's consolidated balance sheets. The Company estimates sales returns based principally on historical volume and return rates, as a reduction to revenues. The difference between actual sales and estimated sales returns is recorded in the period in which the actual amounts become known. These differences, if any, have not had a material impact on the Company's consolidated financial statements.

Upon return, products can be extracted from dried cannabis, resold, or destroyed depending on the nature of the product. The Company has assessed that the amount recoverable is immaterial.

5. Inventory

Inventory is comprised of the following items:

	As of	
	March 31, 2019	December 31, 2018
Raw materials	$ 2,221	$ 2,577
Work-in-process – dry cannabis	1,991	1,596
Work-in-process – cannabis extracts	5,015	—
Finished goods – dry cannabis	224	1,502
Finished goods – cannabis extracts	684	1,123
Supplies and consumables	988	588
Total	$ 11,123	$ 7,386

Inventory is written down for any obsolescence or when the net realizable value of inventory is less than the carrying value. For the three months ended March 31, 2019 and 2018, the Company did not record any write-downs. There were no inventory write-downs in 2018 and 2017.

6. Investments

(a) Variable Interest Entities

The Company holds variable interests in Cronos Growing Company Inc. ("Cronos GrowcCo"), Cronos Australia Ltd. ("Cronos Australia") and MedMen Canada Inc. ("MedMen Canada"). The Company has made this conclusion based on the facts and circumstances surrounding these investments detailed in the Annual Financial Statements. There have been no changes in the Company's conclusion during the year ended December 31, 2019, with the exception of Cronos Australia which is no longer a variable interest entity as at December 31, 2019.

Cronos Australia, a joint venture incorporated under the Corporations Act 2001 (Australia) on December 6, 2016, was formed to apply for the necessary licenses with the objective of cultivating cannabis and exporting domestically grown cannabis or medicinal cannabis and to undertake the permitted action upon the grant of each of the licenses. Cronos holds variable interests in Cronos Australia through its 50 percent holdings in its common shares and other debt in the entity. Cronos Group's maximum exposure to loss from the Cronos Australia investment is $1,434 (2018 – $1,051). Cronos Australia's economic performance is driven by the ability to import, export and sell cannabis and cannabis products.

The Company's investments in GrowCo, Cronos Australia and MedMen Canada are exposed to economic variability from each entity's performance, however the Company does not consolidate the entities as it does not have the power to direct the activities that most significantly impact the entities' economic performance; thus Cronos Group is not considered the primary beneficiary of the entity. These investments are accounted for as equity method investments classified as Investments in Equity Accounted Investees in the consolidated balance sheets. Cronos Group's maximum exposure to loss from the Cronos Growco and MedMen Canada investments are $16,054 (2018 – $3,068) and $1,468 (2018 – $1,450), respectively.

Net investment in equity accounted investees

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

	Whistler Medical Marijuana Company ("Whistler") (i)	MedMen Canada	Cronos GrowCo	Cronos Australia	Total
As of January 1, 2019	$ 2,960	$ —	$ —	$ —	$ 2,960
Share of net income (loss)	29	6	11	(244)	(198)
Capital contributions (disposals)	(3,073)	—	1,658	—	(1,415)
Advances to joint ventures applied to (transferred from) carrying amount of investments	—	(6)	(22)	243	215
Change due to currency translation	84	—	(10)	1	75
As of March 31, 2019	$ —	$ —	$ 1,637	$ —	$ 1,637

	Whistler(i)	MedMen Canada	Cronos GrowCo	Cronos Australia	Total
As of January 1, 2018	$ 2,791	$ —	$ —	$ —	$ 2,791
Share of net income	33	—	—	—	33
Change due to currency translation	160	—	—	—	160
As of March 31, 2018	$ 2,984	$ —	$ —	$ —	$ 2,984

(i) Whistler was incorporated in British Columbia, Canada and is a license holder with production facilities in British Columbia, Canada. Although the Company held less than 20% of the ownership interest and voting control of Whistler, the Company had the ability to exercise significant influence through its power to elect board members. The Company fully divested of its investment in Whistler during the three months ended March 31, 2019.

(b) Advances to Joint Ventures

As of March 31, 2019	NatuEra Colombia (i)	MedMen Canada (ii)	Cronos GrowCo	Cronos Australia (iii)	Total
Gross advances to joint ventures	$ 226	$ 1,390	$ 14,319	$ 1,109	$ 17,044
Less: advances to joint ventures applied to carrying amount of investments	—	(125)	—	(499)	(624)
Advances to joint ventures	$ 226	$ 1,265	$ 14,319	$ 610	$ 16,420

As of December 31, 2018	NatuEra Colombia (i)	MedMen Canada (ii)	Cronos GrowCo	Cronos Australia (iii)	Total
Gross advances to joint ventures	$ —	$ 1,372	$ 2,991	$ 726	$ 5,089
Less: advances to joint ventures applied to carrying amount of investments	—	(128)	(21)	(251)	(400)
Advances to joint ventures	$ —	$ 1,244	$ 2,970	$ 475	$ 4,689

The Company did not make any advances to its joint ventures during the three months ended March 31, 2018.

(i) $226 (December 31, 2018 – $nil) is governed by an unsecured promissory note bearing interest at a rate of 1% per annum. The loan is due January 25, 2020.

(ii) Advance is unsecured, non-interest bearing, and there are no terms of repayment.

(iii) A$1,500 ($1,480) (December 31, 2018 - A$1,000 ($940)) is governed by an unsecured loan bearing interest at a rate of 12% per annum, calculated and compounded daily, in arrears, on the amounts advanced from the date of each advance. The loan is due on December 1, 2020. If the loan is overdue, the outstanding amount bears interest at an additional 2% per annum. Advances in excess of the loan amount are unsecured, non-interest bearing, and there are no terms of repayment.

7. Other Investments

Other investments consist of investments in common shares and warrants of several companies in the cannabis industry. At December 31, 2018 the investment balance consisted only of shares in Canopy Growth Corporation which are quoted in an active market as of the relevant period end date and, as a result, had a reliably measurable fair value as of such period end date, with changes in the fair value recorded through profit or loss.

During the three months ended March 31, 2019, the Company sold all remaining 11,062 common shares of Canopy for gross proceeds of $355 (2018 – 18,436 shares for gross proceeds of $543). Upon adoption of ASU 2016-01 at at January 1, 2018, the gains and losses on the Canopy investment were reclassified from fair value through other comprehensive income to fair value through net income.

In connection with the divestiture of the investment in Whistler described in Note 6, the Company received 2,524,341 common shares of Aurora. During the three months ended March 31, 2019, the Company sold all 2,524,341 common shares of Aurora, for gross proceeds of $19,259.

During the three months ended March 31, 2018, the Company exercised 182,927 share warrants for aggregate consideration of $90, for additional common shares of Vivo. Prior to the exercise, the share warrants were revalued to fair value using the Black-Scholes option pricing model. These Vivo shares were revalued to their fair value at the end of the period, with changes in the fair value recorded through profit or loss.

8. Accumulated Other Comprehensive Income (Loss)

The following is a continuity schedule of accumulated other comprehensive income (loss):

	Three months ended March 31,	
	2019	2018
Net unrealized gain (loss) on revaluation and disposal of other investments		
Balance at January 1	$ 5	$ 446
Cumulative effect from adoption of ASU 2016-01	—	(444)
Balance at March 31	5	2
Net foreign exchange gain (loss) on translation of foreign operations		
Balance at January 1	(9,875)	2,456
Net unrealized (loss) gain	3,895	(3,088)
Balance, at March 31	(5,980)	(632)
Total other comprehensive income (loss)	$ (5,975)	$ (630)

9. Loans Payable

On August 23, 2017, Peace Naturals, as borrower, signed a construction loan agreement with Romspen Investment Corporation as lender, to borrow C$40,000 ($31,860), to be funded by way of multiple advances. The aggregate advances were limited to C$35,000 ($27,877) until the lender received an appraisal valuing the property in British Columbia at an amount of not less than C$8,000 ($6,372). The loan bore interest at a rate of 12% per annum, calculated and compounded monthly, in arrears, on the amounts advanced from the date of each advance. The term of the loan was two years, with the borrower's option to extend for another twelve months.

As of December 31, 2018, C$20,951 ($15,625) was outstanding relating to the construction loan payable, including accrued interest of C$121 ($89) and transaction costs of C$481 ($353), in addition to C$7,887 ($5,783) of holdback payable relating to the loan. These amounts payable are included in Accounts payable and other liabilities.

On January 23, 2019, the Company entered into a credit agreement with Canadian Imperial Bank of Commerce, as administrative agent and lender, and the Bank of Montreal, as lender, in respect of a C$65,000 ($48,715) secured non-revolving term loan credit facility (the "Credit Facility"). The loan was guaranteed by the Company's wholly-owned Canadian subsidiaries and secured by substantially all present and after-acquired property of the Company and its wholly-owned Canadian subsidiaries. The Company used the funds available under the Credit Facility to fully repay the construction loan payable, consisting of C$21,311 ($15,971) in loan principal and C$275 ($206) in accrued interest and fees, calculated for the period from January 1, 2019 to January 22, 2019.

On March 8, 2019, the Credit Facility was fully repaid. In connection with the Credit Facility, the Company incurred financing costs of C$523 ($395) which were expensed upon repayment of the Credit Facility.

As at March 31, 2019, the holdback payable was C$8,482 ($6,354), while the construction loan was fully repaid. Both balances are included within the balance of Accounts payable and other liabilities.

10. Derivative Liabilities

On March 8, 2019, the Company closed the previously announced investment in the Company (the "Altria Investment") by Altria Group, Inc. ("Altria"), pursuant to a subscription agreement dated December 7, 2018. The Altria Investment consists of 149,831,154 common shares of the Company and one warrant of the Company (the "Altria Warrant") issued to a wholly owned subsidiary of Altria. As of the closing date, Altria beneficially held an approximate 45% ownership interest in the Company (calculated on a non-diluted basis). As summarized in this note, if exercised in full on such date, the exercise of the Altria Warrant would result in Altria holding a total ownership interest in the Company of approximately 55% (calculated on a non-diluted basis). Pursuant to the investor rights agreement between the Company and Altria, entered into in connection with the closing of the Altria Investment (the "Agreement"), 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 Agreement and the Altria Warrant, as applicable.

(a) The Altria Warrant entitles the holder, subject to certain qualifications and limitations, to subscribe for and purchase up to an additional 10% of the common shares of Cronos (73,990,693 common shares as at March 31, 2019) at a per share exercise price of C$19.00, which expires at 5:00 p.m. (Toronto time) on March 8, 2023. The number of common shares of the Company to which the holder is entitled, and the corresponding exercise price, is subject to adjustment in the event of a share dividend, share issuance, distribution, or share subdivision, split or other division, share consolidation, reverse-split or other aggregation, share reclassification, a capital reorganization, consolidation, amalgamation, arrangement, binding share exchange, merger or other combination, certain securities issuances, repurchases, redemptions or certain other actions that would result in a reduction in the number of common shares of the Company outstanding, in each case, executed by the Company. If and whenever there is a reclassification of the common shares or a capital reorganization of the Company, or a consolidation, amalgamation, arrangement, binding share exchange or merger of the Company, in each case executed by the Company and pursuant to which (i) in the event the consideration received by the Company's shareholders is exclusively cash, the Company or the successor entity (as applicable) is required to purchase the Altria Warrant in cash equal to the amount by which the purchase price per share paid for the common shares acquired exceeds the exercise price of the Altria Warrant multiplied by the number of common shares that would have been issuable upon exercise of the Altria Warrant immediately prior to any such transaction, and (ii) in the event the consideration received by the Company's shareholders is not exclusively cash, the Altria Warrant will remain outstanding in accordance with its terms until any subsequent exercise of the Altria Warrant, at which time the holder thereof will receive in lieu of each share that would have been issuable upon the exercise of the Altria Warrant immediately prior to any such transaction, the kind and amount of cash, the number of shares or other securities or property resulting from any such transaction, that such holder would have been entitled to receive had such holder been the registered holder of such shares that would have been issuable upon the exercise of the Altria Warrant on the record date or effective date of the transaction (as applicable).

(b) The Company granted to Altria, subject to certain qualifications and limitations, upon the occurrence of certain issuances of common shares of the Company executed by the Company (including issuances pursuant to the R&D partnership with Ginkgo (the "Ginkgo Agreement"), 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 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%.

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

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

The Altria Warrant, Pre-emptive Rights, and fixed price Top-up Rights have been classified as derivative liabilities; related transaction costs of $21,840 have been expensed as financing costs. A reconciliation of the carrying amounts from the date of initial recognition, March 8, 2019, to March 31, 2019 is presented below:

	As of March 8, 2019	Gain on revaluation	Foreign exchange impact	As of March 31, 2019
(a) Altria Warrant	$ 1,086,920	$ (224,518)	$ 6,446	$ 868,848
(b) Pre-emptive Rights	92,548	(20,903)	556	72,201
(c) Top-up Rights	386,152	(82,795)	2,302	305,659
	$ 1,565,620	$ (328,216)	$ 9,304	$ 1,246,708

Fluctuations in the Company's share price are a primary driver for the changes in the derivative valuations during each reporting period. During the period ended March 31, 2019, the Company's share price decreased significantly from initial valuations made at the time of closing of the Altria Investment. As the share price decreases for each of the related derivative instruments, the value to the holder of the instrument generally increases. Share price is one 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 as at March 8, 2019 and March 31, 2019, applying the following inputs:

	As of March 8, 2019			As of March 31, 2019		
	Altria Warrant	Pre-emptive Rights	Top-up Rights	Altria Warrant	Pre-emptive Rights	Top-up Rights
Share price at grant date (per share in C$)	$ 29.15	$ 29.15	$ 29.15	$ 24.55	$ 24.55	$ 24.55
Subscription price (per share in C$)	$ 19.00	$ 16.25	$ 16.25	$ 19	$ 16.25	$ 16.25
(i) Weighted average risk-free interest rate	1.65%	1.64%	1.64%	1.53%	1.54%	1.53%
(ii) Weight average expected life (in years)	4.00	2.00	2.68	3.94	2.00	2.68
(iii) Expected annualized volatility	80%	80%	80%	80%	80%	80%
Expected dividend yield	—%	—%	—%	—%	—%	—%

(i) The risk-free interest rate was based on Bank of Canada government treasury bills and bonds with a remaining term equal to the expected life of the derivative liabilities.

(ii) The expected life in years represents the period of time 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.

(iii) Volatility was estimated by taking the average historical volatility of the Company.

The following table quantifies each of the significant unobservable inputs described above and provides a sensitivity analysis of the impact on the reported values of the derivative liabilities. The sensitivity analysis for each significant input is performed by assuming a 10% change in the input while other significant inputs remain constant at management's best estimate as of the respective dates. As at March 8, 2019, there would be an equal but opposite impact on share capital and as at March 31, 2019, there would be an equal but opposite impact on net income (loss).

	Decrease (Increase) at March 8, 2019			Decrease (Increase) As March 31, 2019		
	Altria Warrant	Pre-emptive Rights	Top-up Rights	Altria Warrant	Pre-emptive Rights	Top-up Rights
Share price at issuance date	$ 138,098	$ 13,183	$ 52,113	$ 113,153	10,669	$ 42,484
Weighted average expected life	31,021	2,591	9,687	29,166	2,538	9,385
Expected annualized volatility	56,958	3,743	16,493	54,156	3,743	16,221

These inputs are level 3 on the fair value hierarchy, and are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of these derivative liabilities in future periods.

11. Property, Plant and Equipment

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

	As of	
	March 31, 2019	December 31, 2018
Cost		
Land	$ 2,423	$ 2,451
Building	103,338	15,875
Furniture and equipment	5,218	4,788
Computer equipment	518	340
Leasehold improvements	1,310	1,161
Construction in progress	28,744	103,728
Less: accumulated depreciation and amortization	(3,290)	(2,438)
Balance at	$ 138,261	$ 125,905

During the three months ended March 31, 2019, $176 (2018 - $nil) of the current period's depreciation expense was recorded as part of cost of sales. An additional $671 (2018 - $202) of depreciation expense was capitalized to inventory.

During the three months ended March 31, 2019, there were non-cash additions from the amortization of capitalized transaction costs and the capitalization of accrued interest to construction in progress and building structures amounting to $360 (2018 – $181). For the three months ended March 31, 2019,

advances from non controlling interests accrued interest of $20 (2018 – $nil) which was capitalized to construction in progress.

12. Intangible Assets and Goodwill

(a) Intangible Assets

Intangible assets are comprised of the following items:

	Weighted Average Amortization Period (in years)	As of March 31, 2019			As of December 31, 2018		
		Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Software	N/A	$ 308	$ 85	$ 223	$ 264	$ 53	$ 211
Health Canada licenses	17	8,395	593	7,802	8,217	465	7,752
Israeli code – Cronos Israel G.S. Cultivations Ltd. (i)	25	280	—	280	274	—	274
		8,983	$ 678	$ 8,305	$ 8,755	$ 518	$ 8,237

(i) Israeli codes were transferred by non-controlling interests to Cronos Israel in exchange for their equity interests in the Cronos Israel entities specified above. The corresponding facilities are currently under construction. Amortization will begin when the facilities are available for use.

The net carrying value of intangible assets as of March 31, 2019 includes $280 (2018 – $274) of intangible assets in progress, relating to the Israel code.

The aggregate amortization for the period was $149 (2018 – $117). Intangible asset additions in the three months ended March 31, 2019 related to software for $38 (2018 – software; $103). There were no intangible asset disposals in the three months ended March 31, 2019 and 2018.

The amortization expense for the next 5 five years on intangible assets in use is estimated to be as follows: 2020 – $531; 2021 – $520; 2022 – $496; 2023 – $480; and 2024 – $479.

(b) Goodwill

	As of December 31, 2018	Additions	Change due to currency translation	As of March 31, 2019
OGBC	$ 287	$ —	$ 7	$ 294
Peace Naturals	1,027	—	21	1,048
	$ 1,314	$ —	$ 28	$ 1,342

13. Capital Stock

(a) Common shares

The Company is authorized to issue an unlimited number of no par value common shares.

The holders of the common shares are entitled to receive dividends, which may be declared from time to time, and are entitled to one vote per share at shareholder meetings of the Company. All common shares are ranked equally with regards to the Company's residual net assets.

During the three months ended March 31, 2019, the Company issued 149,831,154 common shares in connection with the Altria Investment. The total gross proceeds received by the Company were $1,809,556, which was first allocated to the derivative liabilities issued in connection with the Altria Investment, and the residual of $248,302 was allocated to share capital. Pursuant to the Altria Investment, the Company incurred transaction costs of $25,223, of which $3,642 was allocated to share capital and $21,581 to the derivative liabilities based on the relative fair values assigned to the respective components.

During the three months ended March 31, 2018, the Company issued 5,257,143 common shares for aggregate gross proceeds of $37,255 through a bought deal offering.

There were no share repurchases during the three months ended March 31, 2019 and 2018.

(b) Shares to be issued

For the three months ended March 31, 2018, the Company received cash of $760 for the exercise of options and warrants, for which the common shares were not yet issued as of March 31, 2018. There were no shares to be issued as of March 31, 2019.

14. Share-based Payments

(a) Warrants

The following is a summary of the changes in warrants during the three months ended March 13, 2019 and 2018:

	Weighted average exercise price (C$)		Number of warrants
Balance at January 1, 2019	$	0.26	25,457,623
Exercise of warrants		0.27	(4,390,961)
Balance at March 31, 2019	$	0.25	21,066,662
Balance at January 1, 2018	$	0.24	38,654,654
Exercise of warrants		0.18	(6,972,479)
Expiry of warrants		0.08	(82,695)
Balance at March 31, 2018	$	0.25	31,599,480

As of March 31, 2019, the Company had outstanding warrants as follows:

Grant Date	Expiry date	Number of warrants	Weighted average exercise price (C$)	
October 8 – 28, 2015	October 8 – 28, 2020	2,976,610	$	0.31
May 13 – 27,2016	May 13 – 27, 2021	18,090,052		0.25
		21,066,662	$	0.25

(b) Stock options

(i) Stock option plans

The Company adopted an amended and restated stock option plan dated May 26, 2015 (the **"**2015 Stock Option Plan**"**) which was approved by shareholders of the Company at the annual general meeting of shareholders held on June 28, 2017. The 2015 Stock Option Plan allowed the Board to award options to purchase shares to directors, officers, key employees and service providers of the Company.

On June 28, 2018, the shareholders of the Company approved a new stock option plan (the "2018 Stock Option Plan") under the terms and valuation methods detailed in the Annual Financial Statements. For the three months ended March 31, 2019, the total stock-based compensation expense associated with the stock option plans was $1,771 (2018 – $1,862).

(ii) Summary of changes

The following is a summary of the changes in options during the three months ended March 13, 2019 and 2018:

	Weighted average exercise price (C$)		Number of options	Weighted average remaining contractual term (years)		Aggregate intrinsic value (C$)	
Balance at January 1, 2019	$	2.99	12,902,995	$	3.35	$	146,965
Issuance of options		24.75	51,830		—		—
Exercise of options and SARs		5.60	(125,715)		—		—
Cancellation of options		1.40	(2,500)		—		—
Balance at March 31, 2019	$	3.06	12,826,610	$	3.11	$	275,644
Exercisable at March 31, 2019		2.28	5,838,386		2.91		130,021
Balance at January 1, 2018	$	2.05	11,603,750	$	4.05	$	89,233
Issuance of options		8.61	430,000		0.00		—
Exercise of options		1.72	(42,256)		—		—
Balance at March 31, 2018	$	2.99	11,991,494	$	3.93	$	67,872
Exercisable at March 31, 2018	$	1.80	3,417,158	$	3.75	$	23,408

Outstanding options expire at the earlier of 180 days after the death, disability or incapacity of the holder or specified expiry date and can only be settled in common shares.

The weighted average share price at the dates the options were exercised during the three months ended was C$26.12 per share (2018 – C$9.58 per share).

(iii) Fair value of options issued

The fair value of the options issued was determined using the Black-Scholes option pricing model, using the following inputs:

	2019	2018
Share price at grant date (per share)	C$24.75	C$8.40 – $9.00
Exercise price (per option)	C$24.75	C$8.40 – $9.00
Risk-free interest rate	1.51%	2.01%
Expected life of options (in years)	5	5
Expected annualized volatility	80%	55%
Expected dividend yield	—%	—%
Weighted average Black-Scholes value at grant date (per option)	C$15.91	C$4.20
Forfeiture rate	—	—

The expected life of the awards represents the period of time stock options are expected to be outstanding and is estimated considering vesting terms and employees' and non-employees' historical exercise and post-vesting employment termination behavior. Volatility was estimated by using the historical volatility of the Company, adjusted for the Company's expectation of volatility going forward. The risk-free interest rate was based on the Bank of Canada government bonds with a remaining term equal to the expected life of the options at the grant date.

15. Earnings (loss) per Share

Basic and diluted earnings (loss) per share are calculated using the following numerators and denominators

	For the three months ending March 31,	
	2019	2018
Basic earnings (loss) per share computation		
Net income (loss) attributable to common shareholders of Cronos Group	$ 314,092	$ (3,224)
Weighted average number of common shares outstanding	218,949,590	157,054,891
Basic earnings (loss) per share	$ 1.43	$ (0.02)
Diluted earnings (loss) per share computation		
Net income (loss) used in the computation of basic earnings (loss) per share	$ 314,092	$ (3,224)
Adjustment for gain on revaluation of derivative liabilities	(224,726)	—
Net income (loss) used in the computation of diluted income (loss) per share	$ 89,366	$ (3,224)
Weighted average number of common shares outstanding used in the computation of basic earnings (loss) per share	218,949,590	157,054,891
Dilutive effect of warrants	23,294,663	—
Dilutive effect of stock options and share appreciation rights	11,351,671	—
Dilutive effect of Altria Warrant	17,472,990	—
Dilutive effect of Top-up Rights - exercised and exercisable fixed price	17,661	—
Weighted average number of common shares for computation of diluted income (loss) per share	271,086,575	157,054,891
Diluted earnings (loss) per share	$ 0.33	$ (0.02)

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

	Three months ended March 31,	
	2019	2018
Ginkgo Equity Milestones	14,674,903	—
Pre-emptive Rights	12,006,739	—
Top-up Rights - fixed price	27,730,859	—
Top-up Rights - market price	—	—
Stock options	—	11,991,494
Warrants	—	31,599,480
Total anti-dilutive securities	54,412,501	43,590,974

16. Segment Reporting

Segment reporting is prepared on the same basis that the Company's chief operating decision maker (the "CODMs") manages the business, makes operating decisions and assesses the Company's performance. For the three months ended March 31, 2019, the Company determined that it has one reportable segment. This segment relates to production and sale of cannabis through the Company's wholly-owned subsidiaries, OGBC and Peace Naturals.

As of March 31, 2019 and 2018, substantially all of the Company's long-lived assets were physically located in Canada.

The Company derives substantially all of its revenues from Canada. Sources of net revenue before excise taxes for the three months ended March 31, 2019 were as follows:

	Three months ended March 31,	
	2019	2018
Cannabis flower	$ 2,166	$ 2,044
Cannabis extracts	1,149	202
Other	76	83
Net revenue, before excise taxes	$ 3,391	$ 2,329

17. Commitments and Contingencies

(a) R&D Commitments

(i) *Ginkgo*. On September 4, 2019, the Company announced a research and development partnership with Ginkgo Bioworks Inc. ("Ginkgo") to develop scalable and consistent production of a wide range of cannabinoids, including THC, CBD and a variety of other lesser known and rarer cannabinoids. As part of this partnership, Cronos Group has agreed to issue up to 14,674,903 common shares of the Company (aggregate value of approximately $100,000 as of July 17, 2018 assuming all milestones are met) ("Ginkgo Equity Milestones") in tranches and $22,000 in cash subject to Ginkgo's achievement of certain milestones ("Ginkgo Research and Development Milestones") and to fund certain R&D expenses, including foundry access fees. Subsequent to March 31, 2019, the Company and Ginkgo agreed to the provision of certain development, scale up, and manufacturing services by Ginkgo to the Company related to deployment and commercialization of developed products, for approximately $2,598 over the remaining current fiscal year. Subsequent to March 31, 2019, two Ginkgo Research and Development Milestones were achieved and the Company made cash payments of $650. These milestone payments are in addition to the quarterly U$1,000 foundry access fees.

(ii) *Technion.* On October 15, 2018, the Company announced a sponsored research agreement with the Technion Research and Development Foundation of the Technion - Israel Institute of Technology ("Technion"). Research will be focused on the use of cannabinoids and their role in regulating skin health and skin disorders. The Company has committed to $1,784 of research funding over a period of three years. From October 9, 2018 to March 31, 2019, the Company paid a total of $598 in research funding. An additional $4,900 of cash payments will be paid to Technion upon the achievement of certain milestones.

(b) Purchase and Service Commitments

Altria Services. On February 18, 2019, the Company entered into an agreement with a wholly owned subsidiary of Altria (which agreement was subsequently amended and restated to substitute Altria Pinnacle as a party thereto), to receive strategic advisory and project management services from Altria Pinnacle (the "Services Agreement"). Pursuant to the Services Agreement, the Company will pay Altria Pinnacle a monthly fee equal to the product of one hundred and five percent (105%) and the sum of: (i) all costs directly associated with the services incurred during the monthly period, and (ii) a reasonable and appropriate allocation of indirect costs incurred during the monthly period. The Company will also pay all third-party direct charges incurred during the monthly period in connection with the services, including any reasonable and documented costs, fees and expenses associated with obtaining any consent, license or permit. The Services Agreement will remain in effect until terminated by either party.

(c) Contingencies

The Company is party to a number of lawsuits (and has been threatened with lawsuits arising) in the ordinary course of business and in connection with its marketing, distribution and sale of its products. Although the outcome of these matters cannot be predicted with certainty, management does not believe that resolution of these matters will have a material adverse effect on the Company's consolidated financial condition but may be material to the Company's operating results for any particular reporting period depending, in part, on the results from that period.

18. Financial Instruments

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its operating activities, primarily accounts receivable and other receivables, and its investing activities, including cash held with banks and financial institutions, loan receivable, and advances to joint ventures. The Company's maximum exposure to this risk is equal to the carrying amount of these financial assets.

(i) Accounts receivable

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, 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. For the three months ended March 31, 2019, the Company recognized an approximate expected credit loss allowance of $166 (December 31, 2018 – $37).

The Company has assessed that there is a concentration of credit risk, as 51% of the Company's accounts receivable were due from two customers as at March 31, 2019 (December 31, 2018 - 88% due from five customers) with an established credit history with the Company.

(ii) Cash and cash equivalents

The Company held cash of $1,811,531 at March 31, 2019 (December 31, 2018 – $23,927). The cash is held with central banks and financial institution counterparties that are highly rated. To date, the Company has not experienced any losses on its cash deposits.

(iii) Advances to joint ventures

The Company has assessed that there has been no significant increase in credit risk of these advances from initial recognition based on the financial position, and the regulatory and economic environment of the borrowers. Based on historical information, and adjusted for forward-looking expectations, the Company has assessed an insignificant loss allowance on these advances as at March 31, 2019 and December 31, 2018.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due, and arises principally from the Company's accounts payable and other liabilities, holdbacks payable, government remittances payable, construction loan payable, and due to non-controlling interests. The Company's policy is to review liquidity resources and ensure that sufficient funds are available to meet financial obligations as they become due. Further, the Company's management is responsible for ensuring funds exist and are readily accessible to support business opportunities as they arise. The Company's funding is primarily provided in the form of capital raised through the issuance of common shares and warrants.

As at March 31, 2019, 93% of the Company's payables were due to two vendors (December 31, 2018 – 35% due to one vendor).

(c) Market risk

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

The Company previously managed market risk by having a portfolio of securities from multiple issuers, such that the Company was not singularly exposed to any one issuer. During the three months ended March 31, 2019, the Company substantially divested from its investments subject to market risk.

(d) Currency rate risk

Currency rate risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in foreign exchange rates. The Company is exposed to this risk on advances to joint ventures denominated in A$ and dollars, refer to Note 6. The Company is further exposed to this risk through subsidiaries operating in Israel, refer to Note 2 (b). The Company does not currently use foreign exchange contracts to hedge its exposure to currency rate risk as management has determined that this risk is not significant at this point in time. As such, the Company's financial position and financial results may be adversely affected by the unfavorable fluctuations in currency exchange rates.

19. Fair Value Measurement

The Company complies with FASB 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. The following represents information about the Company's assets that are measured at fair value on a recurring basis as of March 31, 2019 and December 31, 2018, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value.

Level 1 – Fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. In these consolidated financial statements, other investments (Canopy and Vivo shares) are included in this category.

Level 2 – Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. In these consolidated financial statements, Vivo share purchase warrants are included in this category.

Level 3 – Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and includes situations where there is little, if any, market activity for the asset or liability. In these consolidated financial statements the Altria derivative liabilities are included in this category.

There were no transfers between categories during the periods presented.

Balance sheet items which are dependent upon Level 3 fair value measurement include certain equity investments, as well as certain derivative liabilities.

20. Supplemental Cash Flow Information

The net changes in non-cash working capital items are as follow:

	For the three months ended March 31,	
	2019	2018
Interest receivable	$ (2,354)	$ —
Accounts receivable	1,046	(1,096)
Sales tax receivable	(1,370)	(911)
Prepaid expenses and other assets	(678)	(3,058)
Inventory	(3,098)	(577)
Accounts payable and other liabilities	19,982	(4,026)
Holdbacks payable	447	—
Government remittances payable	143	—
Total	$ 14,118	$ (9,668)

21. Non-monetary Transaction

On March 28, 2019, the Company entered into two transactions to simultaneously purchase and sell inventory to a third party. The Company purchased cannabis resin from the third party and in turn sold cannabis dry flower to the third party. The transactions involved the exchange of work in progress inventory, which equaled the value of the cannabis resin received and were accounted for in accordance with ASC 845 Non-monetary transactions at the carrying value of inventory transferred by the Company. No revenue was recognized as a result of this transaction and no gain or loss was recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss).

22. Subsequent Events

These financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2019, which contain disclosures relating to subsequent events.

Exhibit 99.3

NOTICE TO READER

As of June 30, 2019, Cronos Group Inc. (the “**Company**”) determined that it no longer qualified as a “foreign private issuer” as such term is defined in Rule 405 under the Securities Act of 1933, which means that the Company, as of January 1, 2020, has been required to comply with all of the periodic disclosure and current reporting requirements of the Securities Exchange Act of 1934 applicable to U.S. domestic issuers, such as Forms 10-K, 10-Q and 8-K, rather than the forms the Company has filed with the Securities and Exchange Commission (“**SEC**”) in the past as a foreign private issuer, such as Forms 40-F and 6-K.

The Company is accordingly now required to prepare its financial statements filed with the SEC in accordance with generally accepted accounting principles in the United States (“**U.S. GAAP**”). As required pursuant to section 4.3(4) of National Instrument 51-102 - *Continuous Disclosure Obligations*, the Company must restate its amended and restated interim financial reports for the fiscal year ended December 31, 2019 in accordance with U.S. GAAP, such amended and restated interim financial reports having previously been prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The attached condensed consolidated financial statements unaudited condensed consolidated financial statements for the three and six months ended June 30, 2019 and 2018 have been prepared in accordance with U.S. GAAP.

CRONOS

GROUP

CRONOS GROUP INC.

Consolidated Financial Statements

For the Three and Six Months Ended June 30, 2019 and June 30, 2018

(In thousands of U.S. dollars)

Cronos Group Inc.

Interim Consolidated Financial Statements

For the six months ended June 30, 2019 and 2018

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Cronos Group Inc.
Consolidated Balance Sheets
As of June 30, 2019
(In thousands of U.S dollars, expect share and per share amounts)

	As of	
	June 30, 2019	**December 31, 2018**
Assets		
Current assets		
Cash and cash equivalents	$ 1,206,059	$ 23,927
Short Term Investments	568,908	—
Accounts receivable, net of current expected credit loss ("CECL") of $267 and $37 as of June 30, 2019 and December 31, 2018, respectively	7,038	3,052
Other receivables	10,188	2,507
Current portion of loans receivable	—	230
Prepaids and other assets	5,406	2,842
Inventory	22,491	7,386
Total current assets	1,820,090	39,944
Investments in equity accounted investees	1,546	2,960
Advances to joint ventures	20,321	4,689
Other investments	—	297
Loan receivable	12,726	—
Property, plant and equipment	150,234	125,905
Right-of-use assets	2,661	125
Intangible assets	8,753	8,237
Goodwill	1,369	1,314
Total assets	$ 2,017,700	$ 183,471
Liabilities		
Current liabilities		
Accounts payable and other liabilities	$ 23,362	$ 33,239
Current portion of lease obligation	318	30
Derivative liabilities (Note 11)	1,068,870	—
Total current liabilities	1,092,550	33,269
Due to non-controlling interests	1,718	1,566
Lease obligation	2,374	87
Total liabilities	$ 1,096,642	$ 34,922
Commitment and contingencies (Note 18)		
Shareholders' equity (deficit)		
Share capital (authorized: 2019 and 2018 – unlimited; issued: 2019 – 336,144,543; 2018 – 178,720,022)	$ 423,108	$ 175,001
Additional paid-in capital	14,779	11,263
Retained earnings (accumulated deficit)	471,310	(27,945)
Accumulated other comprehensive income	11,973	(9,870)
Total equity attributable to shareholders of Cronos Group	921,170	148,449
Non-controlling interests	(112)	100
Total shareholders' equity	921,058	148,549
Total liabilities and shareholders' equity	$ 2,017,700	$ 183,471

See notes to consolidated financial statements.

Cronos Group Inc.
Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)
For the six months ended June 30, 2019 and 2018
(In thousands of U.S dollars, except share and per share amounts)

	Six months ended June 30,		Three months ended June 30,	
	2019	2018	2019	2018
Net revenue, before excise taxes	$ 11,455	$ 4,959	$ 8,064	$ 2,630
Excise taxes	(798)	—	(411)	—
Net revenue	10,657	4,959	7,653	2,630
Cost of sales	5,009	2,211	3,560	972
Gross profit	5,648	2,748	4,093	1,658
Operating expenses				
Sales and marketing	5,133	746	4,005	282
Research and development	3,471	—	2,300	—
General and administrative	18,781	5,215	11,488	3,268
Share-based payments	4,418	3,823	2,647	1,961
Depreciation and amortization	726	476	408	251
Total operating expenses	32,529	10,260	20,848	5,762
Operating loss	(26,881)	(7,512)	(16,755)	(4,104)
Other income (expense)				
Interest income (expense)	11,528	(46)	9,442	(29)
Financing and transaction cost	(25,601)	—	(3,368)	—
Gain (loss) on revaluation of derivative liabilities (Note 11)	525,526	—	197,310	—
Gain on disposal of Whistler Medical Marijuana Company	15,498	—	—	—
Gain on other investments	745	183	—	15
Share of income (loss) from investments in equity accounted investees	(939)	35	(741)	2
Total other income (expense)	526,757	172	202,643	(12)
Income (loss) before income taxes	499,876	(7,340)	185,888	(4,116)
Income tax expense	—	—	—	—
Net income (loss)	$ 499,876	$ (7,340)	$ 185,888	$ (4,116)
Net income (loss) attributable to:				
Cronos Group	$ 500,090	$ (7,340)	$ 185,999	$ (4,116)
Non-controlling interests	(214)	—	(111)	—
	$ 499,876	$ (7,340)	$ 185,888	$ (4,116)
Other comprehensive income (loss)				
Foreign exchange gain (loss) on translation	$ 21,845	$ (6,644)	$ 17,947	$ (3,556)
Total other comprehensive income (loss)	21,845	(6,644)	17,947	(3,556)
Comprehensive income (loss)	$ 521,721	$ (13,984)	$ 203,835	$ (7,672)
Comprehensive income (loss) attributable to:				
Cronos Group	$ 521,932	$ (13,984)	$ 203,947	$ (7,672)
Non-controlling interests	(211)	—	(112)	—
	$ 521,721	$ (13,984)	$ 203,835	$ (7,672)
Net income (loss) per share				
Basic	$ 1.57	$ (0.04)	$ 0.56	$ (0.02)
Diluted	0.41	(0.04)	0.16	(0.02)
Weighted average number of outstanding shares				
Basic	317,940,749	166,343,078	334,665,873	175,529,196
Diluted	364,872,093	166,343,078	374,676,595	211,524,230

See notes to consolidated financial statements.

Cronos Group Inc.
Consolidated Statements of Stockholder's Equity (deficit)
For the six months ended June 30, 2019 and 2018
(In thousands of U.S dollars, except share amounts)

	Number of shares	Share capital	Shares to be issued	Additional paid-in capital	Restricted earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Non-controlling interests	Total shareholders' equity (deficit)
Balance at January 1, 2019	178,720,022	$ 175,001	$ —	$ 11,263	$ (27,945)	$ (9,870)	$ 100	$ 148,549
Shares issued	149,831,154	248,302	—	—	—	—	—	248,302
Share issuance costs	—	(3,718)	—	—	—	—	—	(3,718)
Warrants exercised	7,390,961	2,034	—	(596)	—	—	—	1,438
Vesting of options	—	0	—	4,418	—	—	—	4,418
Options exercised	5,325	18	—	(6)	—	—	—	12
Share appreciation rights ("SARs") exercised	146,143	300	—	(300)	(835)	—	—	(835)
Top-up rights exercised	50,938	1,171	—	—	—	—	—	1,171
Net income (loss)	—	—	—	—	500,090	—	(214)	499,876
Other comprehensive loss	—	—	—	—	—	21,843	2	21,845
Balance at June 30, 2019	336,144,543	$ 423,108	$ —	$ 14,779	$ 471,310	$ 11,973	$ (112)	$ 921,058
Balance at January 1, 2018	149,360,603	$ 62,834	$ —	$ 4,735	$ (6,737)	$ 2,902	$ —	$ 63,734
Cumulative effect from adoption of ASU 2016-01	—	—	—	—	444	(444)	—	—
Balance at January 1, 2018 as restated	149,360,603	62,834	—	4,735	(6,293)	2,458	—	63,734
Shares issued	15,677,143	115,510	—	—	—	—	—	115,510
Share issuance costs	—	(7,577)	—	—	—	—	—	(7,577)
Warrants exercised	11,364,335	3,016	—	(1,170)	—	—	—	1,846
Vesting of options	—	—	—	3,823	—	—	—	3,823
Options exercised	353,339	534	—	(111)	—	—	—	423
Shares to be issued	—	—	14	—	—	—	—	14
Share appreciation rights exercised	150,215	48	—	(48)	—	—	—	—
Net loss	—	—	—	—	(7,340)	—	—	(7,340)
Other comprehensive income	—	—	—	—	—	(6,644)	—	(6,644)
Balance at June 30, 2018	176,905,635	$ 174,365	$ 14	$ 7,229	$ (13,633)	$ (4,186)	$ —	$ 163,789

See notes to consolidated financial statements.

Cronos Group Inc.
Consolidated Statements of Stockholder’s Equity (deficit)
For the Three Months Ended June 30, 2019 and 2018
(In thousands of U.S. dollars, except share amounts)

	Number of shares	Share capital	Shares to be issued	Additional paid-in capital	Restricted earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Non-controlling interests	Total shareholders’ equity (deficit)
Balance at March 31, 2019	333,020,377	$ 421,340	$ —	$ 12,244	$ 285,736	$ (5,975)	$ —	$ 713,345
Shares issued	—	—	—	—	—	—	—	—
Share issuance costs	—	(76)	—	—	—	—	—	(76)
Warrants exercised	3,000,000	617	—	(67)	—	—	—	550
Vesting of options	—	—	—	2,647	—	—	—	2,647
Options exercised	4,950	17	—	(6)	—	—	—	11
Share appreciation rights exercised	68,278	39	—	(39)	(425)	—	—	(425)
Top-up rights exercised	50,938	1,171	—	—	—	—	—	1,171
Net income (loss)	—	—	—	—	185,999	—	(111)	185,888
Other comprehensive loss	—	—	—	—	—	17,948	(1)	17,947
Balance at June 30, 2019	336,144,543	$ 423,108	$ —	$ 14,779	$ 471,310	$ 11,973	$ (112)	$ 921,058
Balance at March 31, 2018	161,632,481	$ 99,232	$ 760	$ 6,028	$ (9,517)	$ (630)	$ —	$ 95,873
Shares issued	10,420,000	78,255	—	—	—	—	—	78,255
Share issuance costs	—	(5,082)	—	—	—	—	—	(5,082)
Warrants exercised	4,391,856	1,461	—	(627)	—	—	—	834
Vesting of options	—	—	—	1,961	—	—	—	1,961
Options exercised	311,083	451	—	(85)	—	—	—	366
Shares to be issued	—	—	(746)	—	—	—	—	(746)
Share appreciation rights exercised	150,215	48	—	(48)	—	—	—	—
Net loss	—	—	—	—	(4,116)	—	—	(4,116)
Other comprehensive income	—	—	—	—		(3,556)	—	(3,556)
Balance at June 30, 2018	176,905,635	$ 174,365	$ 14	$ 7,229	$ (13,633)	$ (4,186)	$ —	$ 163,789

See notes to consolidated financial statements.

Cronos Group Inc.
Consolidated Statements of Cash Flows
For the six months ended June 30, 2019 and 2018
(In thousands of U.S dollars, except share amounts)

	Six months ended June 30,	
	2019	**2018**
Operating activities		
Net income (loss)	$ 499,876	$ (7,340)
Items not affecting cash:		
Share-based payments	4,418	3,823
Depreciation and amortization	1,174	645
Share of loss (income) from investments in equity accounted investees	939	(35)
Gain on disposal of Whistler	(15,498)	—
Gain on revaluation of derivative liabilities	(525,526)	—
Gain on other investments	(745)	(183)
Foreign exchange gain	184	(10)
Net changes in non-cash working capital	(21,591)	(13,044)
Cash flows used in operating activities	(56,769)	(16,144)
Investing activities		
Purchase of short term investments	(556,876)	—
Investments in equity accounted investees	(1,658)	—
Proceeds from sale of other investments	19,614	757
Payment to exercise Vivo Cannabis ("Vivo") warrants	—	(89)
Advances to joint ventures	(15,990)	(1,021)
Advances on loans receivable	(12,222)	—
Payments of interests on construction in progress	(89)	(145)
Purchase of property, plant and equipment	(20,918)	(29,488)
Purchase of intangible assets	(470)	(132)
Cash flows used in investing activities	(588,609)	(30,118)
Financing activities		
Advance from non-controlling interests	85	—
Proceeds from exercise of options and warrants	1,450	2,267
Proceeds from share issuance	—	115,510
Proceeds from Altria Investment	1,809,556	—
Share issuance costs	(3,718)	(7,577)
Repayment of lease liabilities	(160)	—
Advance under Credit Facility	48,715	—
Repayment of Credit Facility	(48,309)	—
Repayment of construction loan payable	(15,971)	—
Withholding taxes paid on share appreciation rights	(836)	—
Proceeds from exercise of Top-up Rights	619	—
Cash flows provided by financing activities	1,791,431	110,200
Effect of foreign currency translation on cash and cash equivalents	36,079	(3,035)
Increase (decrease) in cash and cash equivalents	1,182,132	60,903
Cash and cash equivalents, beginning of period	23,927	7,325
Cash and cash equivalents, end of period	$ 1,206,059	$ 68,228
Supplemental cash flow information		
Interest paid	$ 589	$ 388
Interest received	7,871	—

See notes to consolidated financial statements.

1. Background

Cronos Group Inc. (the "Cronos Group" or the "Company") is a corporation incorporated on August 21, 2012 under the Business Corporations Act (Ontario) with principal executive offices at 720 King Street West, Suite 320, Toronto, Ontario, M5V 2T3. The Company's common shares are currently listed on the Toronto Stock Exchange ("TSX") and Nasdaq Global Market ("Nasdaq") under the ticker symbol "CRON".

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

Cronos Group has established five strategic joint ventures in Canada, Israel, Australia, and Colombia. One of these strategic joint ventures, Cronos Israel (as defined herein), is considered a subsidiary for financial reporting purposes.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying interim condensed consolidated financial statements ("financial statements") of Cronos Group are unaudited. The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim financial information. These financial statements do not include all the information and footnotes required for annual financial statements and should be read in conjunction with the audited consolidated financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2019 (the "Annual Financial Statements").

These financial statements reflect all adjustments, consisting solely of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of the Company's financial positions and results of operations. The results of operations for any interim period are not necessarily indicative of results that can be expected for the full year.

Other than as described herein, there were no changes to the Company's significant accounting policies described in the Annual Financial Statements that had a material impact on the financial statements and related notes.

(b) Basis of Consolidation

The accompanying financial statements include the accounts of the Company, and all entities in which the Company has a controlling voting interest or variable interest as of and for the periods presented. The Company consolidates the financial results of the following entities, which the Company controls.

Subsidiaries	Jurisdiction of Incorporation	Incorporation Date	Ownership Interest (ii)
Cronos Israel G.S. Cultivations Ltd. (i)	Israel	February 4, 2018	70%
Cronos Israel G.S. Manufacturing Ltd. (i)	Israel	September 4, 2018	90%
Cronos Israel G.S. Store Ltd. (i)	Israel	June 28, 2018	90%
Cronos Israel G.S. Pharmacies Ltd. (i)	Israel	February 15, 2018	90%

(i) These Israeli entities are collectively referred to as "Cronos Israel".

(ii) "Ownership interest" is defined as the proportionate share of net income to which the Company is entitled; equity interest may differ from ownership interest as described herein.

In the unaudited condensed consolidated statements of net income (loss) and comprehensive income (loss), the net income (loss) and comprehensive income (loss) are attributed to the equity holders of the Company and to the non-controlling interests. Non-controlling interests in the equity of Cronos Israel are presented separately in the stockholder's equity (deficit) section of the condensed consolidated balance sheets and condensed consolidated statements of stockholders' equity (deficit). All intercompany transactions and balances are eliminated upon consolidation.

3. New Accounting Pronouncements

(a) Adoption of new accounting pronouncements

Leases:

On January 1, 2019, the Company adopted Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) and all related ASU amendments (collectively "ASU No. 2016-02"), which requires entities to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The Company applied the guidance retrospectively at the beginning of the period of adoption, and the Company recognized the cumulative effect of initially applying ASU No. 2016-02 as an adjustment to the accumulated deficit as of January 1, 2019. As a result, comparative periods prior to adoption will continue to be presented in accordance with prior lease guidance, including disclosures. The Company has applied the following practical expedients:

(i) The Company used hindsight in determining the lease terms and assessing impairment of right-of-use assets when transitioning to ASU No. 2016-02 using its actual knowledge and current expectation as of the effective date.

(ii) The Company has elected not to assess whether any land easements existing or entered into prior to the adoption of ASC 842 are, or contain, leases in accordance with ASU No. 2016-02.

(iii) On transition to ASU No. 2016-02, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied ASU No. 2016-02 only to contracts that were previously identified as leases. Contracts that were not identified as leases previously were not reassessed for whether there is a lease. The Company applied the definition of a lease under ASU No. 2016-02 to contracts entered into or changed on or after January 1, 2019.

The impact of the adoption was not material to the Company's consolidated financial statements. As a result of the adoption, the Company, as the lessee, recorded right-of use assets of $1,492 and lease liabilities of $1,198 for its leases at January 1, 2019. The Company's finance leases were not material for any of the periods presented. The Company did not identify an impact from the initial application of ASU No. 2016-02 to the accumulated deficit as at January 1, 2019.

The following table summarizes the impacts of adopting ASC 842 on the Company's financial statements as of the adoption date of January 1, 2019.

As of January 1, 2019	As Previously Reported	Adjustments	As Restated under ASC 842
Right-of-use assets	$ 159	$ 1,333	$ 1,492
Current lease liabilities	30	222	252
Non-current lease liabilities	87	1,111	1,198

Financial instrument - Credit Losses:

On January 1, 2019, the Company early adopted ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and all related ASU amendments (collectively "ASU No. 2016-13"). ASU No. 2016-13 requires the measurement of lifetime expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Adoption of ASU No. 2016-13 requires organizations to use forward-looking information to better formulate their credit loss estimates.

The Company has applied the guidance using a modified retrospective approach requiring that the Company recognize the cumulative effect of initially applying the impairment standard as an adjustment to opening accumulated deficit in the period of initial application. There was no adjustment to the Company's opening accumulated deficit in the period as there were no incremental impairment losses as a result of the early adoption of ASU No. 2016-13 as of the date of initial application.

(b) New accounting pronouncements not yet adopted

In January 2020, the FASB issued ASU No. 2020-01, Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815). ASU No. 2020-01 clarifies the interaction of accounting for the transition into and out of the equity method. The new standard also clarifies the accounting for measuring certain purchased options and forward contracts to acquire investments. The guidance in ASU No. 2020-01 is effective for annual and interim periods beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements.

In December 2019, the Financial Accounting Standards Board ("FASB") issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes ("ASU No. 2019-12"). ASU No. 2019-12 eliminates certain exceptions, and simplifies the application of U.S. GAAP related to changes in enacted tax laws or rates and employee stock option plans. ASU No. 2019-12 is effective for annual

and interim periods beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the effect of adopting this ASU on the Company's financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-13, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820) ("ASU No. 2018-13"). ASU No. 2018-13 adds, modifies, and removes certain fair value measurement disclosure requirements. ASU No. 2018-13 is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. The Company's adoption of ASU No. 2018-13 is not expected to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles - Goodwill and Other Internal-use-software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract ("ASU No. 2018-15"). ASU No. 2018-15 amends current guidance to align the accounting for costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing costs associated with developing or obtaining internal-use software. The guidance in ASU No. 2018-15 is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. The Company's adoption of ASU No. 2018-15 is not expected to have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment ("ASU No. 2017-04"). ASU No. 2017-04 eliminates step 2 from the goodwill impairment test and instead requires an entity to measure the impairment of goodwill assigned to a reporting unit if the carrying value of assets and liabilities assigned to the reporting unit, including goodwill, exceeds the reporting unit's fair value. The guidance in ASU No. 2017-04 is effective for annual and interim goodwill tests completed by the Company beginning on January 1, 2020. After the adoption of this standard, which will be applied prospectively, the Company will follow a one-step model for goodwill impairment. The Company's adoption of ASU No. 2017-04 is not expected to have a material impact on its consolidated financial statements.

4. Revenues from Contracts with Customers

On January 1, 2018, Cronos Group adopted ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which establishes principles for reporting information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Cronos Group elected to apply the guidance using the modified retrospective transition method. Cronos Group disaggregates net revenues based on product type. For further discussion, see Note 17. Receivables were $7,038 at June 30, 2019 (2018 – $3,052). The Company recorded a CECL of $267 as of June 30, 2019 (2018 – $37).

Cronos Group offers discounts to customers for prompt payment and calculate cash discounts as a percentage of the list price based on historical experience and agreed-upon payment terms. Cronos Group records an allowance for cash discounts, which is included as a contra-asset against receivables on Cronos' consolidated balance sheets.

Revenue is measured net of returns. As a result, the Company is required to estimate the amount of returns based on the historical data by customer and product type, adjusted for forward-looking information. This is included in other accrued liabilities on the Company's consolidated balance sheets. The Company estimates sales returns based principally on historical volume and return rates, as a reduction to revenues. The difference between actual sales and estimated sales returns are recorded in the period in which the actual amounts become known. These differences, if any, have not had a material impact on the Company's consolidated financial statements.

Upon return, products can be extracted from dried cannabis, resold, or destroyed depending on the nature of the product. The Company has assessed that the amount recoverable is immaterial.

5. Inventory

Inventory is comprised of the following items:

	As of	
	June 30, 2019	**December 31, 2018**
Raw materials	$ 2,839	$ 2,577
Work-in-process – dry cannabis	5,086	1,596
Work-in-process – cannabis extracts	11,044	—
Finished goods – dry cannabis	681	1,502
Finished goods – cannabis extracts	1,090	1,123
Supplies and consumables	1,751	588
Total	$ 22,491	$ 7,386

Inventory is written down for any obsolescence or when the net realizable value of inventory is less than the carrying value. For the six months ended June 30, 2019 and 2018, the Company did not record any write-downs.

6. Investments

(a) Variable Interest Entities

The Company holds variable interests in Cronos Growing Company Inc. ("Cronos GrowcCo"), Cronos Australia Ltd. ("Cronos Australia") and MedMen Canada Inc. ("MedMen Canada"). The Company has made this conclusion based on the facts and circumstances surrounding these investments detailed in the Annual Financial Statements. There have been no changes in the Company's conclusion during the year ended December 31, 2019, with the exception of Cronos Australia which is no longer a variable interest entity as at December 31, 2019.

Cronos Australia, a joint venture incorporated under the Corporations Act 2001 (Australia) on December 6, 2016, was formed to apply for the necessary licenses with the objective of cultivating cannabis and exporting domestically grown cannabis or medicinal cannabis and to undertake the permitted action upon the grant of each of the licenses. Cronos holds variable interests in Cronos Australia through its 50 percent holdings in its common shares and other debt in the entity. Cronos Group's maximum exposure to loss from the Cronos Australia investment is $1,451 (2018 – $1,051). Cronos Australia's economic performance is driven by the ability to import, export and sell cannabis and cannabis products.

The Company's investments in GrowCo, Cronos Australia or MedMen Canada are exposed to economic variability from each entity's performance, however the Company does not consolidate the entities as it does not have the power to direct the activities that most significantly impact the entities' economic performance; thus Cronos Group is not considered the primary beneficiary of the entity. These investments are accounted for as equity method investments classified as Investments in Equity Accounted Investees in the consolidated balance sheets. Cronos Group's maximum exposure to loss from the Cronos Growco and MedMen Canada investments are $20,553 (2018 – $3,068) and $1,498 (2018 – $1,450)

(b) Net investment in equity accounted investees

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

	Whistler	MedMen Canada	Cronos GrowCo	Cronos Australia	Natuera	Total
As of January 1, 2019	$ 2,960	$ —	$ —	$ —	$ —	$ 2,960
Share of net income (loss)	29	4	(27)	(641)	(304)	(939)
Capital contributions (disposals)	(3,073)	—	1,658	—	—	(1,415)
Advances to joint ventures applied to (transferred from) carrying amount of investments	—	(5)	(22)	654	227	854
Change due to currency translation	84	1	21	(13)	(7)	86
As of June 30, 2019	$ —	$ —	$ 1,630	$ —	$ (84)	$ 1,546

	Whistler	MedMen Canada	Cronos GrowCo	Cronos Australia	Total
As of January 1, 2018	$ 2,791	$ —	$ —	$ —	$ 2,791
Share of net income	35	—	—	—	35
Change due to currency translation	106	—	—	—	106
As of June 30, 2018	$ 2,932	$ —	$ —	$ —	$ 2,932

Whistler was incorporated in British Columbia, Canada and is a License Holder with production facilities in British Columbia, Canada. Although the Company held less than 20% of the ownership interest and voting control of Whistler, the Company had the ability to exercise significant influence through its power to elect board members. The Company fully divested of its investment in Whistler during the six months ended June 30, 2019.

(c) Advances to Joint Ventures

	NatuEra Colombia (i)	MedMen Canada (ii)	Cronos GrowCo	Cronos Australia (iii)	Total
As of June 30, 2019					
Gross advances to joint ventures	$ 227	$ 1,420	$ 18,818	$ 1,126	$ 21,591
Less: advances to joint ventures applied to carrying amount of investments	(227)	(129)	—	(914)	(1,270)
Advances to joint ventures	$ —	$ 1,291	$ 18,818	$ 212	$ 20,321

	Natuera Colombia (i)	MedMen Canada (ii)	Cronos GrowCo	Cronos Australia (iii)	Total
As of December 31, 2018					
Gross advances to joint ventures	$ —	$ 1,372	$ 2,991	$ 726	$ 5,089
Less: advances to joint ventures applied to carrying amount of investments	—	(128)	(21)	(251)	(400)
Advances to joint ventures	$ —	$ 1,244	$ 2,970	$ 475	$ 4,689

The Company did not make any advances to its joint ventures during the six months ended June 30, 2018.

(i) $226 (December 31, 2018 – $nil) is governed by an unsecured promissory note bearing interest at a rate of 1% per annum. The loan is due January 25, 2020.

(ii) Advance is unsecured, non-interest bearing, and there are no terms of repayment. Refer to Note 6(b) for details regarding the Company's investments in MedMen.

(iii) A$1,500 ($1,480) (December 31, 2018 - A$1,000 ($940)) is governed by an unsecured loan bearing interest at a rate of 12% per annum, calculated and compounded daily, in arrears, on the amounts advanced from the date of each advance. The loan is due on December 1, 2020. If the loan is overdue, the outstanding amount bears interest at an additional 2% per annum. Advances in excess of the loan amount are unsecured, non-interest bearing, and there are no terms of repayment.

7. Other Investments

Other investments consist of investments in common shares and warrants of several companies in the cannabis industry. At December 31, 2018 the investment balance consisted only of shares in Canopy Growth Corporation which are quoted in an active market as of the relevant period end date and, as a result, had a reliably measurable fair value as of such period end date, with changes in the fair value recorded through profit or loss. Upon adoption of ASU 2016-01 as at January 1, 2018, the gains and losses on the Canopy investment were reclassified from fair value through other comprehensive income to fair value through net income.

During the six months ended June 30, 2019 the Company sold all remaining 11,062 common shares of Canopy for gross proceeds of $355 (2018 – 18,436 shares for gross proceeds of $543).

In connection with the divestiture of the investment in Whistler described in Note 6, the Company received 2,524,341 common shares of Aurora. During the six months ended June 30, 2019, the Company sold all 2,524,341 common shares of Aurora, for gross proceeds of $19,259.

During the six months ended June 30, 2018, the Company exercised 182,927 share warrants for aggregate consideration of $90, for additional common shares of Vivo. Prior to the exercise, the share warrants were revalued to fair value using the Black-Scholes option pricing model. These Vivo shares were revalued to their fair value at the end of the period, with changes in the fair value recorded through profit or loss. Subsequently, the Company sold all of its shares of Vivo for proceeds of $220.

8. Accumulated Other Comprehensive Income (Loss)

The following is a continuity schedule of accumulated other comprehensive income (loss):

	Six months ended June 30,		Three Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Net unrealized gain (loss) on revaluation and disposal of other investments				
Balance at beginning of period	$ 5	$ 446	$ 5	$ 2
Cumulative effect from adoption of ASU 2016-01	—	(444)	—	—
Balance at June 30	5	2	5	2
Net foreign exchange gain (loss) on translation of foreign operations				
Balance at beginning of period	(9,875)	2,456	(5,980)	(632)
Net unrealized (loss) gain	21,843	(6,644)	17,948	(3,556)
Balance at June 30	11,968	(4,188)	11,968	(4,188)
Total other comprehensive income (loss)	$ 11,973	$ (4,186)	$ 11,973	$ (4,186)

9. Loans Receivable

	As of June 30, 2019	As of December 31, 2018
Loan receivable from 2645485 Ontario Inc. (“Mucci”) (i)	$ 12,487	$ —
Evergreen loan (ii)	202	194
Add: Accrued interest	37	36
Total loans receivable	$ 12,726	$ 230

(i) On June 28, 2019, the Company entered into a promissory note receivable agreement (the “Mucci Promissory Note”) for C$16,350 with Mucci. The outstanding principal amount of the Mucci Promissory Note bears interest at 3.95% annually and is due within 90 days of demand. The Company does not intend to demand the loan within 12 months. Interest accrued under the Mucci Promissory Note until July 1, 2021 is payable by way of capitalization on the principal amount and interest thereafter must be paid in cash on a quarterly basis. The Mucci Promissary Note is secured by a general security agreement covering all the assets of Mucci.

(ii) On June 9, 2014, the Company entered into a general service agreement with Evergreen Medicinal Supply Inc. ("Evergreen") for $194. The loan is due on demand and accrued interest at a fixed annual rate of 8%, up to March 31, 2017, calculated and payable annually in arrears.

10. Loans Payable

On August 23, 2017, Peace Naturals, as borrower, signed a construction loan agreement with Romspen Investment Corporation as lender, to borrow C$40,000 ($31,860), to be funded by way of multiple advances. The aggregate advances were limited to C$35,000 ($27,877) until the lender received an appraisal valuing the property in British Columbia at an amount of not less than C$8,000 ($6,372). The loan bore interest at a rate of 12% per annum, calculated and compounded monthly, in arrears, on the amounts advanced from the date of each advance. The term of the loan was two years, with the borrower's option to extend for another twelve months.

As of December 31, 2018, C$20,951 ($15,625) was outstanding relating to the construction loan payable, including accrued interest of C$121 ($89) and transaction costs of C$481 ($353), in addition to C$7,887 ($5,783) of holdback payable relating to the loan. These amounts payable are included in Accounts payable and other liabilities.

On January 23, 2019, the Company entered into a credit agreement with Canadian Imperial Bank of Commerce, as administrative agent and lender, and the Bank of Montreal, as lender, in respect of a C$65,000 ($48,715) secured non-revolving term loan credit facility (the "Credit Facility"). The loan was guaranteed by the Company's wholly-owned Canadian subsidiaries and secured by substantially all present and after-acquired property of the Company and its wholly-owned Canadian subsidiaries. The Company used the funds available under the Credit Facility to fully repay the construction loan payable, consisting of C$21,311 ($15,971) in loan principal and C$275 ($206) in accrued interest and fees, calculated for the period from January 1, 2019 to January 22, 2019.

On March 8, 2019, the Credit Facility was fully repaid. In connection with the Credit Facility, the Company incurred financing costs of C$523 ($395) which were expensed upon repayment of the Credit Facility.

As at June 30, 2019, the holdback payable was C$2,274 ($1,737), while the construction loan payable was fully repaid. Both balances are included within the balance of Accounts payable and other liabilities.

11. Derivative Liabilities

On March 8, 2019, the Company closed the previously announced investment in the Company (the "Altria Investment") by Altria Group, Inc. ("Altria"), pursuant to a subscription agreement dated December 7, 2018. The Altria Investment consists of 149,831,154 common shares of the Company and one warrant of the Company (the "Altria Warrant") issued to a wholly owned subsidiary of Altria. As of the closing date, Altria beneficially held an approximate 45% ownership interest in the Company (calculated on a non-diluted basis). As summarized in this note, if exercised in full on such date, the exercise of the Altria Warrant would result in Altria holding a total ownership interest in the Company of approximately 55% (calculated on a non-diluted basis). Pursuant to the investor rights agreement between the Company and Altria, entered into in connection with the closing of the Altria Investment (the "Agreement"), 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 Agreement and the Altria Warrant, as applicable.

(a) The Altria Warrant entitles the holder, subject to certain qualifications and limitations, to subscribe for and purchase up to an additional 10% of the common shares of Cronos (73,990,693 common shares as at March 31, 2019) at a per share exercise price of C$19.00, which expires at 5:00 p.m. (Toronto time) on March 8, 2023. The number of common shares of the Company to which the holder is entitled, and the corresponding exercise price, is subject to adjustment in the event of a share dividend, share issuance, distribution, or share subdivision, split or other division, share consolidation, reverse-split or other aggregation, share reclassification, a capital reorganization, consolidation, amalgamation, arrangement, binding share exchange, merger or other combination, certain securities issuances, repurchases, redemptions or certain other actions that would result in a reduction in the number of common shares of the Company outstanding, in each case, executed by the Company. If and whenever there is a reclassification of the common shares or a capital reorganization of the Company, or a consolidation, amalgamation, arrangement, binding share exchange or merger of the Company, in each case executed by the Company and pursuant to which (i) in the event the consideration received by the Company's shareholders is exclusively cash, the Company or the successor entity (as applicable) is required to purchase the Altria Warrant in cash equal to the amount by which the purchase price per share paid for the common shares acquired exceeds the exercise price of the Altria Warrant multiplied by the number of common shares that would have been issuable upon exercise of the Altria Warrant immediately prior to any such transaction, and (ii) in the event the consideration received by the Company's shareholders is not exclusively cash, the Altria Warrant will remain outstanding in accordance with its terms until any subsequent exercise of the Altria Warrant, at which time the holder thereof will receive in lieu of each share that would have been issuable upon the exercise of the Altria Warrant immediately prior to any such transaction, the kind and amount of cash, the number of shares or other securities or property resulting from any such transaction, that such holder would have been entitled to receive had such holder been the registered holder of such shares that would have been issuable upon the exercise of the Altria Warrant on the record date or effective date of the transaction (as applicable).

(b) The Company granted to Altria, subject to certain qualifications and limitations, upon the occurrence of certain issuances of common shares of the Company executed by the Company (including issuances pursuant to the R&D partnership with Ginkgo (the "Ginkgo Agreement"), 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 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%.

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

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

The Altria Warrant, Pre-emptive Rights, and fixed price Top-up Rights have been classified as derivative liabilities; related transaction costs of $22,355 have been expensed as financing costs. A reconciliation of the carrying amounts from the date of initial recognition, March 8, 2019 to June 30, 2019 is presented below:

	As of March 8, 2019	Gain on revaluation	Exercise of Rights	Foreign exchange impact	As of June 30, 2019
(a) Altria Warrant	$ 1,086,920	$ (344,573)	$ —	$ 20,786	$ 763,133
(b) Pre-emptive Rights	92,548	(32,871)	—	1,705	61,382
(c) Top-up Rights	386,152	(148,082)	(553)	6,838	244,355
	$ 1,565,620	$ (525,526)	$ (553)	$ 29,329	$ 1,068,870

	As of April 1, 2019	Gain on revaluation	Exercise of Rights	Foreign exchange impact	As of June 30, 2019
(a) Altria Warrant	868,848	(120,055)	—	14,340	763,133
(b) Pre-emptive Rights	72,201	(11,968)	—	1,149	61,382
(c) Top-up Rights	305,659	(65,287)	(553)	4,536	244,355
	1,246,708	(197,310)	(553)	20,025	1,068,870

Fluctuations in the Company's share price are a primary driver for the changes in the derivative valuations during each reporting period. During the period ended June 30, 2019, the Company's share price decreased significantly from initial valuations made at the time of closing of the Altria Investment. As the share price decreases for each of the related derivative instruments, the value to the holder of the instrument generally increases. Share price is one 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 as at March 8, 2019 and June 30, 2019, applying the following inputs:

	As of March 8, 2019			As of June 30, 2019		
	Altria Warrant	Pre-emptive Rights	Top-up Rights	Altria Warrant	Pre-emptive Rights	Top-up Rights
Share price at grant date (per share in C$)	$ 29.15	$ 29.15	$ 29.15	$ 21.01	$ 21.01	$ 21.01
Subscription price (per share in C$)	$ 19.00	$ 16.25	$ 16.25	$ 19	$ 16.25	$ 16.25
(i) Weighted average risk-free interest rate	1.65%	1.64%	1.64%	1.4%	1.5%	1.48%
(ii) Weight average expected life (in years)	4.00	2.00	2.68	3.69	1.75	2.12
(iii) Expected annualized volatility	80%	80%	80%	89%	89%	89%
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.

(ii) The expected life in years represents the period of time 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.

(iii) Volatility was based on the blended historical volatility levels of the Company and peer companies.

The following table quantifies each of the significant unobservable inputs described above and provides a sensitivity analysis of the impact on the reported values of the derivative liabilities. The sensitivity analysis for each significant input is performed by assuming a 10% change in the input while other significant inputs remain constant at management's best estimate as of the respective dates. As at March 8, 2019, there would be an equal but opposite impact on share capital, refer to Note 14, and as at March 31, 2019, there would be an equal but opposite impact on net income (loss)

	Decrease (Increase) at March 8, 2019			Decrease (Increase) at June 30, 2019		
	Altria Warrant	Pre-emptive Rights	Top-up Rights	Altria Warrant	Pre-emptive Rights	Top-up Rights
Share price at issuance date	$ 138,098	$ 13,183	$ 52,113	$ 98,208	9,210	$ 35,300
Weighted average expected life	31,021	2,591	9,687	28,622	3,034	3,707
Expected annualized volatility	56,958	3,743	16,493	54,228	3,966	15,654

These inputs are level 3 on the fair value hierarchy, and are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of these derivative liabilities in future periods.

12. Property, Plant and Equipment

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

	As of	
	June 30, 2019	December 31, 2018
Cost		
Land	$ 2,567	$ 2,451
Building	131,515	15,875
Furniture and equipment	7,344	4,788
Computer equipment	688	340
Leasehold improvements	1,408	1,161
Construction in progress	11,842	103,728
Less: accumulated depreciation and amortization	(5,130)	(2,438)
Total	$ 150,234	$ 125,905

For the six months ended June 30, 2019, $64 (2018 – $307) of the current period's depreciation expense was recorded as part of cost of sales. An additional $2,138 (2018 – $88) of depreciation expense was capitalized to inventory.

For the six months ended June 30, 2019, there is $367 (2018 – $292) of capitalized interest included in construction in progress. In addition, advances from non-controlling interests accrued interest of $41 (2018 - $nil) which was capitalized to construction in progress during the six months ended June 30, 2019.

13. Intangible Assets and Goodwill

(a) Intangible Assets

Intangible assets are comprised of the following items:

	Weighted Average Amortization Period (in years)	As of June 30, 2019			As of December 31, 2018		
		Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Software	N/A	$ 755	$ 120	$ 635	$ 264	$ 53	$ 211
Health Canada licenses	17	8,558	726	7,832	8,217	465	7,752
Israeli codes [(i)]	25	286	—	286	274	—	274
		9,599	$ 846	$ 8,753	8,755	$ 518	$ 8,237

(i) Israeli codes were transferred by non-controlling interests to Cronos Israel in exchange for their equity interests in the Cronos Israel entities specified above. The corresponding facilities are currently under construction. Amortization will begin when the facilities are available for use.

The aggregate amortization for the period was $301 (2018 – $261). Intangible asset additions in the six months ended June 30, 2019 related to software for $470 (2018 – software for $127). There were no intangible asset disposals in the six months ended June 30, 2019 and 2018.

The amortization expense for the next five years on intangible assets in use is estimated to be as follows: 2020 – $531; 2021 – $520; 2022 – $496; 2023 – $480; and 2024 – $479.

(b) Goodwill

	As of December 31, 2018	Additions	Change due to currency translation	As of June 30, 2019
OGBC	$ 287	$ —	$ 12	$ 299
Peace Naturals	1,027	—	43	1,070
	$ 1,314	$ —	$ 55	$ 1,369

14. Capital Stock

(a) Common shares

The Company is authorized to issue an unlimited number of no par value common shares.

The holders of the common shares are entitled to receive dividends, which may be declared from time to time, and are entitled to one vote per share at shareholder meetings of the Company. All common shares are ranked equally with regards to the Company's residual net assets.

During the six months ended June 30, 2019, the Company issued 149,831,154 common shares in connection with the Altria Investment. The total gross proceeds received by the Company were $1,809,556, which was first allocated to the derivative liabilities issued in connection with the Altria Investment, and the residual of $248,302 was allocated to share capital. Pursuant to the Altria Investment, the Company incurred transaction costs of $25,223, of which $3,642 was allocated to share capital and $21,581 to the derivative liabilities based on the relative fair values assigned to the respective components. During the three and six months ended June 30, 2019, the Company issued 50,938 common shares upon Altria's exercise of Top-up Rights for gross cash proceeds of $619, in addition to the $553 partial extinguishment of derivative liability.

During the six months ended June 30, 2018, the Company issued 15,677,143 common shares for aggregate gross proceeds of $115,510 through two bought deal offerings.

There were no share repurchases during the six months ended June 30, 2019 and 2018.

(b) Top-up Rights - market price

As part of the Altria Investment, the Company granted Top-up Rights to Altria, see Note 11. For options or warrants granted after March 8, 2019, 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 at the time of exercise. No value is assigned to these rights until they are exercised. These rights may not be exercised if Altria's ownership percentage of the issued and outstanding shares of the Company falls below 20%.

15. Share-based Payments

(a) Warrants

The following is a summary of the changes in warrants during the six months ended June 30, 2019 and 2018:

	Weighted average exercise price (C$)		Number of warrants
Balance at January 1, 2019	$	0.26	25,457,623
Exercise of warrants		0.36	(7,390,961)
Balance at June 30, 2019	$	0.26	18,066,662
Balance at January 1, 2018	$	0.24	38,654,654
Exercise of warrants		0.21	(11,364,335)
Expiry of warrants		0.08	(82,695)
Balance at June 30, 2018	$	0.26	27,207,624

As of June 30, 2019, the Company had outstanding warrants as follows:

Grant Date	Expiry date	Number of warrants	Weighted average exercise price (C$)	
October 8 – 28, 2015	October 8 – 28, 2020	2,976,610	$	0.31
May 13 – 27,2016	May 13 – 27, 2021	15,090,052		0.25
		18,066,662	$	0.26

(b) Stock options

(i) Stock option plans

The Company adopted an amended and restated stock option plan dated May 26, 2015 (the **"**2015 Stock Option Plan**"**) which was approved by shareholders of the Company at the annual general meeting of shareholders held on June 28, 2017. The 2015 Stock Option Plan allowed the Board to award options to purchase shares to directors, officers, key employees and service providers of the Company.

On June 28, 2018, the shareholders of the Company approved a new stock option plan (the "2018 Stock Option Plan") under the terms and valuation methods detailed in the Annual Financial Statements. For the six months ended June 30, 2019, the total stock-based compensation expense associated with the stock option plans were $4,418 (2018 – $3,823).

(ii) Summary of changes

The following is a summary of the changes in options during the six months ended June 30, 2019, 2019 and 2018:

	Weighted average exercise price (C$)	Number of options	Weighted average remaining contractual term (years)	Aggregate intrinsic value (C$)
Balance at January 1, 2019	$ 2.99	12,902,995	3.35	$ 146,965
Issuance of options	20.81	1,315,787	—	—
Exercise of options and SARs	3.76	(227,342)	—	—
Cancellation of options	1.63	(2,895)	—	—
Outstanding at June 30, 2019	$ 4.66	13,988,545	3.04	$ 228,713
Exercisable at June 30, 2019	$ 2.40	6,580,238	2.69	$ 122,458
Balance at January 1, 2018	$ 2.05	11,603,750	4.05	$ 89,233
Issuance of options	7.88	1,805,000	0.00	—
Exercise of options	1.32	(519,672)	—	—
Cancellation of options	2.69	(8,000)	—	—
Outstanding at June 30, 2018	$ 2.90	12,881,078	3.82	$ 72,392
Exercisable at June 30, 2018	$ 2.90	3,804,668	3.57	$ 24,806

The weighted average share price at the dates the options were exercised during the six months ended June 30, 2019 was C$25.24 per share (2018 – C$9.08 per share).

(ii) Fair value of options issued

The fair value of the options issued was determined using the Black-Scholes option pricing model, using the following inputs:

	2019	2018
Share price at grant date (per share)	C$20.65 - $24.75	C$7.57 – $9.00
Exercise price (per option)	C$20.65 - $24.75	C$7.57 – $9.00
Risk-free interest rate	1.51% - 1.62%	2.01% - 2.23%
Expected life of options (in years)	5	5
Expected annualized volatility	80%	55%
Expected dividend yield	—%	—%
Weighted average Black-Scholes value at grant date (per option)	C$13.29 - $15.91	C$3.72 - $4.40
Forfeiture rate	—	—

The expected life of the awards represents the period of time stock options are expected to be outstanding and is estimated considering vesting terms and employees' and non-employees' historical exercise and post-vesting employment termination behavior. Volatility was estimated by using the historical volatility of the Company, adjusted for the Company's expectation of volatility going forward. The risk-free interest rate was based on the Bank of Canada government bonds with a remaining term equal to the expected life of the options at the grant date.

16. Earnings (loss) per Share

Basic and diluted earnings (loss) per share are calculated using the following numerators and denominators:

	For the Six months ended June 30,		For the Three months ended June 30,	
	2019	2018	2019	2018
Basic earnings (loss) per share computation				
Net income (loss) attributable to common shareholders of Cronos Group	$ 500,090	$ (7,340)	$ 185,999	$ (4,116)
Weighted average number of common shares outstanding	317,940,749	166,343,078	334,665,873	175,529,196
Basic earnings (loss) per share	$ 1.57	$ (0.04)	$ 0.56	$ (0.02)
Diluted earnings (loss) per share computation				
Net income (loss) used in the computation of basic earnings (loss) per share	$ 500,090	$ (7,340)	$ 185,999	$ (4,116)
Adjustment for gain on revaluation of derivative liabilities	(350,758)	—	(126,032)	—
Net income (loss) used in the computation of diluted income (loss) per share	$ 149,332	$ (7,340)	$ 59,967	$ (4,116)
Weighted average number of common shares outstanding used in the computation of basic earnings (loss) per share	317,940,749	166,343,078	334,665,873	175,529,196
Dilutive effect of warrants	21,239,056	—	19,287,262	26,917,949
Dilutive effect of stock options and share appreciation rights	11,291,914	—	10,992,464	9,077,085
Dilutive effect of Altria Warrant	13,633,605	—	9,100,465	—
Dilutive effect of Top-up Rights - exercised and exercisable fixed price	766,769	—	630,531	—
Weighted average number of common shares for computation of diluted income (loss) per share	364,872,093	166,343,078	374,676,595	211,524,230
Diluted earnings (loss) per share	$ 0.41	$ (0.04)	$ 0.16	$ (0.02)

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

	Six months ended June 30,		Three months ended June 30,	
	2019	2018	2019	2018
Ginkgo Equity Milestones	14,674,904	—	14,674,904	—
Pre-emptive Rights	12,006,740	—	12,006,740	—
Top-up Rights - fixed price	25,150,434	—	25,150,434	—
Top-up Rights - market price	1,076,553	—	1,076,553	—
Stock options	51,830	12,881,078	51,830	—
Warrants	—	27,207,624	—	—
Total anti-dilutive securities	52,960,461	40,088,702	52,960,461	—

17. Segment Reporting

Segment reporting is prepared on the same basis that the Company's chief operating decision maker (the "CODMs") manages the business, makes operating decisions and assesses the Company's performance. For the six months ended June 30, 2019, the Company determined that it has one reportable segment. This segment relates to production and sale of cannabis through the Company's wholly-owned subsidiaries, OGBC and Peace Naturals.

As of June 30, 2019 and 2018, substantially all of the Company's long-lived assets were physically located in Canada.

The Company derives substantially all of its revenues from Canada. Sources of net revenue before excise taxes for the six months ended June 30, 2019 were as follows:

	Six months ended June 30,		Three Months Ended June 30,	
	2019	2018	2019	2018
Cannabis flower	$ 8,620	$ 4,173	$ 6,454	$ 2,131
Cannabis extracts	2,737	698	1,588	493
Other	98	88	22	6
Net revenue, before excise taxes	$ 11,455	$ 4,959	$ 8,064	$ 2,630

18. Commitments and Contingencies

(a) R&D Commitments

(i) *Ginkgo*. On September 4, 2018, the Company announced a research and development partnership with Ginkgo Bioworks Inc.("Ginkgo") to develop scalable and consistent production of a wide range of cannabinoids, including THC, CBD and a variety other lesser known and rarer cannabinoids. As part of this partnership, Cronos Group has agreed to issue up to 14,674,904 common shares of the Company (aggregate value of approximately $100,000 as of July 17, 2018 assuming all milestones are met) ("Ginkgo Equity Milestones") in tranches and $22,000 in cash subject to Ginkgo's achievement of certain milestones ("Ginkgo Research and Development Milestones") and to fund certain R&D expenses, including foundry access fees. On May 9, 2019, the Ginkgo Agreement was amended to expand the scope of services provided by Ginkgo to include support for the Company's commercialization of cultured cannabinoids, including the provision of certain development, scale up, and manufacturing services by Ginkgo to the Company related to deployment and commercialization of developed products.

(ii) *Technion*. On October 15, 2018, the Company announced a sponsored research agreement with the Technion Research and Development Foundation of the Technion - Israel Institute of Technology ("Technion"). Research will be focused on the use of cannabinoids and their role in regulating skin health and skin disorders. The Company has committed to $1,784 of research funding over a period of three years. From October 9, 2018 to June 30, 2019, the Company paid a total of $598 in research funding. An additional $4,900 of cash payments will be paid to Technion upon the achievement of certain milestones.

(b) Purchase and Service Commitments

(i) *Altria Services*. On February 18, 2019, the Company entered into an agreement with Altria Ventures Inc. ("Altria Ventures"), a wholly-owned subsidiary of Altria, to receive strategic advisory and project management services from Altria Ventures (the "Services Agreement"). Pursuant to the Services Agreement, the Company will pay Altria Ventures a monthly fee equal to the product of one hundred and five percent (105%) and the sum of: (i) all costs directly associated with the services incurred during the monthly period, and (ii) a reasonable and appropriate allocation of indirect costs incurred during the monthly period. The Company will also pay all third party direct charges incurred during the monthly period in connection with the services, including any reasonable and documented costs, fees and expenses associated with obtaining any consent, license or permit. The Services Agreement will remain in effect until terminated by either party.

(c) Supply Commitments

(i) In May 2019, the Company announced a take or pay supply agreement with MediPharm Labs Corp ("MediPharm") for cannabis concentrate. MediPharm will supply the Company with approximately C$30,000 of cannabis concentrate over 18 months, and, subject to certain renewal and purchase options, potentially up to C$60,000 over 24 months. In addition, the Company announced a tolling agreement with MediPharm, where the Company may supply bulk quantities of dried cannabis to MediPharm for processing on a fee for service basis into bulk resin or other cannabis oil derivative products.

(d) Contingencies

The Company is party to a number of lawsuits and threatened lawsuits arising in the ordinary course of business. Although the outcome of these matters cannot be predicted with certainty, management does not believe that resolution of these matters will have a material adverse effect on the Company's consolidated financial condition but may be material to the Company's operating results for any particular reporting period depending, in part, on the results from that period.

19. Financial Instruments

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its operating activities, primarily accounts receivable and other receivables, and its investing activities, including cash held with banks and financial institutions, loan receivable, and advances to joint ventures. The Company's maximum exposure to this risk is equal to the carrying amount of these financial assets.

(i) Accounts receivable

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, 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. For the three months ended June 30, 2019, the Company recognized an approximate expected credit loss allowance of $166 (December 31, 2018 – $37).

The Company has assessed that there is a concentration of credit risk, as 75% of the Company's accounts receivable were due from two customers as at June 30, 2019 (December 31, 2018 – 88% due from five customers) with an established credit history with the Company.

(ii) Cash

The Company held cash of $1,206,059 at June 30, 2019 (December 31, 2018 – $23,927). The cash is held with central banks and financial institution counterparties that are highly rated. To date, the Company has not experienced any losses on its cash deposits.

(iii) Advances to joint ventures

The Company has assessed that there has been no significant increase in credit risk of these advances from initial recognition based on the financial position, and the regulatory and economic environment of the borrowers. Based on historical information, and adjusted for forward-looking expectations, the Company has assessed an insignificant loss allowance on these advances as at June 30, 2019 and December 31, 2018.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due, and arises principally from the Company's accounts payable and other liabilities, holdbacks payable, government remittances payable, construction loan payable, and due to non-controlling interests. The Company's policy is to review liquidity resources and ensure that sufficient funds are available to meet financial obligations as they become due. Further, the Company's management is responsible for ensuring funds exist and are readily accessible to support business opportunities as they arise. The Company's funding is primarily provided in the form of capital raised through the issuance of common shares and warrants.

As at June 30, 2019, 30% of the Company's payables were due to two vendors (December 31, 2018 – 35% due to one vendor).

(c) Market risk

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

The Company previously managed market risk by having a portfolio of securities from multiple issuers, such that the Company was not singularly exposed to any one issuer. During the six months ended June 30, 2019, the Company substantially divested from its investments subject to market risk.

(d) Currency rate risk

Currency rate risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in foreign exchange rates. The Company is exposed to this risk on advances to joint ventures denominated in A$ and the dollars, refer to Note 6. The Company is further exposed to this risk through subsidiaries operating in Israel, refer to Note 2(b). The Company does not currently use foreign exchange contracts to hedge its exposure to currency rate risk as management has determined that this risk is not significant at this point in time. As such, the Company's financial position and financial results may be adversely affected by the unfavorable fluctuations in currency exchange rates.

20. Fair Value Measurement

The Company complies with FASB 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. The following represents information about the Company's assets that are measured at fair value on a recurring basis as of June 30, 2019 and December 31, 2018, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value.

Level 1 – Fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. In these consolidated financial statements, other investments (Canopy and Vivo shares) are included in this category.

Level 2 – Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. In these consolidated financial statements, Vivo share purchase warrants are included in this category.

Level 3 – Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and includes situations where there is little, if any, market activity for the asset or liability. In these consolidated financial statements the Altria derivative liabilities are included in this category.

There were no transfers between categories during the periods presented.

Balance sheet items which are dependent upon Level 3 fair value measurement include certain equity investments, as well as certain derivative liabilities.

21. Supplemental Cash Flow Information

The net changes in non-cash working capital items are as follow:

	For the six months ended June 30,	
	2019	2018
Interest receivable	$ (4,313)	$ —
Accounts receivable	(3,739)	(1,334)
Sales taxes receivable	(3,121)	(2,353)
Prepaids and other assets	(2,398)	(2,601)
Inventory	(12,842)	(2,256)
Accounts payable and other liabilities	9,384	(4,500)
Holdbacks payable	(4,194)	—
Government remittances payable	(368)	—
Total	$ (21,591)	$ (13,044)

22. Non-monetary Transaction

On March 28, 2019, the Company entered into two transactions to simultaneously purchase and sell inventory to a third party. The Company purchased cannabis resin from the third party and in turn sold cannabis dry flower to the third party. The transactions involved the exchange of work in progress inventory, which equaled the value of the cannabis resin received and were accounted for in accordance with ASC 845 Non-monetary transactions at the carrying value of inventory transferred by the Company. No revenue was recognized as a result of this transaction and no gain or loss was recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss).

23. Subsequent Events

These financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2019, which contain disclosures relating to subsequent events.

Exhibit 99.4

NOTICE TO READER

As of June 30, 2019, Cronos Group Inc. (the “**Company**”) determined that it no longer qualified as a “foreign private issuer” as such term is defined in Rule 405 under the Securities Act of 1933, which means that the Company, as of January 1, 2020, has been required to comply with all of the periodic disclosure and current reporting requirements of the Securities Exchange Act of 1934 applicable to U.S. domestic issuers, such as Forms 10-K, 10-Q and 8-K, rather than the forms the Company has filed with the Securities and Exchange Commission (“**SEC**”) in the past as a foreign private issuer, such as Forms 40-F and 6-K.

The Company is accordingly now required to prepare its financial statements filed with the SEC in accordance with generally accepted accounting principles in the United States (“**U.S. GAAP**”). As required pursuant to section 4.3(4) of National Instrument 51-102 - *Continuous Disclosure Obligations*, the Company must restate its amended and restated interim financial reports for the fiscal year ended December 31, 2019 in accordance with U.S. GAAP, such amended and restated interim financial reports having previously been prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

The attached unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2019 and 2018 have been prepared in accordance with U.S. GAAP.

CRONOS

GROUP

CRONOS GROUP INC.

Consolidated Financial Statements

For the Three and Nine months ended September 30, 2019 and September 30, 2018

(In thousands of U.S. dollars)

Cronos Group Inc.

Interim Consolidated Financial Statements

For the nine months ended September 30, 2019 and 2018

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Cronos Group Inc.
Consolidated Balance Sheets
As of September 30, 2019
(In thousands of U.S. dollars, expect share ad per share amounts)

	As of	
	September 30, 2019	**December 31, 2018**
Assets		
Current assets		
Cash and cash equivalents	$ 1,114,414	$ 23,927
Short Term Investments	390,538	—
Accounts receivable, net of current expected credit loss ("CECL") of $280 and $37 as of September 30, 2019 and December 31, 2018, respectively	5,238	3,052
Other receivables	5,913	2,507
Current portion of loans receivable	4,594	230
Prepaids and other assets	8,868	2,842
Inventory	38,445	7,386
Total current assets	1,568,010	39,944
Investments in equity accounted investees	1,049	2,960
Advances to joint ventures	19,915	4,689
Other investments	—	297
Loans receivable	33,295	—
Property, plant and equipment	163,354	125,905
Right-of-use assets	6,103	125
Intangible assets	72,545	8,237
Goodwill	214,625	1,314
Total assets	$ 2,078,896	$ 183,471
Liabilities		
Current liabilities		
Accounts payable and other liabilities	$ 41,584	$ 33,239
Current portion of lease obligation	318	30
Derivative liabilities (Note 11)	412,027	—
Total current liabilities	453,929	33,269
Due to non-controlling interests	1,796	1,566
Lease obligation	5,849	87
Deferred income tax liability	58	—
Total liabilities	$ 461,632	$ 34,922
Commitments and contingencies (Note 19)		
Shareholders' equity (deficit)		
Share capital (authorized: 2019 and 2018 – unlimited: 2019 – 343,764,207; 2018 – 178,720,022)	$ 524,589	$ 175,001
Additional paid-in capital	17,823	11,263
Retained earnings (accumulated deficit)	1,075,695	(27,945)
Accumulated other comprehensive income	(441)	(9,870)
Total equity attributable to shareholders of Cronos Group	1,617,666	148,449
Non-controlling interests	(402)	100
Total shareholders' equity	1,617,264	148,549
Total liabilities and shareholders' equity	$ 2,078,896	$ 183,471

See notes to consolidated financial statements.

Cronos Group Inc.
Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)
For the nine months ended September 30, 2019 and 2018
(In thousands of U.S. dollars, except share and per share amounts)

	Nine months ended September 30,		Three months ended September 30,	
	2019	2018	2019	2018
Net revenue, before excise taxes	$ 17,724	$ 7,836	$ 6,269	$ 2,877
Excise taxes	(1,282)	—	(484)	—
Net revenue	16,442	7,836	5,785	2,877
Cost of sales	8,507	3,503	3,498	1,292
Inventory write-down	5,424	—	5,424	—
Gross profit	2,511	4,333	(3,137)	1,585
Operating expenses				
Sales and marketing	9,721	1,203	4,588	458
Research and development	6,076	—	2,605	—
General and administrative	35,058	8,903	16,277	3,688
Share-based payments	7,949	5,969	3,531	2,145
Depreciation and amortization	1,322	728	596	253
Total operating expenses	60,126	16,803	27,597	6,544
Operating loss	(57,615)	(12,470)	(30,734)	(4,959)
Other income (expense)				
Interest income (expense)	20,468	(94)	8,939	(47)
Financing and transaction costs	(31,684)	—	(6,083)	—
Gain (loss) on revaluation of derivative liabilities (Note 11)	1,158,008	—	632,482	—
Gain (loss) on revaluation of financial liabilities	147	—	147	—
Gain on disposal of Whistler Medical Marijuana Company	15,497	—	—	15
Gain on other investments	745	389	—	206
Share of income (loss) from investments in equity accounted investees	(1,504)	50	(565)	—
Total other income (expense)	1,161,677	345	634,920	174
Income (loss) before income taxes	1,104,062	(12,125)	604,186	(4,785)
Income tax expense	58	—	58	—
Net income (loss)	$ 1,104,004	$ (12,125)	$ 604,128	$ (4,785)
Net income (loss) attributable to:				
Cronos Group	$ 1,104,501	$ (12,078)	$ 604,410	$ (4,738)
Non-controlling interests	(497)	(47)	(282)	(47)
	$ 1,104,004	$ (12,125)	604,128	$ (4,785)
Other comprehensive income (loss)				
Gain (loss) on revaluation and disposal of other investments, net of tax	—	—	—	—
Foreign exchange gain (loss) on translation	$ 9,424	(3,829)	(12,422)	2,818
Total other comprehensive income (loss)	9,424	(3,829)	(12,422)	2,818
Comprehensive income (loss)	$ 1,113,428	$ (15,954)	$ 591,706	$ (1,967)
Comprehensive income (loss) attributable to:				
Cronos Group	$ 1,113,929	$ (15,911)	$ 591,996	$ (1,924)
Non-controlling interests	(501)	(43)	(290)	(43)
	$ 1,113,428	$ (15,954)	591,706	$ (1,967)
Net income (loss) per share				
Basic	$ 3.71	$ (0.07)	$ 1.78	$ (0.03)
Diluted	0.92	(0.07)	0.42	(0.03)
Weighted average number of outstanding shares				
Basic	297,964,058	170,097,232	338,957,949	177,483,122
Diluted	333,618,691	170,097,232	369,268,672	177,483,122

See notes to consolidated financial statements.

Cronos Group Inc.
Consolidated Statements of Stockholder's Equity (deficit)
For the nine months ended September 30, 2019 and 2018
(In thousands of U.S. dollars except share amounts)

	Number of shares	Share capital	Shares to be issued	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Non-controlling interests	Total shareholders' equity (deficit)
Balance at January 1, 2019	178,720,022	$ 175,001	$ —	$ 11,263	$ (27,945)	$ (9,870)	$ 100	$ 148,549
Shares issued	154,917,740	304,411	—	—	—	—	—	304,411
Share issuance costs	—	(3,722)	—	—	—	—	—	(3,722)
Warrants exercised	7,390,961	2,034	—	(596)	—	—	—	1,438
Vesting of options	—	—	—	7,309	—	—	—	7,309
Options exercised	8,217	26	—	(9)	—	—	—	17
Share appreciation rights ("SARs") exercised	161,870	330	—	(330)	(861)	—	—	(861)
Vesting of restricted share units	—	—	—	186	—	—	—	186
Top-up rights exercised	—	46,509	—	—	—	—	—	46,509
Net income (loss)	2,565,397	—	—	—	1,104,501	—	(497)	1,104,004
Other comprehensive loss	—	—	—	—	—	9,429	(5)	9,424
Balance at September 30, 2019	343,764,207	$ 524,589	$ —	$ 17,823	$ 1,075,695	$ (441)	$ (402)	$ 1,617,264
Balance at January 1, 2018	149,360,603	$ 62,834	$ —	$ 4,734	$ (6,737)	$ 2,902	$ —	$ 63,733
Cumulative effect from adoption of ASU 2016-01	—	—	—	—	444	(444)	—	0
Balance at January 1, 2018 as restated	149,360,603	62,834	—	4,734	(6,293)	2,458	—	63,733
Shares issued	15,677,143	115,510	—	—	—	—	—	115,510
Share issuance costs	—	(7,603)	—	—	—	—	—	(7,603)
Warrants exercised	13,114,336	3,600	—	(1,417)	—	—	—	2,183
Vesting of options	—	—	—	5,970	—	—	—	5,970
Options exercised	366,638	563	—	(121)	—	—	—	442
Shares to be issued	—	—	14	—	—	—	—	14
Share appreciation rights exercised	181,726	77	—	(77)	—	—	—	—
Non-controlling interests arising from Cronos Israel	—	—	—	—	—	—	284	284
Net loss	—	—	—	—	(12,078)	—	(47)	(12,125)
Other comprehensive income	—	—	—	—	—	(3,829)	3	(3,826)
Balance at September 30, 2018	178,700,446	$ 174,981	$ 14	$ 9,089	$ (18,371)	$ (1,371)	$ 240	$ 164,582

See notes to consolidated financial statements.

Cronos Group Inc.
Consolidated Statements of Stockholder's Equity (deficit)
For the three months ended September 30, 2019 and 2018
(In thousands of U$, except share amounts)

	Number of shares	Share capital	Shares to be issued	Additional paid-in capital	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Non-controlling interests	Total shareholders' equity (deficit)
Balance at July 1, 2019	336,144,543	$ 423,108	$ —	$ 14,779	$ 471,310	$ 11,973	$ (112)	$ 921,058
Shares issued	5,086,586	56,109	—	—	—	—	—	56,109
Share issuance costs	—	(4)	—	—	—	—	—	(4)
Warrants exercised	—	—	—	—	—	—	—	—
Vesting of options	—	—	—	2,891	—	—	—	2,891
Options exercised	2,892	8	—	(3)	—	—	—	5
Share appreciation rights exercised	15,727	30	—	(30)	(25)	—	—	(25)
Vesting of restricted share units	—	—	—	186	—	—	—	186
Top-up Rights exercised	2,514,459	45,338	—	—	—	—	—	45,338
Net income (loss)	—	—	—	—	604,410	—	(282)	604,128
Other comprehensive income	—	—	—	—	—	(12,414)	(8)	(12,422)
Balance at September 30, 2019	343,764,207	$ 524,589	$ —	$ 17,823	$1,075,695	$ (441)	$ (402)	$1,617,264
Balance as at June 30, 2018	176,905,635	$ 174,365	$ 14	$ 7,227	$ (13,633)	$ (4,186)	$ —	$ 163,787
Shares issued	—	—	—	—	—	—	—	—
Share issuance costs	—	(26)	—	—	—	—	—	(26)
Vesting of options	—	—	—	2,145	—	—	—	2,145
Options exercised	13,299	29	—	(9)	—	—	—	20
Warrants exercised	1,750,001	584	—	(245)	—	—	—	339
Shares to be issued	—	—	—	—	—	—	—	—
Share appreciation rights exercised	31,511	29	—	(29)	—	—	—	—
Non-controlling interests arising from Cronos Israel	—	—	—	—	—	—	284	284
Net loss	—	—	—	—	(4,738)	—	(47)	(4,785)
Other comprehensive income	—	—	—	—	—	2,815	3	2,818
Balance as at September 30, 2018	178,700,446	$ 174,981	$ 14	$ 9,089	$ (18,371)	$ (1,371)	$ 240	$ 164,582

See notes to consolidated financial statements.

Cronos Group Inc.
Consolidated Statements of Cash Flows
For the nine months ended September 30, 2019 and 2018
(In thousands of U.S. dollars, except share amounts)

	Nine months ended September 30,	
	2019	**2018**
Operating activities		
Net income (loss)	$ 1,104,004	$ (12,125)
Items not affecting cash:		
Share-based payments	7,949	5,969
Depreciation and amortization	2,956	1,009
Share of loss (income) from investments in equity accounted investees	1,504	(50)
Gain on disposal of Whistler	(15,497)	—
Gain on revaluation of derivative liabilities	(1,158,008)	—
Gain on revaluation of financial liabilities	(147)	—
Gain on other investments	(745)	(389)
Deferred income tax (recovery) expense	58	—
Inventory write down	5,424	—
Foreign exchange gain	807	(8)
Net changes in non-cash working capital	(25,098)	(20,220)
Cash flows used in operating activities	(76,793)	(25,814)
Investing activities		
Purchase of short term investments	(384,288)	—
Investments in equity accounted investees	(1,658)	(154)
Proceeds from sale of other investments	19,614	757
Payment to exercise Vivo Cannabis ("Vivo") warrants	—	(89)
Advances to joint ventures	(15,951)	(3,067)
Advances on loans receivable	(33,012)	—
Payments of interest on construction in progress	(89)	(145)
Proceeds from repayment of loans receivable	238	—
Purchase of property, plant and equipment	(37,622)	(55,683)
Purchase of intangible assets	(574)	(227)
Acquisition of Redwood	(227,224)	—
Cash assumed on acquisition	2,957	—
Cash assumed on acquisition of Cronos Israel	—	998
Cash flows used in investing activities	(677,609)	(57,610)
Financing activities		
Advance from non-controlling interests	183	—
Proceeds from exercise of options and warrants	1,455	2,627
Proceeds received for share to be issued	—	
Proceeds from share issuance	—	115,510
Proceeds from Altria Investment	1,809,556	—
Share issuance costs	(3,722)	(7,603)
Repayment of lease liabilities	(414)	—
Advance under Credit Facility	48,715	—
Repayment of Credit Facility	(48,309)	—
Repayment of construction loan payable	(15,971)	—
Withholding taxes paid on share appreciation rights	(861)	—
Proceeds from exercise of Top-up Rights	31,566	—
Cash flows provided by financing activities	1,822,198	110,534
Effect of foreign currency translation on cash and cash equivalents	22,691	(2,303)
Increase (decrease) in cash and cash equivalents	1,090,487	24,807
Cash and cash equivalents, beginning of period	23,927	7,325
Cash and cash equivalents, end of period	$ 1,114,414	$ 32,132
Supplemental cash flow information		
Interest paid	$ 647	$ 531
Interest received	9,690	—

See notes to consolidated financial statements.

1. Background

Cronos Group Inc. (the "Cronos Group" or the "Company") is a corporation incorporated on August 21, 2012 under the Business Corporations Act (Ontario) with principal executive offices at 720 King Street West, Suite 320, Toronto, Ontario, M5V 2T3. The Company's common shares are currently listed on the Toronto Stock Exchange ("TSX") and Nasdaq Global Market ("Nasdaq") under the ticker symbol "CRON".

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

Cronos Group has established five strategic joint ventures in Canada, Israel, Australia, and Colombia. One of these strategic joint ventures, Cronos Israel (as defined herein), is considered a subsidiary for financial reporting purposes.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying interim condensed consolidated financial statements ("financial statements") of Cronos Group are unaudited. The financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim financial information. These financial statements do not include all the information and footnotes required for annual financial statements and should be read in conjunction with the audited consolidated financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2019 (the "Annual Financial Statements").

These financial statements reflect all adjustments, consisting solely of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of the Company's financial positions and results of operations. The results of operations for any interim period are not necessarily indicative of results that can be expected for the full year.

Other than as described herein, there were no changes to the Company's significant accounting policies described in the Annual Financial Statements that had a material impact on the financial statements and related notes.

(b) Basis of Consolidation

The accompanying financial statements include the accounts of the Company, and all entities in which the Company has a controlling voting interest or variable interest as of and for the periods presented. The Company consolidates the financial results of the following entities, which the Company controls.

Subsidiaries	Jurisdiction of Incorporation	Incorporation Date	Ownership Interest [ii]
Cronos Israel G.S. Cultivations Ltd. [i]	Israel	February 4, 2018	70%
Cronos Israel G.S. Manufacturing Ltd. [i]	Israel	September 4, 2018	90%
Cronos Israel G.S. Store Ltd. [i]	Israel	June 28, 2018	90%
Cronos Israel G.S. Pharmacies Ltd. [i]	Israel	February 15, 2018	90%

(i) These Israeli entities are collectively referred to as "Cronos Israel".

(ii) "Ownership interest" is defined as the proportionate share of net income to which the Company is entitled; equity interest may differ from ownership interest as described herein.

In the unaudited consolidated statements of net income (loss) and comprehensive income (loss), the net income (loss) and comprehensive income (loss) are attributed to the equity holders of the Company and to the non-controlling interests. Non-controlling interests in the equity of Cronos Israel are presented separately in the Stockholder's equity (deficit) section of the consolidated balance sheets and consolidated statements of stockholders' equity (deficit).

All intercompany transactions and balances are eliminated upon consolidation.

3. New Accounting Pronouncements

(a) Adoption of new accounting pronouncements

Leases:

On January 1, 2019, the Company adopted Accounting Standards Update (“ASU”) No. 2016-02, Leases (Topic 842) and all related ASU amendments (collectively “ASU No. 2016-02”), which requires entities to recognize lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. The Company applied the guidance retrospectively at the beginning of the period of adoption, and the Company recognized the cumulative effect of initially applying ASU No. 2016-02 as an adjustment to the accumulated deficit as of January 1, 2019. As a result, comparative periods prior to adoption will continue to be presented in accordance with prior lease guidance, including disclosures. The Company has applied the following practical expedients:

(i) The Company used hindsight in determining the lease terms and assessing impairment of right-of-use assets when transitioning to ASU No. 2016-02 using its actual knowledge and current expectation as of the effective date.

(ii) The Company has elected not to assess whether any land easements existing or entered into prior to the adoption of ASU No. 2016-02 are, or contain, leases in accordance with ASU No. 2016-02.

(iii) On transition to ASU No. 2016-02, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied ASU No. 2016-02 only to contracts that were previously identified as leases. Contracts that were not identified as leases previously were not reassessed for whether there is a lease. The Company applied the definition of a lease under ASU No. 2016-02 to contracts entered into or changed on or after January 1, 2019.

The impact of the adoption was not material to the Company’s consolidated financial statements. As a result of the adoption, the Company, as the lessee, recorded right-of use assets of $1,492 and lease liabilities of $1,198 for its leases at January 1, 2019. The Company’s finance leases were not material for any of the periods presented. The Company did not identify an impact from the initial application of ASU No. 2016-02 to the accumulated deficit as at January 1, 2019.

The following table summarizes the impacts of adopting ASU No. 2016-02 on the Company’s financial statements as of the adoption date of January 1, 2019.

As of January 1, 2019	As Previously Reported	Adjustments	As Restated under ASC 842
Right-of-use assets	$ 159	$ 1,333	$ 1,492
Current lease liabilities	30	222	252
Non-current lease liabilities	87	1,111	1,198

Financial instrument** - **Credit Losses:

On January 1, 2019, the Company early adopted ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and all related ASU amendments (collectively “ASU No. 2016-13”). ASU No. 2016-13 requires the measurement of lifetime expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Adoption of ASU No. 2016-13 requires organizations to use forward-looking information to better formulate their credit loss estimates.

The Company has applied the guidance using a modified retrospective approach requiring that the Company recognize the cumulative effect of initially applying the impairment standard as an adjustment to opening accumulated deficit in the period of initial application. There was no adjustment to the Company’s opening accumulated deficit in the period as there were no incremental impairment losses as a result of the early adoption of ASU No. 2016-13 as of the date of initial application.

(b) New accounting pronouncements not yet adopted

In January 2020, the FASB issued ASU No. 2020-01, Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815). ASU No. 2020-01 clarifies the interaction of accounting for the transition into and out of the equity method. The new standard also clarifies the accounting for measuring certain purchased options and forward contracts to acquire investments. The guidance in ASU No. 2020-01 is effective for annual and interim periods beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements.

In December 2019, the Financial Accounting Standards Board (“FASB”) issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (“ASU No. 2019-12”). ASU No. 2019-12 eliminates certain exceptions, and simplifies the application of U.S. GAAP-related to changes in enacted tax laws or rates and employee stock option plans. ASU No. 2019-12 is

effective for annual and interim periods beginning after December 15, 2020. Early adoption is permitted. The Company is currently evaluating the effect of adopting this ASU on the Company's financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-13, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820) ("ASU No. 2018-13"). ASU No. 2018-13 adds, modifies, and removes certain fair value measurement disclosure requirements. ASU No. 2018-13 is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. The Company's adoption of ASU No. 2018-13 is not expected to have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, Intangibles - Goodwill and Other Internal-use-software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract ("ASU No. 2018-15"). ASU No. 2018-15 amends current guidance to align the accounting for costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing costs associated with developing or obtaining internal-use software. The guidance in ASU No. 2018-15 is effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted. The Company's adoption of ASU No. 2018-15 is not expected to have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350) - Simplifying the Test for Goodwill Impairment ("ASU No. 2017-04"). ASU No. 2017-04 eliminates step 2 from the goodwill impairment test and instead requires an entity to measure the impairment of goodwill assigned to a reporting unit if the carrying value of assets and liabilities assigned to the reporting unit, including goodwill, exceeds the reporting unit's fair value. The guidance in ASU No. 2017-04 is effective for annual and interim goodwill tests completed by the Company beginning on January 1, 2020. After the adoption of this standard, which will be applied prospectively, the Company will follow a one-step model for goodwill impairment. The Company's adoption of ASU No. 2017-04 is not expected to have a material impact on its consolidated financial statements.

4. Revenues from Contracts with Customers

On January 1, 2018, Cronos Group adopted ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which establishes principles for reporting information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Cronos Group elected to apply the guidance using the modified retrospective transition method. Cronos Group disaggregates net revenues based on product type. Receivables were $5,238 at September 30, 2019 (2018 – $3,052). The Company recorded a CECL of $280 as of September 30, 2019 (2018 – $37).

Cronos Group offers discounts to customers for prompt payment and calculates cash discounts as a percentage of the list price based on historical experience and agreed-upon payment terms. Cronos Group records an allowance for cash discounts, which is included as a contra-asset against receivables on Cronos' consolidated balance sheets.

Revenue is measured net of returns. As a result, the Company is required to estimate the amount of returns based on the historical data by customer and product type, adjusted for forward-looking information. This is included in other accrued liabilities on the Company's consolidated balance sheets. The Company estimates sales returns based principally on historical volume and return rates, as a reduction to revenues. The difference between actual sales and estimated sales returns is recorded in the period in which the actual amounts become known. These differences, if any, have not had a material impact on the Company's consolidated financial statements.

Upon return, products can be extracted from dried cannabis, resold, or destroyed depending on the nature of the product. The Company has assessed that the amount recoverable is immaterial.

5. Inventory

Inventory is comprised of the following items:

	As of	
	September 30, 2019	December 31, 2018
Raw materials	$ 1,690	$ 2,577
Work-in-process – dry cannabis	8,459	1,596
Work-in-process – cannabis oils	20,745	—
Finished goods – dry cannabis	713	1,502
Finished goods – cannabis oils	1,953	1,123
Supplies and consumables	2,255	588
Cannabinoid infused products	2,630	—
Total	$ 38,445	$ 7,386

Inventory is written down for any obsolescence or when the net realizable value of inventory is less than the carrying value. For the nine months ended September 30, 2019, the Company recorded write-downs related to inventory of $5,424. There were no inventory write-downs for the nine months ended September 30, 2018.

6. Investments

(a) Variable Interest Entities

The Company holds variable interests in Cronos Growing Company Inc. (“GrowCo”), Cronos Australia Ltd. (“Cronos Australia”) and MedMen Canada Inc. (“MedMen Canada”). The Company has made this conclusion based on the facts and circumstances surrounding these investments detailed in the Annual Financial Statements. There have been no changes in the Company’s conclusion during the year ended December 31, 2019, with the exception of Cronos Australia which is no longer a variable interest entity as at December 31, 2019. Cronos Australia, a joint venture incorporated under the Corporations Act 2001 (Australia) on December 6, 2016, was formed to apply for the necessary licenses with the objective of cultivating cannabis and exporting domestically grown cannabis or medicinal cannabis and to undertake the permitted action upon the grant of each of the licenses. Cronos holds variable interests in Cronos Australia through its 50 percent holdings in its common shares and other debt in the entity. Cronos Group’s maximum exposure to loss from the Cronos Australia investment is $1,325 (2018 – $1,051). Cronos Australia’s economic performance is driven by the ability to import, export and sell cannabis and cannabis products.

The Company’s investments in GrowCo, Cronos Australia or MedMen Canada are exposed to economic variability from each entity’s performance, however the Company does not consolidate the entities as it does not have the power to direct the activities that most significantly impact the entities’ economic performance; thus Cronos Group is not considered the primary beneficiary of the entity. These investments are accounted for as equity method investments classified as Investments in Equity Accounted Investees in the consolidated balance sheets. Cronos Group’s maximum exposure to loss from the Cronos Growco and MedMen Canada investments are $20,192 (2018 – $3,068) and $1,441 (2018 – $1,450), respectively.

(b) Net investment in equity accounted investees

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

	Whistler	MedMen Canada	Cronos GrowCo	Cronos Australia	NatuEra	Total
As of January 1, 2019	$ 2,960	$ —	$ —	$ —	$ —	$ 2,960
Share of net income (loss)	29	36	(87)	(892)	(590)	(1,504)
Capital contributions (disposals)	(3,073)	—	1,658	—	—	(1,415)
Advances to joint ventures applied to (transferred from) carrying amount of investments	—	(36)	(22)	764	220	926
Change due to currency translation	84	—	3	(3)	(2)	82
As of September 30, 2019	$ —	$ —	$ 1,552	$ (131)	$ (372)	$ 1,049

	Whistler	MedMen Canada	Cronos GrowCo	Cronos Australia	Total
As of January 1, 2018	$ 2,791	$ —	$ —	$ —	$ 2,791
Share of net income	50	—	—	—	50
Capital contributions (disposals)	—	78	78	—	156
Change due to currency translation	157	—	—	—	157
As of September 30, 2018	$ 2,998	$ 78	$ 78	$ —	$ 3,154

Whistler was incorporated in British Columbia, Canada and is a License Holder with production facilities in British Columbia, Canada. Although the Company held less than 20% of the ownership interest and voting control of Whistler, the Company had the ability to exercise significant influence through its power to elect board members. The Company fully divested of its investment in Whistler during the nine months ended September 30, 2019.

(c) Advances to Joint Ventures

	NatuEra Colombia (i)	MedMen Canada (ii)	Cronos GrowCo	Cronos Australia (iii)	Total
As of January, 1 2019	$ —	$ 1,244	$ 2,970	$ 475	$ 4,689
Advances (repayments)	220	(9)	15,466	274	15,951
Advances to joint ventures recovered from (applied to) carrying amount of investments	(220)	36	22	(764)	(926)
Change due to currency translation		36	150	15	201
As of September 30, 2019	$ —	$ 1,307	$ 18,608	$ —	$ 19,915

	NatuEra Colombia (i)	MedMen Canada (ii)	Cronos GrowCo	Cronos Australia (iii)	Total
As of January 1, 2018	$ —	$ —	$ —	$ —	$ —
Advances (repayments)	—	1,373	9	696	2,078
Change due to currency translation	—	(4)	—	(2)	(6)
As of September 30, 2018	$ —	$ 1,369	$ 9	$ 694	$ 2,072

(i) $226 (December 31, 2018 – $nil) is governed by an unsecured promissory note bearing interest at a rate of 1% per annum. The loan is due January 25, 2020.

(ii) Advance is unsecured, non-interest bearing, and there are no terms of repayment.

(iii) A$1,500 governed by an unsecured loan bearing interest at a rate of 12% per annum, calculated and compounded daily, in arrears, on the amounts advanced from the date of each advance. The loan is due on January 1, 2022. If the loan is overdue, the outstanding amount bears interest at an additional 2% per annum. Advances in excess of the loan amount are unsecured, non-interest bearing, and there are no terms of repayment.

7. Other Investments

Other investments consist of investments in common shares and warrants of several companies in the cannabis industry. At December 31, 2018 the investment balance consisted only of shares in Canopy Growth Corporation which are quoted in an active market as of the relevant period end date and, as a result, had a reliably measurable fair value as of such period end date, with changes in the fair value recorded through profit or loss. Upon adoption of ASU 2016-01, as at January 1, 2018, the gains and losses on the Canopy investment were reclassified from fair value through other comprehensive income to fair value through net income.

During the nine months ended September 30, 2019, the Company sold all remaining 11,062 common shares of Canopy for gross proceeds of $355 (2018 – 18,436 shares for gross proceeds of $543).

In connection with the divestiture of the investment in Whistler described in Note 6, the Company received 2,524,341 common shares of Aurora. During the nine months ended September 30, 2019, the Company sold all 2,524,341 common shares of Aurora, for gross proceeds of $19,259.

During the nine months ended September 30, 2018, the Company exercised 182,927 share warrants for aggregate consideration of $90, for additional common shares of Vivo. Prior to the exercise, the share warrants were revalued to fair value using the Black-Scholes option pricing model. These Vivo shares were revalued to their fair value at the end of the period, with changes in the fair value recorded through profit or loss. Subsequently, the Company sold all of its shares of Vivo for proceeds of $220.

8. Accumulated Other Comprehensive Income (Loss)

The following is a continuity schedule of accumulated other comprehensive income (loss):

	Nine months ended September 30,		Three months ended September 30,	
	2019	2018	2019	2018
Net unrealized gain (loss) on revaluation and disposal of other investments				
Balance at beginning of period	$ 5	$ 446	$ 5	$ 2
Cumulative effect from adoption of ASU 2016-01	—	(444)	—	—
Balance at September 30	5	2	5	2
Net foreign exchange gain (loss) on translation of foreign operations				
Balance at beginning of period	(9,875)	2,456	11,968	(4,188)
Net unrealized (loss) gain	9,429	(3,829)	(12,414)	2,815
Balance at September 30	(446)	(1,373)	(446)	(1,373)
Total other comprehensive income (loss)	$ (441)	$ (1,371)	$ (441)	$ (1,371)

9. Loans Receivable

	As of			
	September, 2019		December 31, 2018	
Current portion				
NatuEra series A loan(i)	$	4,575	$	—
Evergreen loan(ii)		—		230
Add: accrued interest		19		—
Total current portion of loans receivable		4,594		230
Long term portion				—
Cronos GrowCo credit facility(iii)		20,734		—
2645485 Ontario Inc. ("Mucci) promissory note(iv)		12,349		—
Add: accrued interest		212		—
Total long term portion of loans receivable		33,295		—
Total loans receivable	$	37,889	$	230

(i) On September 27, 2019, the Company entered into a master loan agreement (the "series A loan") for $4,575 with NatuEra with effect as of August 29, 2019. The total series A loan is $9,150, of which the Company has committed to fund 50% and its joint venture partner has committed to fund the remaining 50%. The outstanding principal amount bears interest at a fixed annual rate of 5.67% with a maturity date of August 29, 2020.

(ii) On June 9, 2014, the Company entered into a general service agreement with Evergreen Medicinal Supply Inc. ("Evergreen") for $194. The loan is due on demand and accrued interest at a fixed annual rate of 8%, up to March 31, 2017, calculated and payable annually in arrears. During the three and nine months ended September 30, 2019, the Company received cash repayment of $230 on the loan receivable from Evergreen.

(iii) On August 23, 2019, the Company entered into a credit agreement with Cronos GrowCo in respect of a C$100,000 ($75,530) secured non-revolving term loan credit facility (the "credit facility"). The credit facility will mature on March 31, 2031 and will bear interest at varying rates based on the Canadian prime rate. Interest began to accrue as of the closing date and is payable on a quarterly basis until maturity, except that any interest accrued prior to March 31, 2021 will be payable not later than December 31, 2021.The principal is payable on a quarterly basis commencing on March 31, 2021. The credit facility is secured by substantially all present and after acquired property of Cronos GrowCo and its subsidiaries. Mucci, the other 50% shareholder of Cronos GrowCo, has provided a limited recourse guarantee in favour of the Company, secured by Mucci's shares in Cronos GrowCo.

As at September 30, 2019, Cronos GrowCo had drawn C$27,450 (U$20,734) from the credit facility.

(iv) On June 28, 2019, the Company entered into a promissory note receivable agreement (the "promissory note") for C$16,350 ($12,349) with Mucci. The outstanding principal amount of the promissory note bears interest at 3.95% and is due within 90 days of demand. The Company does not intend to demand the loan within 12 months. Interest accrued under the promissory note until July 1, 2021 shall be satisfied by a way of capitalization on the principal amount and interest thereafter shall be paid in cash on a quarterly basis. The loan is secured by a general security agreement covering all assets of Mucci.

10. Loans Payable

On August 23, 2017, Peace Naturals, as borrower, signed a construction loan agreement with Romspen Investment Corporation as lender, to borrow C$40,000 ($31,860), to be funded by way of multiple advances. The aggregate advances were limited to C$35,000 ($27,877) until the lender received an appraisal valuing the property in British Columbia at an amount of not less than C$8,000 ($6,372). The loan bore interest at a rate of 12% per annum, calculated and compounded monthly, in arrears, on the amounts advanced from the date of each advance. The term of the loan was two years, with the borrower's option to extend for another twelve months.

As of December 31, 2018, C$20,951 ($15,625) was outstanding relating to the construction loan payable, including accrued interest of C$121 ($89) and transaction costs of C$481 ($353), in addition to C$7,887 ($5,783) of holdback payable relating to the loan. These amounts payable are included in Accounts payable and other liabilities.

On January 23, 2019, the Company entered into a credit agreement with Canadian Imperial Bank of Commerce, as administrative agent and lender, and the Bank of Montreal, as lender, in respect of a C$65,000 ($48,715) secured non-revolving term loan credit facility (the "Credit Facility"). The Company used the funds available under the Credit Facility to fully repay the construction loan payable, consisting of C$21,311 ($15,971) in loan principal and C$275 ($206) in accrued interest and fees, calculated for the period from January 1, 2019 to January 22, 2019.

On March 8, 2019, the Credit Facility was fully repaid. In connection to the Credit Facility, the Company incurred financing costs of C$523 ($395) which were expensed upon repayment of the Credit Facility.

As at September 30, 2019, the construction loan and holdback payable are both $nil and included within the balance of Accounts payable and other liabilities.

11. Derivative Liabilities

On March 8, 2019, the Company closed the previously announced investment in the Company (the "Altria Investment") by Altria Group, Inc. ("Altria"), pursuant to a subscription agreement dated December 7, 2018. The Altria Investment consists of 149,831,154 common shares of the Company, refer to Note 14, and one warrant of the Company (the "Altria Warrant"), refer to Note 11(a), issued to a wholly owned subsidiary of Altria. As of the closing date, Altria beneficially held an approximate 45% ownership interest in the Company (calculated on a non-diluted basis). As summarized in this note, if exercised in full on such date, the exercise of the Altria Warrant would result in Altria holding a total ownership interest in the Company of approximately 55% (calculated on a non-diluted basis). Pursuant to the investor rights agreement between the Company and Altria, entered into in connection with the closing of the Altria Investment (the "Agreement"), 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 Agreement and the Altria Warrant, as applicable.

(a) The Altria Warrant entitles the holder, subject to certain qualifications and limitations, to subscribe for and purchase up to an additional 10% of the common shares of Cronos (73,990,693 common shares as at March 31, 2019) at a per share exercise price of C$19.00 , which expires at 5:00 p.m. (Toronto time) on March 8, 2023. The number of common shares of the Company to which the holder is entitled, and the corresponding exercise price, is subject to adjustment in the event of a share dividend, share issuance, distribution, or share subdivision, split or other division, share consolidation, reverse-split or other aggregation, share reclassification, a capital reorganization, consolidation, amalgamation, arrangement, binding share exchange, merger or other combination, certain securities issuances, repurchases, redemptions or certain other actions that would result in a reduction in the number of common shares of the Company outstanding, in each case, executed by the Company. If and whenever there is a reclassification of the common shares or a capital reorganization of the Company, or a consolidation, amalgamation, arrangement, binding share exchange or merger of the Company, in each case executed by the Company and pursuant to which (i) in the event the consideration received by the Company's shareholders is exclusively cash, the Company or the successor entity (as applicable) is required to purchase the Altria Warrant in cash equal to the amount by which the purchase price per share paid for the common shares acquired exceeds the exercise price of the Altria Warrant multiplied by the number of common shares that would have been issuable upon exercise of the Altria Warrant immediately prior to any such transaction, and (ii) in the event the consideration received by the Company's shareholders is not exclusively cash, the Altria Warrant will remain outstanding in accordance with its terms until any subsequent exercise of the Altria Warrant, at which time the holder thereof will receive in lieu of each share that would have been issuable upon the exercise of the Altria Warrant immediately prior to any such transaction, the kind and amount of cash, the number of shares or other securities or property resulting from any such transaction, that such holder would have been entitled to receive had such holder been the registered holder of such shares that would have been issuable upon the exercise of the Altria Warrant on the record date or effective date of the transaction (as applicable).

(b) The Company granted to Altria, subject to certain qualifications and limitations, upon the occurrence of certain issuances of common shares of the Company executed by the Company (including issuances pursuant to the research and development partnership with Ginkgo Bioworks Inc. (the "Ginkgo Agreement") 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 shares so issued by the Company ("Pre-emptive Rights"), at the same price per common share of the Company at which the common shares of the Company are sold in the relevant issuance; provided that the price per common share of the Company to be paid pursuant to its exercise of its Pre-emptive Rights related to the Ginkgo Agreement will be C$16.25 per common share of the Company. These rights may not be exercised if Altria's ownership percentage of the issued and outstanding shares of the Company falls below 20%.

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

    The price per common share to be paid by Altria pursuant to the exercise of its Top-up Rights will be, subject to certain limited exceptions, the 10-day volume-weighted average price of the common shares of the Company on the TSX at the time of exercise; provided that the per 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 are

outstanding as of March 8, 2019 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%.

The Altria Warrant, Pre-emptive Rights, and fixed price Top-up Rights have been classified as derivative liabilities; related transaction costs of $22,355 have been expensed as financing costs. A reconciliation of the carrying amounts from the date of initial recognition, March 8, 2019, to September 30, 2019 is presented below:

	As of March 8, 2019	Gain on revaluation	Exercise of Rights	Foreign exchange impact	As of September 30, 2019
(a) Altria Warrant	$ 1,086,920	$ (785,560)	$ —	$ 13,611	$ 314,971
(b) Pre-emptive Rights	92,548	(73,941)	—	1,143	19,750
(c) Top-up Rights	386,152	(298,507)	(14,850)	4,511	77,306
	$ 1,565,620	$ (1,158,008)	$ (14,850)	$ 19,265	$ 412,027

The following is a reconciliation of the carrying amounts for the three months ended September 30, 2019:

	As of July 1, 2019	Gain on revaluation	Exercise of Rights	Foreign exchange impact	As of September 30, 2019
(a) Altria Warrant	$ 763,133	$ (440,987)	$ —	$ (7,175)	$ 314,971
(b) Pre-emptive Rights	61,382	(41,070)	—	(562)	19,750
(c) Top-up Rights	244,355	(150,425)	(14,391)	(2,233)	77,306
	$ 1,068,870	$ (632,482)	$ (14,391)	$ (9,970)	$ 412,027

Fluctuations in the Company's share price are a primary driver for the changes in the derivative valuations during each reporting period. During the period ended September 30, 2019, the Company's share price decreased significantly from initial valuations made at the time of closing of the Altria Investment. As the share price decreases for each of the related derivative instruments, the value to the holder of the instrument generally increases. Share price is one 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 as at March 8, 2019 and September 30, 2019, applying the following inputs:

	As of March 8, 2019			As of September 30, 2019		
	Altria Warrant	Pre-emptive Rights	Top-up Rights	Altria Warrant	Pre-emptive Rights	Top-up Rights
Share price at grant date (per share in C$)	$ 29.15	$ 29.15	$ 29.15	$ 11.97	$ 11.97	$ 11.97
Subscription price (per share in C$)	$ 19.00	$ 16.25	$ 16.25	$ 19	$ 16.25	$ 16.25
(i) Weighted average risk-free interest rate	1.65%	1.64%	1.64%	1.49%	1.65%	1.61%
(ii) Weight average expected life (in years)	4.00	2.00	2.68	3.43	1.50	1.91
(iii) Expected annualized volatility	80%	80%	80%	82%	82%	82%
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.

(ii) The expected life in years represents the period of time 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.

(iii) Volatility was based on the blended historical volatility levels of the Company and peer companies.

The following table quantifies each of the significant unobservable inputs described above and provides a sensitivity analysis of the impact on the reported values of the derivative liabilities. The sensitivity analysis for each significant input is performed by assuming a 10% change in the input while other significant inputs remain constant at management's best estimate as of the respective dates. As at March 8, 2019, there would be an equal but opposite impact on share capital, refer to Note 14, and as at September 30, 2019, there would be an equal but opposite impact on net income (loss).

	Decrease (Increase) at March 8, 2019			Decrease (Increase) at September 30, 2019		
	Altria Warrant	Pre-emptive Rights	Top-up Rights	Altria Warrant	Pre-emptive Rights	Top-up Rights
Share price at issuance date	$ 138,098	$ 13,183	$ 52,113	$ 46,496	3,748	$ 13,567
Weighted average expected life	31,021	2,591	9,687	20,080	2,332	2,807
Expected annualized volatility	56,958	3,743	16,493	37,917	2,596	9,553

These inputs are level 3 on the fair value hierarchy, and are subject to volatility and several uncontrollable factors, which could significantly affect the fair value of these derivative liabilities in future periods.

12. Property, Plant and Equipment

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

	As of	
	September 30, 2019	December 31, 2018
Cost		
Land	$ 3,672	$ 2,451
Building	149,404	15,875
Furniture and equipment	10,235	4,788
Computer equipment	826	340
Leasehold improvements	2,608	1,161
Construction in progress	3,833	103,728
Less: accumulated depreciation and amortization	(7,224)	(2,438)
Total	$ 163,354	$ 125,905

During the nine months ended September 30, 2019, there were non-cash additions from the amortization of capitalized transaction costs and the capitalization of accrued interest to construction in progress and building structures amounting to $516 (2018 – $420). In addition, advances from non-controlling interests accrued interest of $61 (2018 – $nil) which were capitalized to building structures during the nine months ended September 30, 2019. Additions also include property, plant and equipment purchased from the Apotex Fermentation Inc. Asset Purchase Agreement that closed in July 2019. During the nine months ended September 30, 2019, $1,628 (2018 – $104) of the current period's depreciation expense was recorded as part of cost of sales. An additional $3,918 (2018 – $533) of depreciation expense was capitalized to inventory.

13. Intangible Assets and Goodwill

(a) Intangible Assets

Intangible assets are comprised of the following items:

	Weighted Average Amortization Period (in years)	As of September 30, 2019			As of December 31, 2018		
		Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Software	N/A	$ 784	$ 177	$ 607	$ 264	$ 53	$ 211
Health Canada licenses	17	8,480	838	7,642	8,217	465	7,752
Lord Jones™ brand	N/A	64,000	—	64,000	—	—	—
Israeli codes (i)	25	296	—	296	274	—	274
		$ 73,560	$ 1,015	$ 72,545	$ 8,755	$ 518	$ 8,237

(i) Israeli codes were transferred by non-controlling interests to Cronos Israel in exchange for their equity interests in the Cronos Israel entities specified above. The corresponding facilities are currently under construction. Amortization will begin when the facilities are available for use.

The net carrying value of intangible assets as of September 30, 2019 includes $296 (2018 – $274) of intangible assets in progress, relating to the Israel code.

The aggregate amortization for the period was $480 (2018 – $410). Intangible asset additions in the nine months ended September 30, 2019 included the Lord Jones™ brand for $64,000. There were no intangible asset disposals in the nine months ended September 30, 2019.

The amortization expense for the next 5 five years on intangible assets in use is estimated to be as follows: 2020 – $531; 2021 – $520; 2022 – $496; 2023 – $480; and 2024 – $479.

(a)Goodwill

	As of December 31, 2018	Additions	Change due to currency translation	As of September 30, 2019
OGBC	$ 287	$ —	$ 9	$ 296
Peace Naturals	1,027	—	29	1,056
Redwood	—	213,273		213,273
	$ 1,314	$ 213,273	$ 38	$ 214,625

14. Capital Stock

(a) Common shares

The Company is authorized to issue an unlimited number of no par value common shares.

The holders of the common shares are entitled to receive dividends, which may be declared from time to time, and are entitled to one vote per share at shareholder meetings of the Company. All common shares are ranked equally with regards to the Company's residual net assets.

During the three months ended September 30, 2019, the Company issued 5,086,586 common shares as part of the purchase consideration for the acquisition of Redwood, refer to Note 18.

During the nine months ended September 30, 2019, the Company issued 149,831,154 common shares in connection with the Altria Investment. The total gross proceeds received by the Company were $1,809,556, which was first allocated to the derivative liabilities issued in connection with the Altria Investment, and the residual of $248,302 was allocated to share capital. Pursuant to the Altria Investment, the Company incurred transaction costs of

$25,223, of which $3,642 was allocated to share capital and $21,581 to the derivative liabilities based on the relative fair values assigned to the respective components. During the three and nine months ended September 30, 2019, the Company issued 2,514,459 and 2,565,397 common shares upon Altria's exercise of Top-up Rights, respectively, for gross cash proceeds of $30,947 and $31,566, in addition to $14,391 and $14,943 partial extinguishment of derivative liability respectively. During the nine months ended September 30, 2018, the Company issued 15,677,143 common shares for aggregate gross proceeds of $115,510 through a bought deal offering.

There were no share repurchases during the nine months ended September 30, 2019 and 2018.

(b) Top-up Rights – market price

As part of the Altria Investment, the Company granted Top-up Rights to Altria see Note 11. For options or warrants granted after

March 8, 2019, 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 at the time of exercise. No value is assigned to these rights until they are exercised. These rights may not be exercised if Altria's ownership percentage of the issued and outstanding shares of the Company falls below 20%.

15. Share-based Payments

(a) Warrants

The following is a summary of the changes in warrants during the nine months ended September 30, 2019 and 2018:

	Weighted average exercise price (C$)		Number of warrants
Balance at January 1, 2019	$	0.26	25,457,623
Exercise of warrants		0.26	(7,390,961)
Balance at September 30, 2019	$	0.26	18,066,662
Balance at January 1, 2018	$	0.24	38,654,654
Exercise of warrants		0.22	(13,114,336)
Expiry of warrants		0.26	(82,695)
Balance at September 30, 2018	$	0.25	25,457,623

As of September 30, 2019 2019, the Company had outstanding warrants as follows:

Grant Date	Expiry date	Number of warrants	Weighted average exercise price (C$)	
October 8 – 28, 2015	October 8 – 28, 2020	2,976,610	$	0.31
May 13 – 27,2016	May 13 – 27, 2021	15,090,052		0.25
		18,066,662	$	0.26

(b) Stock options

(i) Stock option plans

The Company adopted an amended and restated stock option plan dated May 26, 2015 (the **"**2015 Stock Option Plan**"**) which was approved by shareholders of the Company at the annual general meeting of shareholders held on June 28, 2017. The 2015 Stock Option Plan allowed the Board to award options to purchase shares to directors, officers, key employees and service providers of the Company.

On June 28, 2018, the shareholders of the Company approved a new stock option plan (the "2018 Stock Option Plan") under the terms and valuation methods detailed in the Annual Financial Statements. For the nine months ended September 30, 2019, the total stock-based compensation expense associated with the stock option plans $7,949 (2018 – $5,969).

(ii) Summary of changes

The following is a summary of the changes in options during the three months ended September 30, 2019 and 2018:

	Weighted average exercise price (C$)		Number of options	Weighted average remaining contractual term (years)	Aggregate intrinsic value (C$)	
Balance at January 1, 2019	$	2.99	12,902,995	3.35	$	146,965
Issuance of options		20.08	1,534,162	—		—
Exercise of options and SARs		3.72	(254,199)	—		—
Cancellation of options		0.00	(5,083)	—		—
Balance at September 30, 2019	$	4.83	14,177,875	2.81	$	87,477
Exercisable at September 30, 2019	$	2.66	7,442,390	2.47	$	62,144
Balance at January 1, 2018	$	2.05	11,603,750	4.05	$	89,233
Issuance of options		7.98	1,830,000	0.00		—
Exercise of options		1.38	(572,383)	0.00		—
Cancellation of options		2.92	(12,792)	0.00		—
Balance at September 30, 2018	$	2.92	12,848,575	3.58	$	146,859
Exercisable at September 30, 2018	$	2.17	4,854,301	3.36	$	59,125

The weighted average share price at the dates the options were exercised during the nine months ended September 30, 2019 was C$24.42 per share (2018 – C$9.17 per share).

(iii) Fair value of options issued

The fair value of the options issued was determined using the Black-Scholes option pricing model, using the following inputs:

	2019	2018
Share price at grant date (per share)	$15.34 -24.75	C$7.57 – $14.70
Exercise price (per option)	C$15.34 - $24.75	C$7.57 – $14.70
Risk-free interest rate	1.39% - 1.62%	2.01% -2.45%
Expected life of options (in years)	5	5-7
Expected annualized volatility	89%	55%
Expected dividend yield	—%	—%
Weighted average Black-Scholes value at grant date (per option)	C$10.60 - $15.91	C$3.72 - $8.42
Forfeiture rate	—	—

The expected life of the awards represents the period of time stock options are expected to be outstanding and is estimated considering vesting terms and employees' and non-employees' historical exercise and post-vesting employment termination behavior. Volatility was estimated by using the historical volatility of the Company, adjusted for the Company's expectation of volatility going forward. The risk-free interest rate was based on the Bank of Canada government bonds with a remaining term equal to the expected life of the options at the grant date.

(c) Restricted stock units

On September 5, 2019, the Company issued an aggregate of 732,972 restricted stock units ("RSUs") to certain employees in connection with the acquisition of Redwood and pursuant to Employment Inducement Award Plan. Each RSU entitles the holder to receive upon vesting one common share of the Company. The fair value of these RSUs has been determined based on the quoted market price on the date of issuance of C$15.34 per share. The RSUs vest over a three-year period following the grant date and have no performance requirements. For the three and nine months ended September 30, 2019, the Company recorded $186 (2018 – $nil) in share-based compensation expense related to these RSUs.

The following is a summary of the changes in RSUs from January 1, 2019 to September 30, 2019:

	Number of RSU's	Share based reserve
Balance at January 1, 2019	$ —	$ —
Issuance of RSU's	732,972	—
Vesting of issued RSU's	—	186
Balance at September 30, 2019	$ 732,972	$ 186

No RSUs were granted or outstanding during 2018.

(d) Deferred share units

On August 10, 2019, the Company established a cash-settled DSU plan for its non-executive directors. The DSU plan is designed to promote a greater alignment of long-term interests between non-executive directors and shareholders. The number of DSUs granted (including fractional DSUs) is determined by dividing the amount of remuneration payable by the closing price as reported by the TSX on the trading day immediately preceding the day of grant. DSUs are payable at the time a non-executive director ceases to hold the office of director for any reason and are settled by a lump-sum cash payment, based on the value of the DSUs at such time. The value of the cash payout is determined by multiplying the number of DSUs vested at the payout date by the closing price as reported by the TSX on the trading day immediately preceding the payout date. The fair value of the payout is determined at each reporting date based on the fair value of the Company's common shares at the reporting date and is recorded within other liabilities.

The following is a summary of the changes in DSUs from January 1, 2019 to September 30, 2019:

	Number of DSU's	Financial liability
Balance at January 1, 2019	$ —	$ —
Granting and vesting of DSU's	33,937	454
Gain on revaluation	—	(147)
Balance at September 30, 2019	$ 33,937	$ 307

No DSUs were granted or outstanding during 2018.

16. Earnings (loss) per Share

Basic and diluted earnings (loss) per share are calculated using the following numerators and denominators:

	For the nine months ending September 30,		For the three months ending September 30,	
	2019	2018	2019	2018
Basic earnings (loss) per share computation				
Net income (loss) attributable to common shareholders of Cronos Group	$ 1,104,501	$ (12,078)	$ 604,410	$ (4,738)
Weighted average number of common shares outstanding	297,964,058	170,097,232	338,957,949	177,483,122
Basic earnings (loss) per share	$ 3.71	$ (0.07)	$ 1.78	$ (0.03)
Diluted earnings (loss) per share computation				
Net income (loss) used in the computation of basic earnings (loss) per share	$ 1,104,501	$ (12,078)	$ 604,410	$ (4,738)
Adjustment for gain on revaluation of derivative liabilities	(798,799)	—	(448,041)	—
Net income (loss) used in the computation of diluted income (loss) per share	$ 305,702	$ (12,078)	$ 156,369	$ (4,738)
Weighted average number of common shares outstanding used in the computation of basic earnings (loss) per share	297,964,058	170,097,232	338,957,949	177,483,122
Dilutive effect of warrants	20,080,244	—	17,792,227	—
Dilutive effect of stock options and share appreciation rights	11,030,736	—	10,435,804	—
Dilutive effect of restricted share units	732,972	—	732,972	—
Dilutive effect of Altria Warrant	1,833,853	—	—	—
Dilutive effect of Top-up Rights - exercised and exercisable fixed price	1,976,828	—	1,349,720	—
Weighted average number of common shares for computation of diluted income (loss) per share	333,618,691	170,097,232	369,268,672	177,483,122
Diluted earnings (loss) per share	$ 0.92	$ (0.07)	$ 0.42	$ (0.03)

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

	Nine months ended September 30,		Three months ended September 30,	
	2019	2018	2019	2018
Ginkgo Equity Milestones	14,674,904	—	14,674,904	—
Pre-emptive Rights	12,006,740	—	12,006,740	—
Altria Warrant	—	—	76,392,046	—
Top-up Rights - fixed price	25,126,670	—	25,126,670	—
Top-up Rights - market price	1,255,223	—	1,255,223	—
Stock options	51,830	12,848,575	1,346,902	12,848,575
Warrants	—	25,457,623	—	25,457,623
Total anti-dilutive securities	53,115,367	38,306,198	130,802,485	38,306,198

17. Segment Reporting

Segment reporting is prepared on the same basis that the Company's chief operating decision makers (the "CODMs") manages the business, makes operating decisions and assesses the Company's performance. The Company undertook a realignment of its management structure along geographic regions in September 2019. As a result, effective September 2019, the Company's results are reported through the following operating segments: United States and Rest of World. Prior to this, the Company determined that it had one reportable segment, relating to production and sale of cannabis through the Company's wholly-owned subsidiaries, OGBC and Peace Naturals.

The United States operating segment consists of the manufacture and distribution of hemp-derived CBD infused products. The Rest of World operating segment is involved in the cultivation, manufacture, and marketing of cannabis and cannabis-derived products for the medical and adult-use markets. These two segments represent the geographic regions in which the Company operates and the different product offerings within each geographic region. The results of each segment are regularly reviewed by the CODMs to assess the performance of the segment and make decisions regarding the allocation of resources. The CODMs reviews operating income (loss) as the measure of segment profit or loss to evaluate performance of and allocate resources for its reportable segments. Operating income (loss) is defined as net revenue less cost of sales and operating expenses.

Reporting by operating segments follows the same accounting policies as those used to prepare the consolidated financial statements. The operating segments are presented in accordance with the same criteria used for internal reporting prepared for the CODMs. Inter-segment transactions are recorded at the stated values as agreed to by the segments.

Segment data was as follows for the three months ended September 30, 2019:

	Three months ended September 30, 2019			
	United States	Rest of World	Corporate	Total
Consolidated statements of net income (loss) and comprehensive income (loss)				
Net revenue				
Cannabis flower	$ —	$ 4,639	$ —	$ 4,639
Cannabis extracts	—	454	—	454
Other	675	17	—	692
Net revenue	675	5,110	—	5,785
Equity income (loss)	—	(565)	—	(565)
Interest revenue	—	9,130	—	9,130
Interest expense	—	191	—	191
Net interest income (expense)	—	8,939	—	8,939
Depreciation and amortization	5	591	—	596
Income tax (benefit) expense	—	58	—	58
Net income (loss)	326	612,442	(8,640)	604,128
Consolidated balance sheets				
Total assets	$ 294,651	$ 299,866	$ 1,484,379	$ 2,078,896
Investments in equity accounted investees	—	1,049	—	1,049
Goodwill	213,320	1,305	—	214,625
Purchase of property, plant and equipment	2,038	35,584	—	37,622

Sources of net revenue before excise taxes for the nine months ended September 30, 2019 were as follows:

	Nine months ended September 30,		Three months ended September 30,	
	2019	2018	2019	2018
Cannabis flower	$ 13,285	6,177	$ 4,668	$ 2,004
Cannabis extracts	3,642	1,519	904	821
Other	797	140	697	52
Net Revenue before excise taxes	$ 17,724	$ 7,836	$ 6,269	$ 2,877

18. Business Combination

On September 5, 2019, the Company closed the acquisition (the "Redwood Acquisition") of four Redwood Holding Group, LLC operating subsidiaries (collectively, "Redwood"). Redwood manufactures, markets and distributes U.S. hemp-derived supplements and cosmetics product that are through e-commerce, retail and hospitality channels in the U.S. under the brand Lord Jones™. Redwood's products use pure U.S. hemp extract that contains natural phytocannabinoids and terpenes found in the plant. The Company plans to leverage Redwood's capabilities to capitalize on the significant demand to further create and scale U.S. hemp-derived consumer products and brands.

The Company acquired all the issued and outstanding shares of each of the four operating subsidiaries for an aggregate consideration of $283,159, which included $227,224 in cash and 5,086,586 common shares of the Company with a fair value of $56,109. The fair value of the shares issued as part of the consideration paid was based on the volume weighted average trading price of the common shares on Nasdaq on each of the ten consecutive trading days prior to the date of the Membership Interest Purchase Agreement dated August 1, 2019 (the "MIPA"), by and among the Company, Redwood Holding Group, LLC, and certain Key Persons solely for the purposes as described in the MIPA, at C$14.74 per share.

The Redwood acquisition was unanimously approved by the board of directors of Redwood Holdings Group, LLC and by the Board following the unanimous recommendation of a special committee of independent directors ("Special Committee"). A Special Committee composed entirely of independent directors of the Company was formed to evaluate and make recommendations to the Board since since one of our directors, Jason Adler, and Michael Gorenstein, our Chairman, President and Chief Executive Officer, each hold an indirect interest in Redwood Holding Group, LLC by way of their interest in certain funds affiliated with Gotham Green Partners, which funds were equity holders in Redwood Holding Group, LLC. Jason Adler, is the co-founder and Managing Member of Gotham Green Partners, a private equity firm focused primarily on early-stage investing in companies in the cannabis industry, and Michael Gorenstein, is a co-founder and non-managing Member of Gotham Green Partners.

The Redwood Acquisition was accounted for as a business combination as defined in ASC 805 Business Combinations. As a result of the change in control of Redwood, the assets and liabilities of Redwood are recorded at fair value in the consolidated statements of the Company. The following table summarizes the Company's preliminary allocation of the purchase price to assets acquired and liabilities assumed at the acquisition date.

		September 5, 2019
Fair value of net assets acquired		
Cash	$	2,957
Accounts receivable (i)		646
Prepaid expenses and other assets		205
Inventory		2,806
Property and equipment		1,890
Right-of-use assets		3,533
Intangible assets (ii)		64,037
Goodwill		213,274
Accounts payable and accrued liabilities		(2,688)
Lease obligations		(3,500)
	$	283,160

(i) The fair value of acquired accounts receivable is $646. No loss allowance has been recognized on acquisition.

(ii) Intangible assets include the fair value of brand name of 64,000, the remaining balance relates to software.

For the three and nine months ended September 30, 2019, acquisition-related costs of $5,994 and $8,653 are included in financing and transaction costs respectively. During the period from September 5, 2019 to September 30, 2019, the Company recognized $678 in revenues and a net loss of $326 from Redwood operations. If the acquisition had occurred on January 1, 2019, the Company estimates it would have recorded an increase of $9,577 in revenues and an increase of $1,473 in net income for the nine months ended September 30, 2019.

There were no business combinations during the three and nine months ended September 30, 2018.

19. Commitments and Contingencies

(a) R&D Commitments

(i) *Ginkgo*. On September 4, 2018, the Company announced a research and development partnership with Ginkgo Bioworks Inc.(**"**Ginkgo") to develop scalable and consistent production of a wide range of cannabinoids, including THC, CBD and a variety of other lesser known and rarer cannabinoids. As part of this partnership, Cronos Group has agreed to issue up to 14,674,904 common shares of the Company (aggregate value of approximately $100,000 as of July 17, 2018 assuming all milestones are met) ("Ginkgo Equity Milestones") in tranches and $22,000 in cash subject to Ginkgo's achievement of certain milestones ("Ginkgo Research and Development Milestones") and to fund certain R&D expenses, including foundry access fees. On May 9, 2019, the Ginkgo Agreement was amended to expand the scope of services provided by Ginkgo to include support for the Company's commercialization of cultured cannabinoids, including the provision of certain development, scale up, and manufacturing services by Ginkgo to the Company related to deployment and commercialization of developed products.

(ii) *Technion.* On October 15, 2018, the Company announced a sponsored research agreement with the Technion Research and Development Foundation of the Technion - Israel Institute of Technology ("Technion"). Research will be focused on the use of cannabinoids and their role in regulating skin health and skin disorders. The Company has committed to $1,784 of research funding over a period of three years. From October 9, 2018 to September 30, 2019, the Company paid a total of $598 in research funding. An additional $4,900 of cash payments will be paid to Technion upon the achievement of certain milestones.

(b) Purchase and Service Commitments

Altria Services. On February 18, 2019, the Company entered into an agreement with Altria Ventures Inc. ("Altria Ventures"), a wholly-owned subsidiary of Altria, to receive strategic advisory and project management services from Altria Ventures (the "Services Agreement"). Pursuant to the Services Agreement, the Company will pay Altria Ventures a monthly fee equal to the product of one hundred and five percent (105%) and the sum of: (i) all costs directly associated with the services incurred during the monthly period, and (ii) a reasonable and appropriate allocation of indirect costs incurred during the monthly period. The Company will also pay all third party direct charges incurred during the monthly period in connection with the services, including any reasonable and documented costs, fees and expenses associated with obtaining any consent, license or permit. The Services Agreement will remain in effect until terminated by either party.

(c) Supply Commitments

In May 2019, the Company announced a take or pay supply agreement with MediPharm Labs Inc. ("MediPharm") for cannabis concentrate. MediPharm will supply the Company with approximately C$30,000 of cannabis concentrate over 18 months, and, subject to certain renewal and purchase options, potentially up to C$60,000 over 24 months. In addition, the Company announced a tolling agreement with MediPharm, where the Company may supply bulk quantities of dried cannabis to MediPharm for processing on a fee for service basis into bulk resin or other cannabis oil derivative products.

(d) Contingencies

The Company is party to a number of lawsuits and threatened lawsuits arising in the ordinary course of business. Although the outcome of these matters cannot be predicted with certainty, management does not believe that resolution of these matters will have a material adverse effect on the Company's consolidated financial condition, but may be material to the Company's operating results for any particular reporting period depending, in part, on the results from that period.

20. Financial Instruments

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its operating activities, primarily accounts receivable and other receivables, and its investing activities, including cash held with banks and financial institutions, loan receivable, and advances to joint ventures. The Company's maximum exposure to this risk is equal to the carrying amount of these financial assets.

(i) Accounts receivable

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, 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. For

the three months ended September 30, 2019, the Company recognized an approximate expected credit loss allowance of $280 (December 31, 2018 – $37).

The Company has assessed that there is a concentration of credit risk, as 49% of the Company's accounts receivable were due from two customers as at September 30, 2019 (December 31, 2018 – 88% due from five customers) with an established credit history with the Company.

(ii) Cash

The Company held cash of $1,114,414 at September 30, 2019 (December 31, 2018 – $23,927). The cash is held with central banks and financial institution counterparties that are highly rated. To date, the Company has not experienced any losses on its cash deposits.

(iii) Advances to joint ventures

The Company has assessed that there has been no significant increase in credit risk of these advances from initial recognition based on the financial position, and the regulatory and economic environment of the borrowers. Based on historical information, and adjusted for forward-looking expectations, the Company has assessed an insignificant loss allowance on these advances as at September 30, 2019 and December 31, 2018.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due, and arises principally from the Company's accounts payable and other liabilities, holdbacks payable, government remittances payable, construction loan payable, and due to non-controlling interests. The Company's policy is to review liquidity resources and ensure that sufficient funds are available to meet financial obligations as they become due. Further, the Company's management is responsible for ensuring funds exist and are readily accessible to support business opportunities as they arise. The Company's funding is primarily provided in the form of capital raised through the issuance of common shares and warrants.

As at September 30, 2019, 51% of the Company's payables were due to one vendor (December 31, 2018 – 35% due to one vendor).

(c) Market risk

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

The Company previously managed market risk by having a portfolio of securities from multiple issuers, such that the Company was not singularly exposed to any one issuer. During the three months ended September 30, 2019, the Company substantially divested from its investments subject to market risk.

(d) Currency rate risk

Currency rate risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in foreign exchange rates. The Company is exposed to this risk on advances to joint ventures denominated in the A$ and dollars. The Company is further exposed to this risk through subsidiaries operating in Israel and the U.S. The Company does not currently use foreign exchange contracts to hedge its exposure to currency rate risk as management has determined that this risk is not significant at this point in time. As such, the Company's financial position and financial results may be adversely affected by the unfavorable fluctuations in currency exchange rates.

21. Fair Value Measurement

The Company complies with FASB 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. The following represents information about the Company’s assets that are measured at fair value on a recurring basis as of March 31, 2019 and December 31, 2018, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value.

Level 1 – Fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. In these consolidated financial statements, other investments (Canopy and Vivo shares) are included in this category.

Level 2 – Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. In these consolidated financial statements, Vivo share purchase warrants are included in this category.

Level 3 - Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and includes situations where there is little, if any, market activity for the asset or liability. In these consolidated financial statements the Altria derivative liabilities are included in this category.

There were no transfers between categories during the periods presented.

Balance sheet items which are dependent upon Level 3 fair value measurement include certain equity investments, as well as certain derivative liabilities.

22. Supplemental Cash Flow Information

The net changes in non-cash working capital items are as follow:

	For the nine months ended September 30,	
	2019	**2018**
Accounts receivable	$ (1,991)	$ (1,609)
Other receivables	(3,315)	(5,289)
Prepaids and other receivables	(5,930)	(7,330)
Current portion of loans receivable	(4,607)	
Inventory	(33,903)	(2,711)
Accounts payable and other liabilities	29,878	(3,848)
Holdbacks payable	(5,916)	567
Government remittances payable	(286)	—
Add back: net working capital assumed on acquisition	972	—
Total	$ (25,098) $	$ (20,220)

23. Non-monetary Transaction

On March 28, 2019, the Company entered into two transactions to simultaneously purchase and sell inventory to a third party. The Company purchased cannabis resin from the third party and in turn sold cannabis dry flower to the third party. The transactions involved the exchange of work in progress inventory and were accounted for in accordance with ASC 845 Non-monetary transactions at the carrying value of inventory transferred by the Company, which equaled the value of the cannabis resin received. No revenue was recognized as a result of this transaction and no gain or loss was recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss).

In September 2019, the Company entered into three transactions to simultaneously purchase and sell inventory to a third party. The Company purchased cannabis resin and cannabis tincture oil and in turn sold cannabis dry flower to the third party. The transactions involved the exchange of work in progress inventory and were accounted for in accordance with ASC 845 Non-monetary transactions at the carrying value of inventory transferred by the Company. $2.3 million was recognized in revenue as a result of this transaction and no gain or loss was recognized in the Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss).

24. Subsequent Events

These financial statements should be read in conjunction with the audited consolidated financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2019, which contain disclosures relating to subsequent events.