

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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2021

or

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

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

CRONOS GROUP INC.

(Exact name of registrant as specified in its charter)

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

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

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

M5V 2H1
(Zip Code)

416-504-0004

(Registrant's telephone number, including area code)

N/A

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

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

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

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

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

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

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

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

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

As of August 5, 2021, there were 371,805,547 common shares of the registrant issued and outstanding.

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

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

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

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

	As of		
	June 30, 2021	June 30, 2020	December 31, 2020
Average rate	1.2293	1.3856	1.3036
Spot rate	1.2395	1.3576	1.2751
Year-to-date average rate	1.2481	1.3646	1.3411

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

PART I
FINANCIAL INFORMATION

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Item 1. Financial Statements

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	As of June 30, 2021	As of December 31, 2020
	(Unaudited)	(Audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 895,181	\$ 1,078,023
Short-term investments	201,699	211,766
Accounts receivable, net	11,299	8,928
Other receivables	2,468	10,033
Current portion of loans receivable, net	5,028	7,083
Prepays and other current assets	10,153	11,161
Inventory, net	35,605	44,002
Held-for-sale assets	645	1,176
Total current assets	1,162,078	1,372,172
Advances to joint ventures	499	467
Investments in equity accounted investees, net	20,970	19,235
Other investments	110,392	—
Loan receivable, net	94,113	87,191
Property, plant and equipment, net	193,920	187,599
Right-of-use assets	6,687	9,776
Intangible assets, net	70,409	69,720
Goodwill	179,543	179,522
Total assets	\$ 1,838,611	\$ 1,925,682
Liabilities		
Current liabilities		
Accounts payable and other liabilities	\$ 29,829	\$ 42,102
Current portion of lease obligation	1,206	1,322
Derivative liabilities	169,563	163,410
Total current liabilities	200,598	206,834
Due to non-controlling interests	1,768	2,188
Lease obligation	6,333	8,492
Total liabilities	208,699	217,514
Commitments and contingencies (see Note 9)		
Shareholders' equity		
Share capital ^(i, ii)	572,858	569,260
Additional paid-in capital	32,368	34,596
Retained earnings	955,721	1,064,509
Accumulated other comprehensive income	71,729	42,999
Total equity attributable to shareholders of Cronos Group	1,632,676	1,711,364
Non-controlling interests	(2,764)	(3,196)
Total shareholders' equity	1,629,912	1,708,168
Total liabilities and shareholders' equity	\$ 1,838,611	\$ 1,925,682

⁽ⁱ⁾ Authorized for issuance as of June 30, 2021: unlimited and December 31, 2020: unlimited.

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

See notes to condensed consolidated financial statements.

Cronos Group Inc.
Condensed Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)
(In thousands of U.S dollars, except share and per share amounts, unaudited)

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	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net revenue, before excise taxes	\$ 18,848	\$ 11,432	\$ 33,502	\$ 20,776
Excise taxes	(3,226)	(1,549)	(5,269)	(2,461)
Net revenue	15,622	9,883	28,233	18,315
Cost of sales	19,445	9,743	35,019	16,689
Inventory write-down	11,961	3,062	11,961	11,024
Gross loss	(15,784)	(2,922)	(18,747)	(9,398)
Operating expenses				
Sales and marketing	13,209	6,501	23,463	13,613
Research and development ("R&D")	5,199	3,631	10,301	8,221
General and administrative	22,417	18,429	44,323	42,188
Share-based payments	2,565	2,546	5,064	4,982
Depreciation and amortization	1,043	679	1,778	1,366
Total operating expenses	44,433	31,786	84,929	70,370
Operating loss	(60,217)	(34,708)	(103,676)	(79,768)
Other income (loss)				
Interest income, net	2,293	3,734	4,622	11,485
Gain (loss) on revaluation of derivative liabilities	115,248	(35,880)	(1,626)	77,488
Impairment loss on long-lived assets	—	(40,000)	(1,741)	(40,000)
Share of loss from equity accounted investments	(1,115)	(794)	(2,758)	(1,966)
Other, net	1,127	(9)	911	785
Total other income (loss)	117,553	(72,949)	(592)	47,792
Income (loss) from continuing operations	57,336	(107,657)	(104,268)	(31,976)
Loss from discontinued operations	(561)	(46)	(582)	(46)
Net income (loss)	56,775	(107,703)	(104,850)	(32,022)
Net loss attributable to non-controlling interest	(279)	(726)	(592)	(1,085)
Net income (loss) attributable to Cronos Group	<u>\$ 57,054</u>	<u>\$ (106,977)</u>	<u>\$ (104,258)</u>	<u>\$ (30,937)</u>
Other comprehensive income (loss)				
Net income (loss)	\$ 56,775	\$ (107,703)	\$ (104,850)	\$ (32,022)
Other comprehensive income (loss):				
Foreign exchange gain (loss) on translation	13,470	51,871	29,754	(61,821)
Total other comprehensive income (loss)	13,470	51,871	29,754	(61,821)
Comprehensive income (loss)	70,245	(55,832)	(75,096)	(93,843)
Less: comprehensive income (loss) attributable to non-controlling interests	(394)	(762)	432	(1,098)
Comprehensive income (loss) attributable to Cronos Group	<u>\$ 70,639</u>	<u>\$ (55,070)</u>	<u>\$ (75,528)</u>	<u>\$ (92,745)</u>
Net income (loss) per share				
Basic and diluted - continuing operations	\$ 0.15	\$ (0.31)	\$ (0.28)	\$ (0.09)
Weighted average number of outstanding shares				
Basic	371,721,382	349,075,408	367,391,118	348,946,439
Diluted	375,349,856	349,075,408	367,391,118	348,946,439

See notes to condensed consolidated financial statements.

Cronos Group Inc.**Condensed Consolidated Statements of Changes in Equity****For the three months ended June 30, 2021 and 2020***(In thousands of U.S. dollars, except share amounts, unaudited)*

	Number of shares	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Non- controlling interests	Total shareholders' equity
Balance at April 1, 2021	371,656,590	\$ 584,912	\$ 32,090	\$ 895,503	\$ 58,144	\$ (2,370)	\$ 1,568,279
Warrants exercised	10,000	4	(2)	—	—	—	2
Vesting of options	—	—	1,864	—	—	—	1,864
Options exercised	80,603	102	(102)	—	—	—	—
Restricted share units settled	58,354	345	(345)	—	—	—	—
Withholding taxes paid on share-based awards	—	—	(183)	(63)	—	—	(246)
Vesting of restricted share units	—	—	701	—	—	—	701
Vesting of common shares issued in connection with the use of certain publicity rights in brand development	—	2,000	(1,655)	—	—	—	345
Top-up rights out-of-period adjustment	—	(14,505)	—	3,227	—	—	(11,278)
Net income (loss)	—	—	—	57,054	—	(279)	56,775
Foreign exchange gain (loss) on translation	—	—	—	—	13,585	(115)	13,470
Balance at June 30, 2021	<u>371,805,547</u>	<u>\$ 572,858</u>	<u>\$ 32,368</u>	<u>\$ 955,721</u>	<u>\$ 71,729</u>	<u>\$ (2,764)</u>	<u>\$ 1,629,912</u>
	Number of shares	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non- controlling interests	Total shareholders' equity
Balance at April 1, 2020	348,817,472	\$ 563,165	\$ 25,483	\$1,213,686	\$ (85,877)	\$ (1,189)	\$ 1,715,268
Vesting of options	—	—	1,770	—	—	—	1,770
Options exercised	1,068,930	1,329	(1,328)	—	—	—	1
Vesting of restricted share units	—	—	776	—	—	—	776
Vesting of common shares issued in connection with the use of certain publicity rights in brand development	—	—	345	—	—	—	345
Top-up rights exercised	—	717	—	—	—	—	717
Net loss	—	—	—	(106,977)	—	(726)	(107,703)
Foreign exchange gain (loss) on translation	—	—	—	—	51,907	(36)	51,871
Balance at June 30, 2020	<u>349,886,402</u>	<u>\$ 565,211</u>	<u>\$ 27,046</u>	<u>\$1,106,709</u>	<u>\$ (33,970)</u>	<u>\$ (1,951)</u>	<u>\$ 1,663,045</u>

See notes to condensed consolidated financial statements.

Cronos Group Inc.
Condensed Consolidated Statements of Changes in Equity
For the six months ended June 30, 2021 and 2020
(In thousands of U.S. dollars, except share amounts, unaudited)

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	Number of shares	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income	Non-controlling interests	Total shareholders' equity
Balance as of January 1, 2021	360,253,332	\$ 569,260	\$ 34,596	\$ 1,064,509	\$ 42,999	\$ (3,196)	\$ 1,708,168
Warrants exercised	7,842,859	1,165	(1,163)	—	—	—	2
Vesting of options	—	—	3,928	—	—	—	3,928
Options exercised	3,651,002	3,315	(3,305)	—	—	—	10
Restricted share units settled	58,354	345	(345)	—	—	—	—
Withholding taxes paid on share-based awards	—	—	(1,162)	(7,757)	—	—	(8,919)
Vesting of restricted share units	—	—	1,136	—	—	—	1,136
Vesting of common shares issued in connection with the use of certain publicity rights in brand development	—	2,000	(1,317)	—	—	—	683
Top-up rights out-of-period adjustment	—	(3,227)	—	3,227	—	—	—
Net loss	—	—	—	(104,258)	—	(592)	(104,850)
Foreign exchange gain on translation	—	—	—	—	28,730	1,024	29,754
Balance at June 30, 2021	<u>371,805,547</u>	<u>\$ 572,858</u>	<u>\$ 32,368</u>	<u>\$ 955,721</u>	<u>\$ 71,729</u>	<u>\$ (2,764)</u>	<u>\$ 1,629,912</u>

	Number of shares	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non-controlling interests	Total shareholders' equity
Balance as of January 1, 2020	348,817,472	\$ 561,165	\$ 23,234	\$ 1,137,646	\$ 27,838	\$ (853)	\$ 1,749,030
Vesting of options	—	—	3,500	—	—	—	3,500
Options exercised	1,068,930	1,329	(1,328)	—	—	—	1
Vesting of restricted share units	—	—	1,482	—	—	—	1,482
Vesting of common shares issued in connection with the use of certain publicity rights in brand development	—	2,000	158	—	—	—	2,158
Top-up rights exercised	—	717	—	—	—	—	717
Net loss	—	—	—	(30,937)	—	(1,085)	(32,022)
Foreign exchange loss on translation	—	—	—	—	(61,808)	(13)	(61,821)
Balance at June 30, 2020	<u>349,886,402</u>	<u>\$ 565,211</u>	<u>\$ 27,046</u>	<u>\$ 1,106,709</u>	<u>\$ (33,970)</u>	<u>\$ (1,951)</u>	<u>\$ 1,663,045</u>

See notes to condensed consolidated financial statements.

Cronos Group Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands of U.S. dollars, except share amounts, unaudited)

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	Six months ended June 30,	
	2021	2020
Operating activities		
Net loss	\$ (104,850)	(32,022)
Adjustments to reconcile net loss to cash provided by operating activities:		
Share-based payments	5,064	4,982
Depreciation and amortization	5,083	2,879
Share of loss from investments in equity accounted investees	2,758	1,966
Gain (loss) on revaluation of derivative liabilities	1,626	(77,488)
Impairment loss on long-lived assets	1,741	40,000
Expected credit losses on long-term financial assets	—	1,357
Other non-cash operating activities, net	(1,192)	599
Changes in operating assets and liabilities:		
Accounts receivable, net	(2,194)	2,895
Other receivables	6,960	(3,047)
Prepaids and other current assets	1,268	1,187
Inventory, net	(1,010)	(24,292)
Inventory write-down	11,961	11,024
Accounts payable and other liabilities	(13,412)	(8,417)
Cash flows used in operating activities	(86,197)	(78,377)
Investing activities		
Purchase of short-term investments	(120,180)	(200,173)
Proceeds from short-term investments	136,204	279,275
Purchase of other investments	(110,392)	—
Purchase of property, plant and equipment	(8,347)	(13,344)
Purchase of intangible assets	(843)	(2,754)
Proceeds from sale of held-for-sale assets	2,059	—
Advances on loans receivable	(5,064)	(23,974)
Proceeds from sale of other investments	—	769
Cash flows provided by (used in) investing activities	(106,563)	39,799
Financing activities		
Withholding taxes paid on share-based awards	(8,919)	—
Proceeds from exercise of warrants and options	12	1
Cash flows provided by (used in) financing activities	(8,907)	1
Effect of foreign currency translation on cash and cash equivalents	18,825	(51,416)
Net change in cash and cash equivalents	(182,842)	(89,993)
Cash and cash equivalents, beginning of period	1,078,023	1,199,693
Cash and cash equivalents, end of period	\$ 895,181	1,109,700
Supplemental cash flow information		
Interest paid	\$ —	90
Interest received	2,961	11,575
Income taxes paid	858	—

See notes to condensed consolidated financial statements.

1. Background, Basis of Presentation and Accounting Policies

(a) Background

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

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

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

(b) Out-of-period adjustments

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

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

(c) Basis of presentation

The interim condensed consolidated financial statements of Cronos Group are unaudited. They have been prepared in accordance with Generally Accepted Accounting Principles in the United States (“U.S. GAAP”) for interim financial information and with applicable rules and regulations of the U.S. Securities and Exchange Commission relating to interim financial statements. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2021 are not necessarily indicative of the results that may be expected for any other reporting period.

These condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes included in its Annual Report on Form 10-K for the year ended December 31, 2020 (the “Annual Financial Statements”).

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

(d) Adoption of new accounting pronouncements

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

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

(e) New accounting pronouncements not yet adopted

In August 2020, the FASB issued ASU 2020-06, Debt –Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40) (“ASU No. 2020-06”). ASU No. 2020-06 simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity’s own equity. ASU No. 2020-06 is part of the FASB’s simplification initiative, which aims to reduce unnecessary complexity in U.S. GAAP. ASU No. 2020-06 is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. The Company is currently evaluating the impact ASU No. 2020-06 will have on its condensed consolidated financial statements.

2. Inventory, net

Inventory, net is comprised of the following items:

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

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

3. Investments

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

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

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

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

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

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

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

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

⁽ⁱ⁾ On April 1, 2021, the Company and an affiliate of Agroidea ("AGI"), the other joint venture partner of Natuera, converted all advances made to Natuera under the master loan agreement entered into with Natuera on September 27, 2019 (the "Natuera Series A Loan"), plus accrued interest, into equity of Natuera. Total aggregate gross advances to Natuera under the Natuera Series A Loan were \$15,500, of which the Company advanced 50% and AGI advanced the remaining 50%, or \$7,750 each. As a result, the Company transferred the carrying value of the Natuera Series A Loan of approximately \$2,013 plus accrued interest of \$540, for a total investment value of \$2,553, which approximates fair value, to investments in equity accounted investees in respect of Natuera. See Note 4. Loans Receivable, net.

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

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

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

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

(b) Other investments

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

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

4. Loans Receivable, net

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

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

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

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

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

5. Derivative Liabilities

On March 8, 2019, the Company closed the previously announced investment in the Company (the “Altria Investment”) by Altria Group, Inc. (“Altria”), pursuant to a subscription agreement dated December 7, 2018. As of the closing date of the Altria Investment, the Altria Investment consisted of 149,831,154 common shares of the Company and one warrant of the Company (the “Altria Warrant”), all of which were issued to a wholly owned subsidiary of Altria. As of the closing date of the Altria Investment, Altria beneficially held an approximately 45% ownership interest in the Company (calculated on a non-diluted basis). As summarized in this note, if exercised in full on such date, the exercise of the Altria Warrant would have resulted in Altria holding a total ownership interest in the Company of approximately 55% (calculated on a non-diluted basis). As of June 30, 2021, Altria beneficially held an approximately 42% ownership interest in the Company (calculated on a non-diluted basis). As summarized in this note, if exercised in full on such date, the exercise of the Altria Warrant would have resulted in Altria holding a total ownership interest in the Company of approximately 53% (calculated on a non-diluted basis). Pursuant to the investor rights agreement between the Company and Altria, entered into in connection with the closing of the Altria Investment (the “Investor Rights Agreement”), the Company granted Altria certain rights, among others, summarized in this note.

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

- a. The Altria Warrant entitles the holder, subject to certain qualifications and limitations, to subscribe for and purchase up to an additional approximate 10% of the common shares of Cronos (approximately 83 million common shares at June 30, 2021) at a per share exercise price of C\$19.00, which expires on March 8, 2023.
- b. The Company granted to Altria, subject to certain qualifications and limitations, upon the occurrence of certain issuances of common shares of the Company executed by the Company (including issuances pursuant to the R&D partnership with Ginkgo Bioworks Inc. (“Ginkgo”) (the “Ginkgo Strategic Partnership”)), the right to purchase up to such number of common shares of the Company in order to maintain their ownership percentage of issued and outstanding common shares of the Company immediately preceding any issuance of shares by the Company (“Pre-emptive Rights”), at the same price per common share of the Company at which the common shares are sold in the relevant issuance. The price per common share of the Company to be paid by Altria pursuant to its exercise of its Pre-emptive Rights related to the Ginkgo Strategic Partnership will be C\$16.25 per common share. These rights may not be exercised if Altria’s ownership percentage of the issued and outstanding shares of the Company falls below 20%.
- c. In addition to (and without duplication of) the Pre-emptive Rights, the Company granted to Altria, subject to certain qualifications and limitations, the right to subscribe for common shares of the Company issuable in connection with the exercise, conversion or exchange of convertible securities of the Company issued prior to March 8, 2019 or thereafter (excluding any convertible securities of the Company owned by Altria or any of its subsidiaries), a share incentive plan of the Company, the exercise of any right granted by the Company pro rata to all shareholders of the Company to purchase additional common shares and/or securities of the Company, bona fide bank debt, equipment financing or non-equity interim financing transactions that contemplate an equity component or bona fide acquisitions (including acquisitions of assets or rights under a license or otherwise), mergers or similar business combination transactions or joint ventures involving the Company in order to maintain their ownership percentage of issued and outstanding common shares of the Company immediately preceding any such transactions (“Top-up Rights”).

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

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

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

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

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

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

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

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

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

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

⁽ⁱ⁾ Per share in C\$.

⁽ⁱⁱ⁾ The risk-free interest rate was based on Bank of Canada government treasury bills and bonds with a remaining term equal to the expected life of the derivative liabilities. As of June 30, 2021 and December 31, 2020, the risk-free interest rate uses a range of approximately 0.15% to 0.85% and 0.10% to 0.39%, respectively, for the Pre-emptive Rights and Top-up Rights.

⁽ⁱⁱⁱ⁾ The expected life represents the period of time, in years, that the derivative liabilities are expected to be outstanding. The expected life of the Pre-emptive Rights and Top-up Rights is determined based on the expected term of the underlying options, warrants, and shares, to which the Pre-emptive Rights and Top-up Rights are linked. As of June 30, 2021 and December 31, 2020, the expected life uses a range of approximately 0.25 year to 4.25 years and 0.50 year to 5.00 years, respectively.

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

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

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

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

6. Share-based Payments

(a) Share-based award plans

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

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

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

(b) Stock options

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

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

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

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

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

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

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

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

(c) Restricted share units

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

	Number of RSUs ⁽ⁱ⁾	Weighted average grant date fair value (C\$) ⁽ⁱⁱ⁾
Balance as of January 1, 2021	948,357	\$ 7.66
Granted ⁽ⁱ⁾	515,433	11.29
Vested and issued	(89,912)	7.52
Balance as of June 30, 2021	1,373,878	\$ 9.03
	Number of RSUs ⁽ⁱ⁾	Weighted average grant date fair value (C\$) ⁽ⁱⁱ⁾
Balance as of January 1, 2020	732,972	\$ 15.34
Granted ⁽ⁱ⁾	279,277	7.52
Balance as of June 30, 2020	1,012,249	\$ 13.18

⁽ⁱ⁾ RSUs granted in the period vest annually in equal installments over a three-year period following the grant date, subject to such holder's continued employment through each vesting date. The vesting of such RSUs is not subject to the achievement of any performance criteria.

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

(d) Deferred share units

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

	Number of DSUs	Financial liability
Balance as of January 1, 2021	83,293	\$ 577
Loss on revaluation	—	141
Balance as of June 30, 2021	83,293	\$ 718
	Number of DSUs	Financial liability
Balance as of January 1, 2020	33,397	\$ 255
DSU liabilities settled	(8,484)	(46)
Gain on revaluation	—	(56)
Balance as of June 30, 2020	24,913	\$ 153

(e) Warrants

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

	Weighted average exercise price (C\$)	Number of warrants
Balance as of January 1, 2021	\$ 0.25	7,987,349
Exercise of warrants	0.25	(7,987,349)
Balance as of June 30, 2021	\$ —	—
	Weighted average exercise price (C\$)	Number of warrants
Balance as of January 1, 2020 and June 30, 2020	\$ 0.26	18,066,662

As of June 30, 2021, there are no warrants outstanding other than the Altria Warrant. See Note 5. Derivative Liabilities for further description on the Altria Warrant.

7. Earnings (Loss) per Share

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

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Basic earnings (loss) per share computation				
Net income (loss) from continuing operations attributable to the shareholders of Cronos Group	\$ 57,615	\$ (106,931)	\$ (103,676)	\$ (30,891)
Weighted average number of common shares outstanding	371,721,382	349,075,408	367,391,118	348,946,439
Basic earnings (loss) from continuing operations per share ⁽ⁱ⁾	\$ 0.15	\$ (0.31)	\$ (0.28)	\$ (0.09)
Loss from discontinued operations attributable to the shareholders of Cronos Group				
Net income (loss) from discontinued operations	\$ (561)	\$ (46)	\$ (582)	\$ (46)
Weighted average number of common shares outstanding	371,721,382	349,075,408	367,391,118	348,946,439
Basic earnings from discontinued operations per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Diluted earnings (loss) per share computation				
Net income (loss) used in the computation of basic earnings (loss) from continuing operations per share	\$ 57,615	\$ (106,931)	\$ (103,676)	\$ (30,891)
Adjustment for gain (loss) on revaluation of derivative liabilities	—	(729)	—	(729)
Net income (loss) used in the computation of diluted earnings (loss) from continuing operations per share	\$ 57,615	\$ (107,660)	\$ (103,676)	\$ (31,620)
Weighted average number of common shares outstanding used in the computation of basic earnings (loss) per share	371,721,382	349,075,408	367,391,118	348,946,439
Dilutive effect of warrants	5,577	—	—	—
Dilutive effect of stock options	3,027,518	—	—	—
Dilutive effect of RSUs	595,379	—	—	—
Weighted average number of common shares for computation of diluted earnings (loss) from continuing operations per share ⁽ⁱ⁾	375,349,856	349,075,408	367,391,118	348,946,439
Diluted earnings (loss) from continuing operations per share	\$ 0.15	\$ (0.31)	\$ (0.28)	\$ (0.09)
Loss from discontinued operations attributable to the shareholders of Cronos Group				
Net income (loss) from discontinued operations	\$ (561)	\$ (46)	\$ (582)	\$ (46)
Weighted average number of common shares for computation of diluted loss from discontinued operations per share	375,349,856	349,075,408	367,391,118	348,946,439
Diluted earnings from discontinued operations per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Ginkgo equity milestones	14,674,904	14,674,904	14,674,904	14,674,904
Pre-emptive Rights	10,683,330	12,006,740	10,984,166	12,006,740
Top-up Rights – fixed price	3,698,611	26,686,413	7,406,031	26,686,413
Top-up Rights – market price	3,504,561	1,941,349	3,063,822	1,941,349
Altria Warrant	82,623,455	77,752,533	82,606,904	77,752,533
Stock options	1,411,944	10,495,235	6,136,113	10,547,256
Warrants	—	17,521,903	2,784,377	17,536,558
Restricted share units	265,904	1,012,249	717,127	1,012,249
Total anti-dilutive securities	116,862,709	162,091,326	128,373,444	162,158,002

8. Segment Information

Segment reporting is prepared on the same basis that the Company’s chief operating decision makers (the “CODMs”) manage the business, make operating decisions and assess the Company’s performance. The Company determined that it has the following two reportable segments: United States and Rest of World. The United States operating segment consists of the manufacture and distribution of hemp-derived CBD infused products. The Rest of World operating segment is involved in the cultivation, manufacture, and marketing of cannabis and cannabis-derived products for the medical and adult-use markets. These two segments represent the geographic regions in which the Company operates and the different product offerings within each geographic region. The results of each segment are regularly reviewed by the CODMs to assess the performance of the segment and make decisions regarding the allocation of resources. The CODMs review adjusted earnings (loss) before interest, tax, depreciation and amortization (“Adjusted EBITDA”) as the measure of segment profit or loss to evaluate performance of and allocate resources for its reportable segments. Adjusted EBITDA is defined as earnings before interest, tax, depreciation, non-cash items and items that do not reflect management’s assessment of on-going business performance.

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

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

	Three months ended June 30, 2021			
	United States	Rest of World	Corporate Expenses	Total
Cannabis flower	\$ —	\$ 11,597	\$ —	\$ 11,597
Cannabis extracts	2,227	1,531	—	3,758
Other	—	267	—	267
Net revenue	<u>\$ 2,227</u>	<u>\$ 13,395</u>	<u>\$ —</u>	<u>\$ 15,622</u>
Share of loss from equity accounted investments	\$ —	\$ 1,115	\$ —	\$ 1,115
Interest income	\$ 20	\$ 2,280	\$ —	\$ 2,300
Interest expense	—	(7)	—	(7)
Interest income, net	<u>\$ 20</u>	<u>\$ 2,273</u>	<u>\$ —</u>	<u>\$ 2,293</u>
Total assets	\$ 709,956	\$ 386,805	\$ 741,850	\$ 1,838,611
Depreciation and amortization	68	975	—	1,043
Adjusted EBITDA	(10,711)	(32,605)	(6,443)	(49,759)
Purchase of property, plant and equipment, net	239	1,428	—	1,667

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

	Six months ended June 30, 2021			
	United States	Rest of World	Corporate Expenses	Total
Cannabis flower	\$ —	\$ 21,031	\$ —	\$ 21,031
Cannabis extracts	4,668	2,234	—	6,902
Other	—	300	—	300
Net revenue	<u>\$ 4,668</u>	<u>\$ 23,565</u>	<u>\$ —</u>	<u>\$ 28,233</u>
Share of loss from equity accounted investments	\$ —	\$ 2,758	\$ —	\$ 2,758
Interest income	\$ 23	\$ 4,612	\$ —	\$ 4,635
Interest expense	—	(13)	—	(13)
Interest income, net	<u>\$ 23</u>	<u>\$ 4,599</u>	<u>\$ —</u>	<u>\$ 4,622</u>
Total assets	\$ 709,956	\$ 386,805	\$ 741,850	\$ 1,838,611
Depreciation and amortization	\$ 139	\$ 1,639	\$ —	\$ 1,778
Impairment loss on long-lived assets	1,741	—	—	1,741
Adjusted EBITDA	(20,221)	(54,789)	(11,323)	(86,333)
Purchase of property, plant and equipment, net	319	8,028	—	8,347

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

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

	Three months ended June 30, 2021			
	United States	Rest of World	Corporate Expenses	Total
Net income (loss)	\$ (11,719)	\$ 79,627	\$ (11,133)	\$ 56,775
Interest income, net	(20)	(2,273)	—	(2,293)
Share of loss from equity accounted investments	—	1,115	—	1,115
Gain on revaluation of derivative liabilities ⁽ⁱⁱ⁾	—	(115,248)	—	(115,248)
Transaction costs ⁽ⁱⁱⁱ⁾	—	—	2,758	2,758
Other, net ^(iv)	—	(1,127)	—	(1,127)
Loss from discontinued operations ^(v)	—	561	—	561
Share-based payments ^(vi)	822	1,743	—	2,565
Review costs related to restatement of 2019 interim financial statements ^(vii)	—	—	1,932	1,932
Depreciation and amortization	206	2,997	—	3,203
Adjusted EBITDA	\$ (10,711)	\$ (32,605)	\$ (6,443)	\$ (49,759)

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

	Six months ended June 30, 2021			
	United States	Rest of World	Corporate Expenses	Total
Net loss	\$ (23,811)	\$ (62,520)	\$ (18,519)	\$ (104,850)
Interest income, net	(23)	(4,599)	—	(4,622)
Share of loss from equity accounted investments	—	2,758	—	2,758
Impairment loss on long-lived assets ⁽ⁱ⁾	1,741	—	—	1,741
Loss on revaluation of derivative liabilities ⁽ⁱⁱ⁾	—	1,626	—	1,626
Transaction costs ⁽ⁱⁱⁱ⁾	—	—	3,259	3,259
Other, net ^(iv)	—	(911)	—	(911)
Loss from discontinued operations ^(v)	—	582	—	582
Share-based payments ^(vi)	1,567	3,497	—	5,064
Review costs related to restatement of 2019 interim financial statements ^(vii)	—	—	3,937	3,937
Depreciation and amortization	305	4,778	—	5,083
Adjusted EBITDA	\$ (20,221)	\$ (54,789)	\$ (11,323)	\$ (86,333)

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

- (i) For the six months ended June 30, 2021, impairment loss on long-lived assets relates to impairment on a leased premise in the U.S. segment, and for the three and six months ended June 30, 2020, impairment loss on long-lived assets relates to impairment on goodwill and intangibles related to our U.S. segment in 2020. See Note 12. Impairment Loss on Long-Lived Assets.
- (ii) For the three and six months ended June 30, 2021 and 2020, gain/loss on revaluation of derivative liabilities represents the fair value changes on the derivative liabilities. See Note 5. Derivative Liabilities.
- (iii) For the three and six months ended June 30, 2021, transaction costs represents legal, financial and other advisory fees and expenses incurred in connection with various strategic investments. These costs are included in general and administrative expenses on the condensed consolidated statements of net income (loss) and comprehensive income (loss).
- (iv) For the three and six months ended June 30, 2021, other, net is related to gain recorded on sale of the Company's Winnipeg facility previously designated as held-for-sale in the first quarter of 2021, For the three and six months ended June 30, 2020, other, net is primarily comprised of the gain recorded related to the sale of common shares of Aurora Cannabis, Inc. ("Aurora"), which were received in connection with the achievement of a milestone related to Aurora's acquisition of Whistler Medical Marijuana Corporation.
- (v) For the three and six months ended June 30, 2020, loss from discontinued operations relates to the discontinuance of Original B.C. Ltd. ("OGBC"). See Note 11. Held-For-Sale Assets and Discontinued Operations.
- (vi) For the three and six months ended June 30, 2021 and 2020, share-based payments relates to the vesting expenses of share-based compensation awarded to employees under the Company's share-based award plans as described in Note 6. Share-based Payments.
- (vii) For the three and six months ended June 30, 2021 and 2020, the financial statement review costs include costs related to the restatement of the Company's 2019 interim financial statements, costs related to the Company's responses to requests for information from various regulatory authorities relating to such restatement and legal costs defending shareholder class action complaints brought against the Company as a result of the restatement.

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Canada	\$ 10,664	\$ 7,416	\$ 18,246	\$ 13,507
Israel	2,310	293	4,828	293
United States	2,227	2,174	4,668	4,350
Other countries	421	—	491	165
Net revenue	<u>\$ 15,622</u>	<u>\$ 9,883</u>	<u>\$ 28,233</u>	<u>\$ 18,315</u>

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

	As of June 30, 2021	As of December 31, 2020
Canada	\$ 168,462	\$ 162,163
Israel	23,936	23,143
United States	1,522	2,293
Total	<u>\$ 193,920</u>	<u>\$ 187,599</u>

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

United States

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

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

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

Rest of World

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

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

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

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

9. Commitments and Contingencies

(a) Commitments

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

(b) Contingencies

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

(i) Class action complaints relating to restatement

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

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

(ii) Regulatory reviews relating to restatement

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

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

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

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

10. Financial Instruments

(a) Fair value measurement

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

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

The following tables present information about the Company's assets that are measured at fair value on a recurring basis as of June 30, 2021 and December 31, 2020 and indicate the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value.

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

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

There were no transfers between categories during the periods presented.

(b) Financial risks

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

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its operating activities, primarily accounts receivable and other receivables, and its investing activities, including cash held with banks and financial institutions, short-term investments, loans receivable, and advances to joint ventures. The Company's maximum exposure to this risk is equal to the carrying amount of these financial assets, which amounted to \$1,210,287 and \$1,403,491 as of June 30, 2021 and December 31, 2020, respectively.

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

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

(b) Accounts receivable

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan and a failure to make contractual payments for a period of greater than 120 days past due. As of June 30, 2021 and December 31, 2020, the Company had an allowance for credit losses of \$264 and \$74, respectively.

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

(ii) Market risk

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

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

(iii) Interest rate risk

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

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

(iv) Liquidity risk

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

(v) Foreign currency risk

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

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

11. Held-For-Sale Assets and Discontinued Operations

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

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

The following table summarizes the financial information for discontinued operations:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Loss from discontinued operations, net of income taxes	\$ (561)	\$ (46)	\$ (582)	\$ (46)
			As of June 30, 2021	As of December 31, 2020
OGBC assets classified as held-for-sale			\$ 645	\$ 1,176

12. Impairment Loss on Long-Lived Assets

(a) Property, plant, and equipment, net and right-of-use assets

During the six months ended June 30, 2021, the Company recognized an impairment charge of \$1,039 related to leasehold improvements located within leased premises, encompassing approximately 6,000 square feet, in Los Angeles, California, which the Company determined it no longer had plans to use. The significant change in the extent and manner in which the leasehold improvements are being used and the expectation that, more likely than not, the leasehold improvements will be disposed of before the end of their useful life triggered an impairment. The right-of-use lease asset associated with the leasehold improvements was also written down as a result of our decision to no longer use the leased premises. The Company recognized an impairment charge on the de-recognition of the right-of-use asset of \$702 during the six months ended June 30, 2021. Both of the impairment charges are recognized in the statement of net income (loss) as impairment loss on property, plant and equipment and right-of-use assets. No impairment charges were recorded during the three months ended June 30, 2021 and the three and six months ended June 30, 2020 on property, plant and equipment and right-of-use assets.

(b) Intangible assets, net and goodwill

Goodwill and indefinite life intangible assets are reviewed for impairment annually or more frequently when events or changes in circumstances indicate that fair value of the reporting unit has been reduced to less than its carrying value. During the three months ended June 30, 2020, the Company concluded that the projected impact of the COVID-19 pandemic on its sales and revenues in the near term, together with the volatility in the market conditions during the quarter, represented potential indicators of impairment for the Company's U.S. reporting unit as well as its Lord Jones brand acquired in September 2019. Accordingly, the Company performed an interim impairment analysis during the second quarter of 2020. As a result of this analysis, the Company recorded impairment charges of \$35,000 on its U.S. reporting unit and \$5,000 on its Lord Jones™ brand for the three and six months ended June 30, 2020, when the carrying value of these assets exceeded their fair value. No triggering events were identified or impairment charges recorded during the three and six months ended June 30, 2021 on intangible assets and goodwill.

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

The following discussion and analysis should be read together with other information, including Cronos Group’s condensed consolidated financial statements and the related notes to those statements, included in Part I, Item 1. of this Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (this “Quarterly Report”), consolidated financial statements appearing in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 (the “Annual Report”) and Part I, Item 1A, Risk Factors, of the Annual Report.

Forward-Looking Statements

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

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

- the uncertainties associated with the COVID-19 pandemic, including our ability, and the abilities of our joint ventures and our suppliers and distributors, to effectively deal with the restrictions, limitations and health issues presented by the COVID-19 pandemic, the ability to continue our production, distribution and sale of our products, and demand for and the use of our products by consumers;
- laws and regulations and any amendments thereto applicable to our business and the impact thereof, including uncertainty regarding the application of United States (“U.S.”) state and federal law to U.S. hemp (including CBD) products and the scope of any regulations by the U.S. Food and Drug Administration (the “FDA”), the U.S. Drug Enforcement Administration (the “DEA”), the U.S. Federal Trade Commission (the “FTC”), the U.S. Patent and Trademark Office (the “PTO”) and any state equivalent regulatory agencies over U.S. hemp (including CBD) products;
- the laws and regulations and any amendments thereto relating to the U.S. hemp industry in the U.S., including the promulgation of regulations for the U.S. hemp industry by the U.S. Department of Agriculture (the “USDA”) and relevant state regulatory authorities;
- the grant, renewal and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;
- our international activities and joint venture interests, including required regulatory approvals and licensing, anticipated costs and timing, and expected impact;
- our ability to successfully create and launch brands and further create, launch and scale U.S. hemp-derived consumer products and cannabis products;
- the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, including CBD and other cannabinoids;
- expectations regarding the implementation and effectiveness of key personnel changes;
- the anticipated benefits and impact of Altria Group, Inc.’s investment in the Company (the “Altria Investment”), pursuant to a subscription agreement dated December 7, 2018;
- the potential exercise of one warrant of the Company included as part of the Altria Investment, pre-emptive rights and/or top-up rights in connection with the Altria Investment, including proceeds to us that may result therefrom;
- expectations regarding the use of proceeds of equity financings, including the proceeds from the Altria Investment;
- the legalization of the use of cannabis for medical or adult-use in jurisdictions outside of Canada, the related timing and impact thereof and our intentions to participate in such markets, if and when such use is legalized;
- expectations regarding the potential success of, and the costs and benefits associated with, our joint ventures, strategic alliances and equity investments, including the strategic partnership (the “Ginkgo Strategic Partnership”) with Ginkgo Bioworks, Inc. (“Ginkgo”);
- our ability to execute on our strategy and the anticipated benefits of such strategy;
- expectations of the amount or frequency of impairment losses, including as a result of the write-down of intangible assets, including goodwill;

- the ongoing impact of the legalization of additional cannabis product types and forms for adult-use in Canada, including federal, provincial, territorial and municipal regulations pertaining thereto, the related timing and impact thereof and our intentions to participate in such markets;
- the future performance of our business and operations;
- our competitive advantages and business strategies;
- the competitive conditions of the industry;
- the expected growth in the number of customers using our products;
- our ability or plans to identify, develop, commercialize or expand our technology and research and development (“R&D”) initiatives in cannabinoids, or the success thereof;
- expectations regarding acquisitions and dispositions and the anticipated benefits therefrom, including the proposed sale of our Original B.C. Ltd. (“OGBC”) production facility;
- uncertainties as to our ability to exercise the PharmaCann Option (as defined herein) in the near term or the future or in full or in part, including the uncertainties as to the status and future development of federal legalization of cannabis in the U.S. and our ability to realize the anticipated benefits of the transaction with PharmaCann (as defined herein);
- expectations regarding revenues, expenses and anticipated cash needs;
- expectations regarding cash flow, liquidity and sources of funding;
- expectations regarding capital expenditures;
- the expansion of our production and manufacturing, the costs and timing associated therewith and the receipt of applicable production and sale licenses;
- the expected growth in our growing, production and supply chain capacities;
- expectations regarding the resolution of litigation and other legal and regulatory proceedings, reviews and investigations;
- expectations with respect to future production costs;
- expectations with respect to future sales and distribution channels and networks;
- the expected methods to be used to distribute and sell our products;
- the anticipated future gross margins of our operations;
- accounting standards and estimates;
- our ability to timely and effectively remediate any material weaknesses in our internal control over financial reporting; and
- expectations regarding the costs and benefits associated with our contracts and agreements with third parties, including under our third-party supply and manufacturing agreements.

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

The Forward-Looking Statements contained herein are based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including: (i) our ability, and the abilities of our joint ventures and our suppliers and distributors, to effectively deal with the restrictions, limitations and health issues presented by the COVID-19 pandemic and the ability to continue our production, distribution and sale of our products and customer demand for and use of our products; (ii) management’s perceptions of historical trends, current conditions and expected future developments; (iii) our ability to generate cash flow from operations; (iv) general economic, financial market, regulatory and political conditions in which we operate; (v) the production and manufacturing capabilities and output from our facilities and our joint ventures, strategic alliances and equity investments; (vi) consumer interest in our products; (vii) competition; (viii) anticipated and unanticipated costs; (ix) government regulation of our activities and products including, but not limited to, the areas of taxation and environmental protection; (x) the timely receipt of any required regulatory authorizations, approvals, consents, permits and/or licenses; (xi) our ability to obtain qualified staff, equipment and services in a timely and cost-efficient manner; (xii) our ability to conduct operations in a safe, efficient and effective manner; (xiii) our ability to realize anticipated benefits, synergies or generate revenue, profits or value from our recent acquisitions into our existing operations; (xiv) our ability to complete planned dispositions, including the sale of OGBC, and, if completed, obtain our anticipated sales price; (xv) our ability to exercise the PharmaCann Option and realize the anticipated benefits of the transaction with PharmaCann; and (xvi) other considerations that management believes to be appropriate in the circumstances. While our management considers these assumptions to be reasonable based on information currently available to management, there is no assurance that such expectations will prove to be correct.

By their nature, Forward-Looking Statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, including known and unknown risks, many of which are beyond our control, could cause actual results to differ materially from the Forward-Looking Statements in this Quarterly Report and other reports we file with, or furnish to, the SEC and other regulatory agencies and made by our directors, officers, other employees and other persons authorized to speak on our behalf. Such factors include, without limitation, the risk that the COVID-19 pandemic may disrupt our operations and those of our suppliers and distribution channels and negatively impact the demand for and use of our products; the risk that cost savings and any other synergies from the Altria Investment may not be fully realized or may take longer to realize than expected; the risk that we will not complete planned dispositions, including the sale of OGBC, or, if completed, obtain our anticipated sales price; the implementation and effectiveness of key personnel changes; future levels of revenues; consumer demand for cannabis and U.S. hemp products; our ability to manage disruptions in credit markets or changes to our credit ratings; future levels of capital, environmental or maintenance expenditures, general and administrative and other expenses; the success or timing of completion of ongoing or anticipated capital or maintenance projects; business strategies, growth opportunities and expected investment; the adequacy of our capital resources and liquidity, including but not limited to, availability of sufficient cash flow to execute our business plan (either within the expected timeframe or at all); the potential effects of judicial, regulatory or other proceedings, or threatened litigation or proceedings, on our business, financial condition, results of operations and cash flows; volatility in and/or degradation of general economic, market, industry or business conditions; compliance with applicable environmental, economic, health and safety, energy and other policies and regulations and in particular health concerns with respect to vaping and the use of cannabis and U.S. hemp products in vaping devices; the anticipated effects of actions of third parties such as competitors, activist investors or federal (including U.S. federal), state, provincial, territorial or local regulatory authorities or self-regulatory organizations; changes in regulatory requirements in relation to our business and products; legal or regulatory obstacles that could prevent us from being able to exercise the PharmaCann Option and thereby realizing the anticipated benefits of the transaction with PharmaCann; and the factors discussed under Part I, Item 1A, “Risk Factors” of the Annual Report. Readers are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on Forward-Looking Statements.

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

Foreign currency exchange rates

All currency amounts in this Quarterly Report are stated in U.S. dollars, which is our reporting currency, unless otherwise noted. All references to “dollars” or “\$” are to U.S. dollars. The assets and liabilities of the Company’s foreign operations are translated into dollars at the exchange rate in effect as of June 30, 2021, June 30, 2020 and December 31, 2020. Transactions affecting the shareholders’ equity are translated at historical foreign exchange rates. The condensed consolidated statements of net income (loss) and comprehensive income (loss) and condensed consolidated statements of cash flows of the Company’s foreign operations are translated into dollars by applying the average foreign exchange rate in effect for the reporting period using Bloomberg.

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

	As of		
	June 30, 2021	June 30, 2020	December 31, 2020
Average rate	1.2293	1.3856	1.3036
Spot rate	1.2395	1.3576	1.2751
Year-to-date average rate	1.2481	1.3646	1.3411

Business Overview

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

Strategy

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

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

Business segments

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

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

The ROW segment is involved in the cultivation, manufacture, and marketing of cannabis and cannabis-derived products for the medical and adult-use markets. In Canada, Cronos Group operates two wholly owned license holders under the Cannabis Act (Canada), Peace Naturals Project Inc. ("Peace Naturals"), which has production facilities near Stayner, Ontario (the "Peace Naturals Campus"), and Cronos Fermentation, which has fermentation and manufacturing facilities in Winnipeg, Manitoba. In Israel, the Company operates under the IMC-GAP, IMC-GMP and IMC-GDP certifications required for the cultivation, production and marketing of dried flower, pre-rolls and cannabis oils in the Israeli medical market. Cronos Group has established strategic joint ventures in Canada, Israel and Colombia. Cronos Group additionally holds approximately 31% of the issued capital of Cronos Australia Limited, which is listed on the Australian Securities Exchange under the trading symbol "CAU." Cronos Group currently exports cannabis products to countries that permit the import of such products, such as Australia, Germany and Israel.

Recent Developments

COVID-19 update

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

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

In Canada, COVID-19 restrictions began gradually easing at the end of June 2021 as the vaccination rate increases. Each province is responsible for implementing re-opening plans and certain provinces, including Ontario, are progressing through phases of re-opening which may permit continued increases to the allowance of in-person shopping, typically in the form of percentage of store capacity. All provinces have some form of cannabis retail open to consumers, whether it be restricted in-person shopping, curbside pickup or delivery. The lockdown measures taken in the first six months of 2021 to slow infection rates negatively impacted the Company's short-term revenue growth in Canada. However, if provincial reopening plans are effective across some provinces in the third quarter of 2021, we expect to partially mitigate this negative impact.

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

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

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

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

Transaction

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

Brand and product portfolio

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

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

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

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

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

Intellectual property initiatives

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

Appointments

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

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

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

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

Consolidated Results of Operations

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

	For the three months ended June 30,		For the six months ended June 30,	
	2021	2020	2021	2020
Net revenue before excise taxes	\$ 18,848	\$ 11,432	\$ 33,502	\$ 20,776
Excise taxes	(3,226)	(1,549)	(5,269)	(2,461)
Net revenue	15,622	9,883	28,233	18,315
Cost of sales	19,445	9,743	35,019	16,689
Inventory write-down	11,961	3,062	11,961	11,024
Gross loss	(15,784)	(2,922)	(18,747)	(9,398)
Operating expenses:				
Sales and marketing	13,209	6,501	23,463	13,613
Research and development	5,199	3,631	10,301	8,221
General and administrative	22,417	18,429	44,323	42,188
Share-based payments	2,565	2,546	5,064	4,982
Depreciation and amortization	1,043	679	1,778	1,366
Total operating expenses	44,433	31,786	84,929	70,370
Operating loss	(60,217)	(34,708)	(103,676)	(79,768)
Other income (loss)	117,553	(72,949)	(592)	47,792
Loss from discontinued operations	(561)	(46)	(582)	(46)
Net income (loss)	56,775	(107,703)	(104,850)	(32,022)
Net loss attributable to non-controlling interests	(279)	(726)	(592)	(1,085)
Net income (loss) attributable to Cronos Group	\$ 57,054	\$ (106,977)	\$ (104,258)	\$ (30,937)

Summary of select financial results

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

Net revenue

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

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

Cost of sales

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

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

Inventory write-downs

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

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

Gross loss

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

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

Operating expenses

	For the three months ended June 30,		Change		For the six months ended June 30,		Change	
	2021	2020	\$	%	2021	2020	\$	%
	Sales and marketing	\$ 13,209	\$ 6,501	\$ 6,708	103 %	\$ 23,463	\$ 13,613	\$ 9,850
Research and development	5,199	3,631	1,568	43 %	10,301	8,221	2,080	25 %
General and administrative	22,417	18,429	3,988	22 %	44,323	42,188	2,135	5 %
Share-based payments	2,565	2,546	19	1 %	5,064	4,982	82	2 %
Depreciation and amortization	1,043	679	364	54 %	1,778	1,366	412	30 %
Total operating expenses	\$ 44,433	\$ 31,786	\$ 12,647	40 %	\$ 84,929	\$ 70,370	\$ 14,559	21 %

Sales and marketing

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

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

Research and development

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

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

General and administrative

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

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

Depreciation and amortization

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

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

Other income (loss) & discontinued operations

	For the three months ended June 30,		Change		For the six months ended June 30,		Change	
	2021	2020	\$	%	2021	2020	\$	%
	Interest income, net	\$ 2,293	\$ 3,734	\$ (1,441)	(39)%	\$ 4,622	\$ 11,485	\$ (6,863)
Gain (loss) on revaluation of derivative liabilities	115,248	(35,880)	151,128	421 %	(1,626)	77,488	(79,114)	(102)%
Impairment on long-lived assets	—	(40,000)	40,000	100 %	(1,741)	(40,000)	38,259	96 %
Share of loss from equity accounted investments	(1,115)	(794)	(321)	(40)%	(2,758)	(1,966)	(792)	(40)%
Other, net	1,127	(9)	1,136	12622 %	911	785	126	16 %
Total other income (loss)	117,553	(72,949)	190,502	261 %	(592)	47,792	(48,384)	(101)%
Loss from discontinued operations	(561)	(46)	(515)	(1120)%	(582)	(46)	(536)	(1165)%
Net income (loss)	\$ 56,775	\$ (107,703)	\$ 164,478	153 %	\$ (104,850)	\$ (32,022)	\$ (72,828)	(227)%

Interest income

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

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

Gain/loss on revaluation of derivative liabilities

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

The valuation of derivative liabilities is based on inputs such as the Company's share price and volatility, expected term and expected risk-free interest rate which have in the past, and may in the future, fluctuate significantly period-to-period. The Company expects continued fluctuations in derivative valuations. For further information, see Note 5. Derivative Liabilities to the Company's condensed consolidated financial statements under Item 1. "Financial Statements" of this Quarterly Report.

Impairment loss on long-lived assets

For the three months ended June 30, 2021, there were no impairments on long lived assets. For the six months ended June 30, 2021, impairment on long lived assets was \$1.7 million, representing a decrease of \$38.3 million from the six months ended June 30, 2020.

For both the three and six month comparative periods, the decrease in impairment loss on long-lived assets was due to \$40.0 million in impairment charges recorded on the U.S. reporting unit and the Lord Jones™ brand recorded in the first half of 2020.

Share of loss from equity accounted investments

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

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

Other, net

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

Results of Operations by Business Segment:

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

Summary of select financial results – ROW

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

Net revenue – ROW

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

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

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

Cost of sales – ROW

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

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

Inventory write-downs – ROW

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

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

Gross loss – ROW

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

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

Summary of select financial results – U.S.

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

Net revenue – U.S.

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

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

Cost of sales – U.S.

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

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

Gross profit – U.S.

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

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

Non-GAAP Measures

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

Adjusted EBITDA

Management reviews Adjusted EBITDA, a non-GAAP measure which excludes non-cash items and items that do not reflect management's assessment of ongoing business performance of our operating segments. Management defines Adjusted EBITDA as net income (loss) before interest, tax expense, depreciation and amortization adjusted for: share of loss from equity accounted investments, impairment loss on long-lived assets, loss (gain) on revaluation of derivative liabilities, transaction costs related to strategic projects, other, net, loss from discontinued operations, share-based payments and review costs related to the restatement of the Company's 2019 interim financial statements, the Company's responses to the reviews of such interim financial statements by various regulatory authorities and legal costs defending shareholder class action complaints brought against the Company as a result of the restatement (see Part II, Item 1. "Legal Proceedings" of this Quarterly Report for a discussion of the regulatory reviews and shareholder class action complaints relating to the restatement of the 2019 interim financial statements).

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

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

	Three months ended June 30, 2021			
	United States	Rest of World	Corporate Expenses	Total
Net income (loss)	\$ (11,719)	\$ 79,627	\$ (11,133)	\$ 56,775
Interest income, net	(20)	(2,273)	—	(2,293)
Share of loss from equity accounted investments	—	1,115	—	1,115
Gain on revaluation of derivative liabilities ⁽ⁱⁱ⁾	—	(115,248)	—	(115,248)
Transaction costs ⁽ⁱⁱⁱ⁾	—	—	2,758	2,758
Other, net ^(iv)	—	(1,127)	—	(1,127)
Loss from discontinued operations ^(v)	—	561	—	561
Share-based payments ^(vi)	822	1,743	—	2,565
Review costs related to restatement of 2019 interim financial statements ^(vii)	—	—	1,932	1,932
Depreciation and amortization	206	2,997	—	3,203
Adjusted EBITDA	\$ (10,711)	\$ (32,605)	\$ (6,443)	\$ (49,759)

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

	Six months ended June 30, 2021			
	United States	Rest of World	Corporate Expenses	Total
Net loss	\$ (23,811)	\$ (62,520)	\$ (18,519)	\$ (104,850)
Interest income, net	(23)	(4,599)	—	(4,622)
Share of loss from equity accounted investments	—	2,758	—	2,758
Impairment loss on long-lived assets ⁽ⁱ⁾	1,741	—	—	1,741
Loss on revaluation of derivative liabilities ⁽ⁱⁱ⁾	—	1,626	—	1,626
Transaction costs ⁽ⁱⁱⁱ⁾	—	—	3,259	3,259
Other, net ^(iv)	—	(911)	—	(911)
Loss from discontinued operations ^(v)	—	582	—	582
Share-based payments ^(vi)	1,567	3,497	—	5,064
Review costs related to restatement of 2019 interim financial statements ^(vii)	—	—	3,937	3,937
Depreciation and amortization	305	4,778	—	5,083
Adjusted EBITDA	\$ (20,221)	\$ (54,789)	\$ (11,323)	\$ (86,333)

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

(i) For the six months ended June 30, 2021, impairment loss on long-lived assets relates to impairment on a leased premise in the U.S. segment, and for the three and six months ended June 30, 2020, impairment loss on long-lived assets relates to impairment on goodwill and intangibles related to our U.S. segment in 2020. See Note 12. Impairment Loss on Long-Lived Assets to the Company's condensed consolidated financial statements under Item 1. "Financial Statements" of this Quarterly Report.

(ii) For the three and six months ended June 30, 2021 and 2020, gain/loss on revaluation of derivative liabilities represents the fair value changes on the derivative liabilities. See Note 5. Derivative Liabilities to the Company's condensed consolidated financial statements under Item 1. "Financial Statements" of this Quarterly Report.

(iii) For the three and six months ended June 30, 2021, transaction costs represents legal, financial and other advisory fees and expenses incurred in connection with various strategic investments. These costs are included in general and administrative expenses on the condensed consolidated statements of net income (loss) and comprehensive income (loss) under Item 1. "Financial Statements" of this Quarterly Report.

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

(v) For the three and six months ended June 30, 2020, loss from discontinued operations relates to the discontinuance of OGBC. See Note 11. Held-For-Sale Assets and Discontinued Operations to the Company's condensed consolidated financial statements under Item 1. "Financial Statements" of this Quarterly Report.

(vi) For the three and six months ended June 30, 2021 and 2020, share-based payments relates to the vesting expenses of share-based compensation awarded to employees under the Company's share-based award plans as described in Note 6. Share-based Payments to the Company's condensed consolidated financial statements under Item 1. "Financial Statements" of this Quarterly Report.

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

Liquidity and Capital Resources

As of June 30, 2021, we had \$895.2 million in cash and cash equivalents and \$201.7 million in short-term investments, which comprise the majority of the Company's cash position. Cronos Group believes that the existing cash and cash equivalents and the short-term investments will be sufficient to fund the business operations and capital expenditures over the next twelve months. The following table summarizes the cash flows from operating, investing and financing activities (dollars in thousands):

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

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

Operating activities

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

Investing activities

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

Financing activities

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

Critical Accounting Policies and Estimates

The Company's critical accounting policies and estimates are discussed in the 2020 Annual Report. There have been no material changes to these critical accounting policies and estimates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.***Interest rate risk***

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

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

Foreign currency risk

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

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

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

The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, performed an evaluation of the disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act"), as of June 30, 2021. Based on that evaluation, management has concluded that, as of June 30, 2021, due to the existence of a material weakness in the Company's internal control over financial reporting described below, the disclosure controls and procedures were not effective to provide reasonable assurance that the information required to be disclosed by us in reports we file or submit under the Exchange Act were recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and to ensure that the information required to be disclosed by us in reports that we file or submit under the Exchange Act, is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Material Weakness in Internal Controls Over Financial Reporting

A material weakness is a deficiency, or combination of deficiencies in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. As previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 (the "Annual Report"), we have identified the following material weakness:

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

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

Remediation Plan and Status

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

The plan and progress to date is described below:

Material Weakness	Control, Control Enhancement or Mitigant	Implementation Status	Management Testing Status	Remediation Status
Inventory Verification	<ul style="list-style-type: none"> • Enhance count procedures to ensure appropriate consideration and coverage of their total inventory balance 	In Progress	Not Tested	Not Remediated
	<ul style="list-style-type: none"> • Implement cycle counts as a redundant control to supplement the annual physical count 	Completed	Not Tested	Not Remediated
	<ul style="list-style-type: none"> • Provide training to inventory teams on count procedures and inventory management control expectations 	In Progress	Not Tested	Not Remediated

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

(b) Changes in Internal Control over Financial Reporting

Other than those measures described above to remediate the material weaknesses, there were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), that occurred during the quarter ended June 30, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1: Legal Proceedings.

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

Item 1 A: Risk Factors.

An investment in us involves a number of risks. A detailed discussion of our risk factors appears in Part I, Item 1A. Risk Factors of the Annual Report. Any of the matters highlighted in the risk factors described in the Annual Report and the risk factor below could adversely affect our business, results of operations and financial condition, causing an investor to lose all, or part of, its, his or her investment. The risks and uncertainties described in the Annual Report and below are those we currently believe to be material, but they are not the only ones we face. If any of the risks described in the Annual Report, the following risk factor, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows and consequently the price of our securities could be materially and adversely affected.

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

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

In addition, the regulatory approval processes in connection with the exercise of any PharmaCann Option may take a prolonged period of time to complete, which could significantly delay our ability to exercise the PharmaCann Option and realize the benefits of the PharmaCann Investment, or result in our not being able to exercise all or part of the PharmaCann Option. Furthermore, in connection with obtaining approvals from or otherwise satisfying the requests of the state regulators or applicable laws, we may be required to divest all or a portion of the PharmaCann Option, or if after the exercise of the PharmaCann Option, our shares of PharmaCann.

Even if we are able to and do exercise the PharmaCann Option, the intended benefits of the PharmaCann Investment may not be realized. We cannot assure you that the PharmaCann Investment will be accretive to us in the near term or at all. For example, if entered into, the commercial arrangements between us and PharmaCann may not be successful or beneficial to us. Furthermore, if we fail to realize the intended benefits of the PharmaCann Investment, our stock price could decline to the extent that the market price anticipates those benefits.

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

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

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

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

Madore Agreement

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

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

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

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

Barbato Agreement

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

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

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

Item 6. Exhibits

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

Exhibit Number	Exhibit Index
2.1 ⁺	Option Purchase Agreement, dated June 14, 2021, by and between Cronos USA Holdings Inc. and PharmaCann Inc. (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Cronos Group Inc., filed June 15, 2021).
2.2	Option, dated June 14, 2021, issued by PharmaCann Inc. to Cronos USA Holdings Inc. (incorporated by reference to Exhibit 2.2 to the Current Report on Form 8-K of Cronos Group Inc., filed June 15, 2021).
3.1	Certificate of Continuance, Notice of Articles and Articles of Cronos Group Inc. (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q of Cronos Group Inc., filed August 6, 2020).
10.1 ⁺⁺	Amended and Restated Collaboration and License Agreement, dated as of June 3, 2021, by and between Gingko Bioworks, Inc. and Cronos Group Inc. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Cronos Group Inc., filed June 4, 2021).
10.2 ^{†*}	Amended and Restated Executive Employment Agreement, dated as of June 3, 2021, by and among Cronos USA Client Services LLC, Cronos Group Inc. and Todd Abraham.
10.3 ^{†*}	Executive Employment Agreement, dated as of August 6, 2021, between Cronos USA, Cronos Group and Robert Madore.
10.4 ^{†*}	Letter Agreement, dated as of August 6, 2021, between Hortican, Cronos Group and Jerry Barbato.
31.1 [*]	Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2 [*]	Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 ^{**}	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2 ^{**}	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS [*]	XBRL Instance Document
101.SCH [*]	XBRL Taxonomy Extension Schema Document.
101.CAL [*]	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF [*]	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB [*]	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE [*]	XBRL Taxonomy Extension Presentation Linkbase Document.

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

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

† Management contract or compensatory plan or arrangement.

* Filed herewith.

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

SIGNATURES

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

CRONOS GROUP INC.

By: /s/ Jerry Barbato

Jerry Barbato
Chief Financial Officer

Date: August 6, 2021

**AMENDED AND RESTATED
EXECUTIVE EMPLOYMENT AGREEMENT**

(this “**Agreement**”)

BETWEEN:

CRONOS USA CLIENT SERVICES LLC

(the “**Company**”)

- and -

TODD ABRAHAM

(the “**Executive**”)

- and –

solely for the purposes specified herein,

CRONOS GROUP INC.

(“**Cronos Group**”) and

solely for the purposes specified herein,

HORTICAN INC.

(“**Hortican**”)

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

WHEREAS the Executive previously entered into an employment agreement with Hortican, another wholly owned subsidiary of Cronos Group, in July 2019, which the parties considered to be operational (the “**Original Agreement**”);

WHEREAS, in January 2020, Hortican assigned the Executive’s employment to the Company pursuant to Section 8.9 of the Original Agreement;

WHEREAS the Executive is currently employed by the Company in the position of Chief Innovation Officer;

WHEREAS, effective June 1, 2021 (the “**Effective Date**”), the Company and the Executive wish to amend and restate the Original Agreement as set forth herein;

WHEREAS the Executive will continue to have extensive access to the customers, vendors, suppliers, distribution processes and other unique and valuable confidential information and trade secrets

of the Company, Cronos Group, and their respective affiliates (excluding Altria Group, Inc. and its subsidiaries) and related entities (together, the “**Group**”);

AND WHEREAS the Executive acknowledges that this Agreement, including, without limitation, the proprietary rights, confidentiality, non-solicitation and non-competition provisions that form part of this Agreement are essential to protect the legitimate business interests of the Group;

NOW THEREFORE in consideration of the above, the mutual covenants and agreements set forth in this Agreement, and other good and valuable consideration, including without limitation the increased Base Salary (as defined at Section 5.1 below), target bonus opportunity (as set out at Section 5.2 below), and target incentive opportunity (as set out at Section 5.3 below), the receipt and sufficiency of which are hereby acknowledged, the Company and the Executive (together, the “**Parties**”), and solely for the purposes of Section 5.3 herein, Cronos Group, and solely for the purposes of Section 8.14 herein, Hortican, agree as follows.

1. Position

1.1 The Executive will continue be employed in the position of Chief Innovation Officer.

2. Location

2.1 The Executive shall be based primarily from the Executive’s home office. During the term of the Executive’s employment with the Company, the Executive’s principal place of residence shall remain in the United States. The Executive will be available for business travel as reasonably required to perform the Executive’s duties hereunder.

3. Work Authorizations

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

4. Employment Duties

4.1 The Executive shall perform such duties and exercise such powers as are normally associated with or incidental and ancillary to the Executive’s position and as may be assigned to the

Executive from time to time. In fulfilling the Executive's duties to the Company, the Executive shall be instructed by and shall regularly report to the Chief Executive Officer of Cronos Group (the "CEO"). The Executive's duties, hours of work, location of employment and reporting relationships may be adjusted from time to time by the Company to meet changing business and operational needs. Without limiting the foregoing, the Executive shall

- (a) devote the Executive's full working time and attention during normal business hours and such other times as may be reasonably required to the business and affairs of the Company and shall not, without the prior written consent of the CEO, undertake any other business or occupation or public office;
- (b) perform those duties that may be assigned to the Executive diligently, honestly, and faithfully to the best of the Executive's ability and in the best interest of the Company;
- (c) abide by all Company policies, as instituted and amended from time to time including but not limited to, the applicable Cronos Group Employee Handbook;
- (d) use best efforts to promote the interests and goodwill of the Company and not knowingly do, or permit to be done, anything which may be prejudicial to the Company's interests, it being understood and agreed that the Executive is a fiduciary of the Company and owes fiduciary obligations to the Company that are not extinguished by this Agreement; and
- (e) identify and immediately report to the CEO any gross misrepresentations or violations of any Group policy or applicable law by the Company or its management.

5. **Compensation and Benefits**

- 5.1 **Base Salary.** As of the Effective Date, the Company shall pay the Executive an annual base salary of US\$240,000, less applicable deductions and withholdings (the "**Base Salary**"). The Base Salary shall be paid by direct deposit on a bi-weekly basis (as may be amended from time to time), in accordance with the Company's payroll practices. Any changes to Base Salary shall be at the sole discretion of the Company.
- 5.2 **Annual Performance Bonus.** In addition to the Base Salary, the Executive shall be eligible to participate in the Company's annual cash bonus plan as may be in effect from time to time, and to receive an annual bonus, subject to the terms and conditions of that plan as determined by the Company at its sole discretion. The Executive's annual target bonus opportunity shall initially be 100% of Base Salary, provided that the actual bonus amount, if any, will be determined pursuant to the terms of the applicable annual bonus plan. Nothing in this Agreement guarantees that the Company will maintain an annual bonus plan, and the Company reserves the right to amend or terminate any annual bonus plan established or adopted at any time, without notice or further obligation (subject only to the minimum requirements of applicable legislation, if any). The Executive must be actively employed by the Company on the applicable payment date in order to be eligible for any annual bonus for that year, subject only to the minimum requirements of applicable legislation, unless provided otherwise pursuant to the applicable annual cash bonus plan. For certainty, if the Executive's employment is terminated by the Company with or without Just Cause, or the Executive resigns or otherwise terminates employment for any reason, the Executive will cease to be "actively employed" on the last day of employment as specified in the Company's or the Executive's written notice of termination, as applicable, will not be considered "actively employed" during any period of notice, pay in lieu of notice, or severance pay, and will not be entitled to an annual bonus (or any part thereof) or damages in lieu of the Executive's

eligibility for a bonus, subject only to the minimum requirements of applicable legislation or unless provided otherwise pursuant to the applicable annual cash bonus plan. There shall be no guarantee of a bonus in any given year.

- 5.3 **Long-Term Incentive Opportunity.** The Executive shall be eligible to receive annual grants of equity-based awards over shares of Cronos Group with an initial target incentive opportunity of US\$300,000 (based on the grant date fair value of such awards), provided that the actual amount, if any, of the grants shall be determined by the board of directors of Cronos Group (the “**Board**”) at its sole discretion. Any such equity-based grants shall be governed by the terms and conditions of the equity award plan or any other applicable plan of Cronos Group and/or the applicable award agreement. Such plan or plans may be amended from time to time at Cronos Group’s sole discretion. In the event of the cessation of the Executive’s employment for any reason, the Executive’s entitlements in respect of any equity-based awards shall be governed by the terms and conditions of the applicable equity award plan, any other applicable plan and the applicable award agreement. Subject to the express minimum requirements of applicable legislation, if any, the Executive shall not be eligible for any further grants of equity-based awards following the effective date of termination or damages in lieu thereof, regardless of any applicable notice period, pay in lieu of notice, severance payment or similar amount.
- 5.4 **Group Insured Benefits.** The Executive shall be eligible to participate in the benefits programs of the Company, as applicable, for health and dental, life insurance, disability and other benefits as may be available to the employees of the Company from time to time, subject to the terms and conditions of the applicable plan document. The Company reserves the right to alter, amend or discontinue all benefits, coverages, plans and programs referred to in this paragraph, without advance notice or other obligation, subject only to the minimum requirements of applicable legislation.
- 5.5 **Vacation.** The Executive shall be eligible for four weeks’ paid vacation per year. The Executive shall take vacation time at such times as are approved in advance by the Company in accordance with the policies of the Company, as applicable. Vacation shall be accrued in accordance with the vacation policy of the Company.
- 5.6 **Business Expenses.** The Executive shall be reimbursed for all reasonable travel and other out-of- pocket expenses properly incurred by the Executive from time to time in connection with performance of the Executive’s duties. The Executive shall furnish to the Company on a monthly basis and in accordance with any of the Company’s policies or procedures for expense reimbursement all invoices or statements in respect of expenses for which the Executive seeks reimbursement.
- 5.7 **Clawback Policy; Share Ownership Guidelines.** The Executive agrees and acknowledges that any annual, long-term or other cash, equity or equity-based incentive or bonus compensation paid, provided or awarded to the Executive is subject to the terms and conditions of any clawback or recapture policy that Cronos Group may adopt from time to time, and may be subject to the requirement that such compensation be repaid to the Company after it has been distributed to Executive. In addition, by virtue of the Executive’s position with the Company, the Executive will be subject to Cronos Group’s executive share ownership guidelines, as it may be amended from time to time. The current executive share ownership guidelines require that the Executive own Cronos Group equity equal to at least two times the Executive’s annual base salary by the fifth anniversary of the effective date of the Original Agreement and thereafter during the term of the Executive’s employment with the Company.

5.8 **Deductions and Withholdings.** The Company shall make such deductions and withholdings from the Executive's remuneration and any other payments or benefits provided to the Executive pursuant to this Agreement as may be required by law.

6. **Termination of Employment**

6.1 **Termination by the Executive.** The Executive may terminate his employment with the Company at any time by providing the Company with at least three months of notice in writing. If, upon receipt of the Executive's resignation (or any later date during such notice period), the Company terminates the Executive's employment before the date the resignation was to be effective, the Company shall, in full satisfaction of its obligations to the Executive: (a) pay the Executive's Base Salary and vacation pay accrued until the date the resignation was to be effective up to a maximum of three months; (b) reimburse the outstanding expenses properly incurred by the Executive until the date the Executive's employment ceases; and (c) provide the Executive with such other compensation and benefits that are expressly required pursuant to applicable legislation, if any. In such circumstances the Executive shall be ineligible for any pro-rated bonus for the year of termination, and any entitlements in respect of any equity-based awards shall be governed by the terms and conditions of the applicable equity award plan, any other applicable plan and the applicable award agreement.

6.2 **Termination by the Company for Just Cause or on Death or Disability.** The Company may terminate the Executive's employment at any time for Just Cause without prior notice or in the event of the Executive's death or Disability (as defined below). On the termination of the Executive's employment for Just Cause or on the Executive's death or Disability, this Agreement and the Executive's employment shall terminate and the Company shall, in full satisfaction of its obligations to the Executive: (a) pay the Executive's Base Salary and vacation pay accrued until the date the Executive's employment ceases; (b) reimburse the outstanding expenses properly incurred by the Executive until the date the Executive's employment ceases; and (c) provide the Executive with such other compensation and benefits that are expressly required pursuant to applicable legislation, if any. In such circumstances the Executive shall be ineligible for any pro-rated bonus for the year of termination, and any entitlements in respect of equity-based awards shall be governed by the terms and conditions of the applicable equity award plan, any other applicable plan and the applicable award agreement. For the purposes of this Agreement, (A) "**Just Cause**" means: (i) any act or omission constituting "just cause" for dismissal without notice under applicable law; (ii) the Executive's repeated failure or refusal to perform the Executive's principal duties and responsibilities after notice from the CEO or other officer of the Company; (iii) misappropriation of the funds or property of the Company; (iv) use of alcohol or drugs in violation of the Company's policies on such use or that interferes with the Executive's obligations under this Agreement, continuing after a single warning (subject to the Company's obligations under applicable human rights legislation); (v) the indictment, arrest or conviction in a court of law for, or the entering of a plea of guilty to, a summary or indictable offence or any crime involving moral turpitude, fraud, dishonesty or theft (subject to the Company's obligations under applicable human rights legislation); (vi) the misuse of Company computers or computer network systems for non-Company business; (vii) engaging in any act (including, without limitation, an act of sexual harassment as determined by the Company) which is a violation of any law, regulation or Company policy; or (viii) any wilful or intentional act which injures or could reasonably be expected to injure the reputation, business or business relationships of the Company, and (B) "Disability" means a physical or mental incapacity of the Executive that has prevented the Executive from performing the duties customarily assigned to the Executive for 180 calendar days, whether or not consecutive, out of

any twelve consecutive months and that in the opinion of the Company, acting on the basis of advice from a duly qualified medical practitioner, is likely to continue to a similar degree.

6.3 **Termination by the Company without Just Cause or Resignation for Good Reason on Change of Control.** The Company may terminate the Executive's employment at any time without Just Cause, on providing thirty days' written notice to the Executive. The Executive may resign the Executive's employment for Good Reason (as defined below) within twenty-four months of the occurrence of a Change in Control (as defined below), on providing thirty days' written notice to the Company. If: (i) the Company terminates the Executive's employment without Just Cause, or (ii) if the Executive resigns his employment for Good Reason within twenty-four months of the occurrence of a Change of Control, and in each case if the Executive signs and delivers and does not revoke a release in favour of the Group pursuant to the form customarily used by the Group and on the timing set forth therein in consideration of amounts (including, for the avoidance of doubt, under clause (e) below) in excess of the Executive's minimum entitlements under applicable legislation, the Company, shall, in full satisfaction of its obligations to the Executive:

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

If the Executive does not sign and deliver to the Company the release in favour of the Group described above, or if the Executive revokes the foregoing release, the Company shall only provide the Executive with such compensation (including any Base Salary and accrued but unpaid vacation pay, termination pay and severance pay) and benefits that are expressly required pursuant to applicable legislation, if any.

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

- (a) the consummation of any transaction or series of transactions including any reorganization, recapitalization, statutory share exchange, consolidation, amalgamation, arrangement, merger or issue of voting shares in the capital of Cronos Group, the result of which is that any individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, association, joint-stock company, estate, trust, organization, governmental authority or other entity of any kind or nature (“**Person**”) or group of Persons acting jointly or in concert for purposes of such transaction or series of transactions becomes the beneficial owner, directly or indirectly, of more than 50% of the voting securities in the capital of the entity resulting from such transaction or series of transactions or the entity that acquired all or substantially all of the business or assets of Cronos Group in a transaction or series of transactions described in paragraph (ii) below (in each case, the “**Surviving Company**”) or the ultimate parent entity that has beneficial ownership of sufficient voting power to elect a majority of the board of directors (or analogous governing body) of the Surviving Company (the “**Parent Company**”), measured by voting power of the outstanding voting securities eligible to elect members of the board of directors (or the analogous governing body) of the Parent Company (or, if there is no Parent Company, the Surviving Company) rather than number of securities (but shall not include the creation of a holding company or other transaction that does not involve any substantial change in the proportion of direct or indirect beneficial ownership of the voting securities of Cronos Group prior to the consummation of the transaction or series of transactions), provided that the exercise by Altria Summit LLC (or any of its affiliates) of the Purchased Warrant (as defined in the Subscription Agreement by and among Cronos Group Inc., Altria Summit LLC and Altria Group, Inc. dated as of December 7, 2018 as may be amended or otherwise modified from time to time in accordance with its terms) shall not constitute a Change of Control pursuant to this clause (a);
- (b) the direct or indirect sale, transfer or other disposition, in one or a series of transactions, of all or substantially all of the business or assets of Cronos Group, taken as a whole, to any person or group of persons acting jointly or in concert for purposes of such transaction or series of transactions (other than to any affiliates of Cronos Group); or
- (c) Incumbent Directors during any consecutive twelve month period ceasing to constitute a majority of the Board of Cronos Group (for the purposes of this paragraph, an “Incumbent Director” shall mean any member of the Board who is a member of the Board immediately prior to the occurrence of a contested election of directors of Cronos Group).

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

- (a) the assignment to the Executive of duties materially different than the duties assigned to the Executive hereunder;
- (b) a material diminution in the Executive’s title, status, seniority, reporting relationship, responsibilities or authority; or
- (c) a material reduction in the Executive’s Base Salary.

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

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

7. **Restrictive Covenants**

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

- (a) during the term of the Executive's employment, the Executive may be given access to or may become acquainted with confidential and proprietary information of the Company and its affiliates and related entities and third parties to which the Group may have any obligations of non-disclosure or confidentiality, including but not limited to: trade secrets; know-how; Intellectual Property (as defined below); Employee Inventions (as defined below), Invention Records (as defined below), existing and contemplated work product resulting from or related to projects performed or to be performed by or for the Group; programs and program modules; processes; algorithms; design concepts; system designs; production data; test data; research and development information; information regarding the acquisition, protection, enforcement and licensing of proprietary rights; technology; joint ventures; business, accounting, engineering and financial information and data; marketing and development plans and methods of obtaining business; forecasts; future plans and strategies of the Group; pricing, cost, billing and fee arrangements and policies; quoting procedures; special methods and processes; lists and/or identities of customers, suppliers, vendors and contractors; the type, quantity and specifications of products and services purchased, leased, licensed or received by the Group and/or any of its customers, suppliers, or vendors; internal personnel and financial information; business and/or personal information about any senior staff members of the Group or any Person with which the Company enters a strategic alliance or any other partnering arrangements; vendor and supplier information; the manner and method of conducting the Group's business; the identity or nature of relationship of any persons or entities associated with or engaged as consultants, advisers, agents, distributors or sales representatives (the "**Confidential Information**") the disclosure of any of which to competitors of the Group or to the general public, or the use of same by the Executive or any competitor of the Group, would be highly detrimental to the interests of the Company;
- (b) disclosure or use of Confidential Information, other than in connection with the Group's business or as specifically authorized by the Group, will be highly detrimental to the business and interests of the Group and could result in serious loss of business and damage to it.

Accordingly, the Executive specifically agrees to hold all Confidential Information in strictest confidence, and the Executive agrees that the Executive shall not, without the Company's prior written consent, disclose, divulge or reveal to any person, or use for any purpose other than for the exclusive benefit of the Company, any Confidential Information, in whatever form contained; provided that the foregoing shall not apply to information (except for personal information about identifiable individuals) that: (i) was known to the public prior to its disclosure to the Executive; (ii) becomes generally known to the public subsequent to disclosure to the Executive other than by reason of the Executive's breach of this Section; (iii) becomes available to the Executive from a source independent of the Group; or (iv) the Executive is specifically required to disclose by applicable law or legal process (provided that the Executive provides the Company with prompt advance written notice of the contemplated disclosure and cooperates with the Company in seeking a protective order or other appropriate protection of such information);

- (c) the Executive shall deliver to the Company, immediately upon termination of employment (for any reason and regardless of whether the Executive or the Company terminate the employment) or at any time the Company so requests: (i) any and all documents, files, notes, memoranda, models, databases, computer files and/or other computer programs reflecting any Confidential Information whatsoever or otherwise relating to the Group's business; (ii) lists or other documents regarding customers, suppliers, or vendors of the Group or leads or referrals to prospective business deals; and (iii) any computer equipment, home office equipment, automobile or other business equipment belonging to the Group that the Executive may then possess or have under the Executive's control; and
- (d) for the avoidance of doubt, nothing in this Agreement limits, restricts or in any other way affects the Executive communicating with any governmental authority or entity concerning matters relevant to the governmental authority or entity. The Executive and the Company agree that no confidentiality or other obligation the Executive owes to the Group prohibits the Executive from reporting possible violations of law or regulation to any governmental authority or entity under any applicable whistleblower protection provision of applicable Canadian, U.S. Federal or U.S. State law or regulation (including Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes- Oxley Act of 2002) or requires the Executive to notify the Company of any such report. The Executive is hereby notified that the immunity provisions in Section 1833 of title 18 of the United States Code provide that an individual cannot be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (i) in confidence to federal, state or local government officials, either directly or indirectly, or to an attorney, and is solely for the purpose of reporting or investigating a suspected violation of the law, (ii) under seal in a complaint or other document filed in a lawsuit or other proceeding, or (iii) to the Executive's attorney in connection with a lawsuit for retaliation for reporting a suspected violation of law (and the trade secret may be used in the court proceedings for such lawsuit) as long as any document containing the trade secret is filed under seal and the trade secret is not disclosed except pursuant to court order.

7.2 Intellectual Property

- (a) In this Section 7.2, the term "**Germplasm**" means any living or preserved biological tissue or material which may be used for the purpose of plant breeding and/or propagation, including,

without limitation, plants, cuttings, seeds, clones, cells, tissues, plant materials and genetic materials (including, without limitation, nucleic acids, genes, promoters, reading frames, regulatory sequences, terminators, chromosomes whether artificial or natural and vectors).

- (b) For the purposes of this Agreement, “**Intellectual Property**” means any and all intellectual property rights and proprietary rights existing in any jurisdiction throughout the world, including any rights in or to: (i) patents, patent applications, patent rights, inventions, industrial designs, industrial design applications, industrial design rights, ideas, discoveries and invention disclosures (whether or not patentable), and any divisionals, continuations, continuations-in-part, reissues, renewals, reexaminations and extensions of any of the foregoing; (ii) trademarks, service marks, trade names, trade dress, logos, packaging designs, slogans, other indicia of source, Internet domain names and URLs, and registrations and applications for registration of any of the foregoing and any renewals thereof, together with any goodwill symbolized thereby; (iii) copyrightable works (including with respect to software and compilations of data), whether published or unpublished, including all copyrights, copyright registrations and applications; (iv) trade secrets, and confidential or proprietary information, data or database rights, know-how, techniques, designs, processes, recipes and formulas; (v) Germplasm, plant varieties, and applications and registrations for plant varieties issued by or pending before any Governmental Authority, including under the Plant Variety Protection Act (United States) or the Plant Breeders’ Rights Act (Canada); and (vi) circuit topographies, database rights and software.
- (c) The Executive agrees to promptly disclose to the Company (including, without limitation, to the Executive’s manager) all Intellectual Property, including with respect to, but without limitation, Germplasm, and whether or not any of the foregoing are registrable, which the Executive may author, make, conceive, develop, discover or reduce to practice, solely, jointly or in common with other employees, during the Executive’s employment with the Company, and which relate to the business activities of the Company or any of its affiliates (“**Employee Inventions**”). The Executive agrees to maintain as confidential any Employee Inventions unless and until made generally public by the Company, and not to make application for registration of rights in respect of any Employee Inventions unless it is at the request and direction of the Company. Intellectual Property coming within the scope of the business of the Company made and/or developed by the Executive while in the employ of the Company, whether or not conceived or made during regular working hours and whether or not the Executive is specifically instructed to make or develop the same, shall be for the benefit of the Company and shall be considered to have been made pursuant to this Agreement and shall be deemed Employee Inventions and shall immediately become exclusive property of the Company. The Executive must keep, maintain and make available to the Company complete and up-to-date records relating to any such Intellectual Property, and agree that all such records are the sole and absolute property of the Company.
- (d) The Executive further acknowledges that all Employee Inventions are “work made for hire” (to the greatest extent permitted by applicable Law) owned exclusively by the Company and that the Executive has been compensated for such Employee Inventions by the Executive’s salary, commissions and other benefits, unless regulated otherwise by Law. To the extent such Employee Inventions are not “work made for hire” or otherwise not owned automatically and exclusively by the Company as a matter of Law, then to the greatest extent permitted under by applicable Law, the Executive hereby irrevocably assigns and transfers, and shall assign and

transfer, to the Company, the Executive's entire right, title and interest in and to any and all Employee Inventions, and the Executive agrees to execute and deliver to the Company any and all instruments necessary or desirable to accomplish the foregoing and, in addition, to do all lawful acts which may be necessary or desirable to assist the Company to obtain and enforce protection of Employee Inventions. If and to the extent the foregoing assignment cannot be effected as a matter of law with respect to any Employee Inventions, the Executive hereby grants to the Company an exclusive, perpetual, fully-paid, royalty-free, irrevocable, worldwide, fully-transferable, fully sublicensable (on multiple levels) license to use, modify, display, perform, make, have made, copy, make derivative works, import, export, distribute and otherwise exploit such Employee Inventions for any purpose. The Executive shall, at the request and cost of the Company, and for no additional compensation or consideration from the Company, sign, execute, make and do all such deeds, documents, acts and things as the Company and its duly authorized agents may reasonably require: (i) to apply for, obtain and vest in the name of the Company alone (unless the Company otherwise directs) registered rights in any Employee Inventions, including any patents, industrial designs, letters patent, copyrights, plant breeders' rights, trademarks, service marks or other analogous protection in any country throughout the world and when so obtained or vested to renew and restore the same; (ii) to perfect or evidence ownership by the Company or its designees of any and all Employee Inventions, in form suitable for recordation in the United States, Canada and any other intellectual property office anywhere in the world; (iii) to defend any opposition proceedings of any type whatsoever in respect of such applications, and any opposition proceedings or petitions or applications of any type whatsoever for revocation of such Employee Inventions, whether such proceedings are brought before a court or any administrative body; (iv) to defend and/or assert the Company's rights in any Intellectual Property against any third party; and (v) to assert the Executive's moral rights in any Intellectual Property against any third party. For greater certainty, all materials related to Employee Inventions (including, without limitation, notes, records and correspondence, whether written or electronic) (collectively, "**Invention Records**") are the property of the Company, which the Executive shall provide to the Company upon request. Invention Records shall not be removed from Company premises without the prior written consent of the Company. The Executive further waives all moral rights in and to any Employee Inventions and all work the Executive produced during the course of the Executive's employment in favor of the Company, its licensees, successors and assigns, and transferees of the Employee Inventions and such work

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

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

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

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

For purposes of this section, "**cannabis**" means (a) any plant or seed, whether live or dead, from any species or subspecies of genus *Cannabis*, including *Cannabis sativa*, *Cannabis indica* and *Cannabis ruderalis*, Marijuana and Industrial Hemp and any part, whether live or dead, of the plant or seed thereof, including any stalk, branch, root, leaf, flower, or trichome; (b) any material obtained, extracted, isolated, or purified from the plant or seed or the parts contemplated by clause (a) of this definition, including any oil, cannabinoid, terpene, genetic material or any combination thereof; (c) any organism engineered to biosynthetically produce the material contemplated by clause (b) of this definition, including any micro-organism engineered for such purpose; (d) any biologically or chemically synthesized version of the material contemplated by clause (b) of this definition or any analog thereof, including any product made by any organism contemplated by clause (c) of this definition; and (e) any other meaning ascribed to the term "cannabis" under applicable Law, including the CDSA and the *Cannabis Act*.

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

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

- 7.5 **Non-Solicitation of Employees.** The Executive shall not, during the Executive’s employment and for two years following the Termination Date, whether alone or for or in conjunction with any Person or entity, whether as an employee, partner, director, principal, agent, consultant or in any other capacity whatsoever, directly or indirectly solicit or assist in the solicitation of any employee of the Group to leave such employment.
- 7.6 **Disclosure.** During the Executive’s employment with the Company, the Executive shall promptly disclose to the Board full information concerning any interest, direct or indirect, of the Executive (whether as owner, shareholder, partner, lender or other investor, director, officer, employee, consultant or otherwise) or any member of the Executive’s immediate family, in any business which is reasonably known to the Executive to purchase or otherwise obtain services or products from, or to sell or otherwise provide services or products to the Company or to any of their respective suppliers or Customers.
- 7.7 **Other Employment.** During the Executive’s employment with the Company, the Executive shall not, except as a representative of the Company or with the prior written approval of the Executive’s manager, whether paid or unpaid, be directly or indirectly engaged, concerned or have any financial interest in any capacity in any other business, trade, professional or occupation (or the setting up of any business, trade, profession or occupation).
- 7.8 **Return of Materials.** All files, forms, brochures, books, materials, written correspondence (including email and instant messages), memoranda, documents, manuals, computer disks, software products and lists (including financial and other information and lists of customers, suppliers, products and prices) pertaining to the Group which may come into the Executive’s possession or control shall at all times remain the property of the Group. Upon termination of the Executive’s employment for any reason, the Executive agrees to immediately deliver to the Company all such property in the Executive’s possession or directly or indirectly under the Executive’s control. The Executive agrees not to make, for the Executive’s personal or business use or that of any other person, reproductions or copies of any such property or other property of the Group.
- 7.9 **Non-Disparagement.** Subject to Section 7.1(d) of this Agreement, the Executive shall refrain, both during and after the cessation of the Executive’s employment with the Company, from making, publicly or privately, any statement or announcement that constitutes an *ad hominem* attack on, or that otherwise disparages, defames, slanders, impugns or is reasonably likely to damage the reputation of the Group, or its or any of their respective directors, members, limited or general partners, equity holders, officers, employees, agents, consultants, advisors or other representatives.

8. **General**

- 8.1 **Reasonableness of Restrictions and Covenants.** The Executive hereby confirms and agrees that the covenants and restrictions contained in this Agreement, including, without limitation, those contained

in Article 7, are reasonable and valid the Executive further acknowledges and agrees that the Company may suffer irreparable injury in the event of any breach by the Executive of the obligations under any such covenant or restriction. Accordingly, the Executive hereby acknowledges and agrees that damages would be an inadequate remedy at law in connection with any such breach and that the Company shall therefore be entitled, in addition to any other right or remedy which it may have at law, in equity or otherwise, to temporary and permanent injunctive relief enjoining and restraining the Executive from any such breach.

- 8.2 **Survival.** Article 7 and this Section 8.2 survive the termination of this Agreement and the Executive's employment for any reason whatsoever.
- 8.3 **Entire Agreement.** This is the entire agreement between the Parties on the subject matters addressed herein. There are no representations, warranties or collateral agreements, whether written or oral, outside of this written Agreement. This Agreement and the terms and conditions of employment contained herein supersede and replace any prior understandings or discussions between the Parties, including the Original Agreement, regarding the Executive's employment.
- 8.4 **Withholding Taxes.** The Company may withhold from any amounts or benefits payable under this Agreement income taxes and payroll taxes that are required to be withheld pursuant to any applicable law or regulation.
- 8.5 **Section 409A Compliance.** To the extent applicable, this Agreement is intended to comply with the requirements of Section 409A of the United States Internal Revenue Code of 1986, as amended (together with the applicable regulations thereunder, "**Section 409A**"). To the extent that any provision in this Agreement is ambiguous as to its compliance with Section 409A or to the extent any provision in this Agreement must be modified to comply with Section 409A (including, without limitation, Treasury Regulation 1.409A-3(c)), such provision shall be read, or shall be modified (with the mutual consent of the parties, which consent shall not be unreasonably withheld), as the case may be, in such a manner so that all payments due under this Agreement shall comply with Section 409A. For purposes of Section 409A, each payment made under this Agreement shall be treated as a separate payment. In no event may Executive, directly or indirectly, designate the calendar year of payment. Notwithstanding any provision of this Agreement to the contrary, if necessary to comply with the restriction in Section 409A(a)(2)(B) concerning payments to "specified employees" (as defined in Section 409A) any payment on account of the Executive's separation from service that would otherwise be due hereunder within six months after such separation shall nonetheless be delayed until the first business day of the seventh month following the Executive's date of termination and the first such payment shall include the cumulative amount of any payments that would have been paid prior to such date if not for such restriction. Notwithstanding anything contained herein to the contrary, the Executive shall not be considered to have terminated employment with the Company for purposes of this Agreement unless he would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A.
- 8.6 **Amendments.** This Agreement may only be amended by written agreement executed by the Parties. However, changes to the Executive's position, duties, vacation, benefits and compensation, over time in the normal course, do not affect the validity or enforceability of the Agreement.
- 8.7 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware and the laws of the United States applicable in the State of Delaware. The Company and the Executive each irrevocably consent to the exclusive jurisdiction of the courts of

Delaware and the courts of Delaware shall have the sole and exclusive jurisdiction to entertain any action arising under this Agreement.

- 8.8 **Severability.** If any provision in this Agreement is determined to be invalid or unenforceable, such provision shall be severed from this Agreement, and the remaining provisions shall continue in full force and effect. If for any reason any court of competent jurisdiction will find any provisions of this Agreement unreasonable in duration or geographic scope or otherwise, the Parties agree that the restrictions and prohibitions contained herein will be effective to the fullest extent allowed under applicable law in such jurisdiction.
- 8.9 **Assignment.** The Company may assign this Agreement to an affiliate or subsidiary, and it enures to the benefit of the Company, its successors or assigns.
- 8.10 **Independent Legal Advice.** The Executive acknowledges that the Executive has been encouraged to obtain independent legal advice regarding the execution of this Agreement, and that the Executive has either obtained such advice or voluntarily chosen not to do so, and hereby waives any objections or claims the Executive may make resulting from any failure on the Executive's part to obtain such advice.
- 8.11 **Waiver.** No waiver of any of the provisions of this Agreement shall be effective or binding, unless made in writing and signed by the party purporting to give the same. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions, whether or not similar, nor shall such waiver constitute a continuing waiver, unless expressly stated otherwise.
- 8.12 **Conditions.** This Agreement and the Executive's continued employment hereunder is conditional on the Company's satisfaction (determined in the Company's sole discretion) that the Executive has met the legal requirements to perform the Executive's role, including but not limited to satisfactory results of Health Canada or any other applicable security clearance checks and criminal record checks and other reference checks that the Company performs. The Executive acknowledges and agrees that in signing this Agreement, and providing the Company with the necessary documentation to perform the checks required for the Executive's role and with references, the Executive is providing consent to the Company or its agent, to perform such checks and contact the references the Executive provided to the Company.
- 8.13 **Prior Restrictions.** By signing below, the Executive represents that the Executive is not bound by the terms of any agreement with any Person which restricts in any way the Executive's hiring by the Company and the performance of the Executive's expected job duties; the Executive also represents that, during the Executive's employment with the Company, the Executive shall not disclose or make use of any confidential information of any other persons or entities in violation of any of their applicable policies or agreements and/or applicable law.
- 8.14 **Resignation from Hortican.** Without limiting the generality of Section 8.3 above, by signing below, the Executive confirms that: (i) the Executive voluntarily and irrevocably resigned from his employment with Hortican, and Hortican accepted the Executive resignation, effective as of the date of the assignment of the Original Agreement to, and the start of the Executive's employment with, Cronos USA; and (ii) the Executive has no rights or entitlements in respect of the cessation of such employment with Hortican, whether pursuant to contract, statute or the common law. For the avoidance of doubt, the Executive's resignation from his employment with Hortican does not impact any Cronos Group equity-based awards granted to the Executive before the Effective Date, which remain in full force and effect.

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

[Signature Page Follows]

IN WITNESS WHEREOF this Agreement has been executed by the Parties as of this 3rd day of June, 2021.

CRONOS USA CLIENT SERVICES LLC

By: /s/ Michael Gorenstein
Name: Michael Gorenstein
Title: Executive Chairman

**CRONOS GROUP INC.
solely with respect to Section 5.3**

By: /s/ Kurt Schmidt
Name: Kurt Schmidt
Title: President & CEO

**HORTICAN INC.
solely with respect to Section 8.14**

By: /s/ Michael Gorenstein
Name: Michael Gorenstein
Title: Executive Chairman

EXECUTIVE

/s/ Todd Abraham
Name: Todd Abraham

Signed and Returned to Shannon Buggy using electronic signature

SIGNED AND DELIVERED in the presence of

Witness Signature

Witness Print Name

EXECUTIVE EMPLOYMENT AGREEMENT

(this “Agreement”)

BETWEEN:

CRONOS USA CLIENT SERVICES LLC

(the “Company”)

- and -

ROBERT MADORE

(the “Executive”)

- and -

solely for the purposes specified herein,

CRONOS GROUP INC.

(“Cronos Group”)

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

WHEREAS the Company wishes to engage the services of the Executive in the position of Chief Financial Officer of Cronos Group;

WHEREAS the Executive will have extensive access to the customers, vendors, suppliers, distribution processes and other unique and valuable confidential information and trade secrets of the Company, Cronos Group and their respective affiliates (excluding Altria Group, Inc. and its subsidiaries) and related entities (together, the “Group”);

WHEREAS the Company and the Executive desire to enter into a written employment agreement;

AND WHEREAS the Executive acknowledges that this Agreement, including, without limitation, the proprietary rights, confidentiality, non-solicitation and non-competition provisions that form part of this Agreement are essential to protect the legitimate business interests of the Group;

NOW THEREFORE in consideration of the foregoing, the mutual covenants and agreements contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Executive, and solely for the purposes specified herein, Cronos Group (together, the “Parties”), agree as follows:

1. Position

1.1 The Executive shall be employed in the position of Chief Financial Officer, commencing on August 9, 2021, or such other date as agreed between the Executive and the Company in writing,

email being sufficient (the actual date on which the Executive commences employment with the Company, the “**Effective Date**”).

2. Location

2.1 The Executive shall be based primarily from the Executive’s home office. During the term of the Executive’s employment with the Company, the Executive’s principal place of residence shall remain in the United States. The Executive shall be available for business travel as reasonably required to perform the Executive’s duties hereunder.

3. Work Authorizations

3.1 It is a condition of this Agreement and the Executive’s employment that the Executive shall be based in the United States. However, it is understood and agreed that the Executive’s position may require that the Executive work abroad from time to time, as needed by the Group. The Executive’s employment with the Company is therefore also conditional upon the securing of all necessary visas, work permits and other authorizations that may be reasonably required to enter and/or to work in any of the countries in which the Executive may be assigned to work or visit during the term of employment. The Company shall provide reasonable assistance in respect of immigration matters. Despite such assistance, the Company cannot guarantee when or whether the Executive’s application for a work permit, visa, permanent residence status or other immigration status or documents will be approved. At any time, should necessary authorizations that permit the Executive to legally work outside the United States or in any other jurisdiction in which the Executive will be required to work or visit not be obtained or expire without the possibility of renewal, the Executive’s employment shall come to an end and shall be treated by the Company as a termination without Just Cause (as defined below); provided, that if such authorization expires without the possibility of renewal due to any action or inaction by the Executive that is not otherwise approved by the Company, the Executive’s employment shall come to an end and shall be treated by the Company as a termination with Just Cause.

4. Employment Duties

4.1 The Executive shall perform such duties and exercise such powers as are normally associated with or incidental and ancillary to the Executive’s position and as may be assigned to the Executive from time to time. In fulfilling the Executive’s duties to the Company, the Executive shall be instructed by and shall regularly report to the Chief Executive Officer of Cronos Group, (the “**CEO**”). The Executive’s duties, hours of work, location of employment and reporting relationships may be reasonably adjusted from time to time by the Company to meet changing business and operational needs. Without limiting the foregoing, the Executive shall:

- (a) devote the Executive’s full working time and attention during normal business hours and such other times as may be reasonably required to the business and affairs of the Group and shall not, without the prior written consent of the CEO, undertake any other business (including any position on a board of any for profit, public benefit or nonprofit entity) or occupation or public office;
- (b) perform those duties that may be assigned to the Executive diligently, honestly, and faithfully to the best of the Executive’s ability and in the best interest of the Group;

- (c) abide by all Cronos Group policies, as instituted and amended from time to time, including, without limitation, the Cronos Group - Employee Handbook (United States);
- (d) use best efforts to promote the interests and goodwill of the Group and not knowingly do, or permit to be done, anything that may be prejudicial to the Group's interests, it being understood and agreed that the Executive is a fiduciary of Cronos Group and owes fiduciary obligations to Cronos Group that are not extinguished or limited by this Agreement; and
- (e) identify and immediately report to the CEO any gross misrepresentations or violations of any Cronos Group policy, including, without limitation, the Cronos Group – Employee Handbook (United States) or applicable law by Cronos Group or its management.

5. **Compensation and Benefits**

5.1 **Base Salary.** The Company shall pay the Executive an annual base salary of US\$450,000, less applicable deductions and withholdings (“**Base Salary**”). The Base Salary shall be paid by direct deposit on a bi-weekly basis, in accordance with the Company's payroll practices (as may be amended from time to time by the Company in its sole discretion). Any changes to Base Salary shall be at the sole discretion of the Company. The Base Salary shall be subject to increases, but not decreases.

5.2 **Annual Performance Bonus.** Starting in the 2022 fiscal year, the Executive shall be eligible to participate in the Group's annual cash bonus plan as may be in effect from time to time, and to receive an annual bonus, subject to the terms and conditions of that plan as determined by Cronos Group at its sole discretion. The Executive's annual target bonus opportunity shall initially be 125% of Base Salary, provided that the actual bonus amount, if any, shall be determined pursuant to the terms of the applicable Group annual bonus plan. For the avoidance of doubt, the Executive will not be eligible for an annual cash bonus in respect of the 2021 fiscal year. The Company reserves the right to amend or terminate any annual bonus plan established or adopted at any time, without notice or further obligation. Subject to the foregoing and to Section 6.3 of this Agreement, the Executive must be actively employed by the Company on the applicable payment date to be eligible for any annual bonus, unless provided otherwise pursuant to the applicable annual cash bonus plan. For certainty, if the Executive's employment is terminated by the Company with or without Just Cause, or the Executive resigns or otherwise terminates employment for any reason, the Executive shall cease to be “actively employed” on the last day of employment as specified in the Company's or the Executive's written notice of termination, as applicable, shall not be considered “actively employed” during any period of notice, pay in lieu of notice, severance payment or similar amount, and shall not be entitled to an annual bonus (or any part thereof) or damages in lieu of the Executive's eligibility for a bonus, unless provided otherwise pursuant to Section 6.3 of this Agreement and/or the applicable annual cash bonus plan. There shall be no guarantee of a bonus in any given year.

5.3 **Long-Term Incentive Opportunity.**

- (a) Starting in the 2022 fiscal year, the Executive shall be eligible to receive annual grants of equity-based awards over shares of Cronos Group with an initial target incentive opportunity of US\$787,500 (based on the grant date fair value of such awards), provided that the actual amount, if any, of the grants shall be determined by the board of directors

of Cronos Group (the “**Board**”) or the Compensation Committee of the Board, as applicable, at its sole discretion. Any equity-based grants shall be governed by the terms and conditions of the equity award plan or any other applicable plan of Cronos Group and the applicable award agreement, except as expressly set forth herein. Such plan or plans may be amended from time to time at Cronos Group’s sole discretion. In the event of the cessation of the Executive’s employment for any reason, the Executive’s entitlements in respect of any equity-based awards shall be governed by the terms and conditions of the applicable equity award plan, any other applicable plan and the applicable award agreement. The Executive shall not be eligible for any further grants of equity-based awards following the effective date of termination or damages in lieu thereof, regardless of any applicable notice period, pay in lieu of notice, severance payment or similar amount.

- (b) In addition, as soon as reasonably practicable after the Effective Date, the Board shall grant the Executive a one-time grant of equity-based awards, comprised of (a) 900,000 non-qualified stock options, vesting ratably on a quarterly basis over a four (4) year period following the date of grant, and (b) 50,000 restricted share units, vesting on the third (3rd) anniversary of the grant date (together, the “**Sign-On Awards**”). The Sign-On Awards shall be subject to the terms and conditions set forth in Cronos Group’s 2020 Omnibus Equity Incentive Plan and the applicable award agreements, in substantially the forms attached hereto as Exhibit A and Exhibit B.

- 5.4 **Group Insured Benefits.** The Executive shall be eligible to participate in the benefits programs of the Company or Cronos Group, as applicable, for health and dental, life insurance, disability and other benefits as may be available to its senior executive employees from time to time, subject to the terms and conditions of the applicable plan document. The Company or the Group, as applicable, reserves the right to alter, amend or discontinue all benefits, coverages, plans and programs referred to in this Section 5.4, without advance notice or other obligation.
- 5.5 **Signing Bonus.** The Company shall provide the Executive with a one-time lump sum cash payment of US\$372,000, less applicable deductions and withholdings, to be earned on the first anniversary of the Effective Date and paid by the Company’s within sixty (60) days of such anniversary date (the “**Signing Bonus**”). If the Executive provides notice of resignation for any reason other than Good Reason (as defined herein), or the Company terminates the Executive’s employment for Just Cause, in either case before the first anniversary of the Effective Date, the Executive shall forfeit the Signing Bonus in its entirety. If the Company terminates the Executive’s employment without Just Cause, or the Executive provides notice of resignation for Good Reason, in either case before the first anniversary of the Effective Date, the Signing Bonus shall be prorated by multiplying the annualized award by a fraction where the numerator is the number of completed months that the Executive was employed by the Company, and the denominator is twelve (12).
- 5.6 **Vacation.** The Executive shall be eligible for four (4) weeks of paid vacation per calendar year, or for such greater length of time as may be consistent with the vacation policy of the Company for its senior executives. The Executive shall take vacation time at such times as are approved in advance by the Company in accordance with the policies of the Company. Vacation shall be accrued in accordance with the Company’s vacation policy, as may be amended from time to time.

5.7 **Business Expenses.** The Executive shall be reimbursed for all reasonable travel and other out-of-pocket expenses properly incurred by the Executive from time to time in connection with performance of the Executive's duties and submitted for reimbursement in accordance with the following sentence of this Section 5.7. The Executive shall furnish to the Company all invoices or statements in respect of expenses for which the Executive seeks reimbursement in accordance with the Company's policies or procedures for expense reimbursement, as may be amended from time to time.

5.8 **Clawback Policy; Share Ownership Guidelines.** The Executive agrees and acknowledges that any annual, long-term or other cash, equity or equity-based incentive or bonus compensation paid, provided or awarded to the Executive, including, notwithstanding anything to the contrary in such policy, the non-qualified stock options and restricted share units awarded in connection with the Sign-On Awards, is subject to the terms and conditions of any clawback or recapture policy that Cronos Group may adopt from time to time, and may be subject to the requirement that such compensation be repaid to the Company after it has been distributed to the Executive. The Executive agrees and acknowledges that Executive shall be subject to Cronos Group's share ownership guidelines for the Executive's position, as the same may be in effect or amended from time to time. As of the Effective Date, such guidelines require the Executive to achieve, within five (5) years of the Effective Date and thereafter during the term of the Executive's employment with the Company, a level of ownership equal to two (2) times Base Salary.

6. **Termination of Employment**

6.1 **Termination by the Executive.** The Executive may terminate the Executive's employment with the Company at any time by providing the Company with at least three (3) months of notice in writing. If, upon receipt of the Executive's resignation (or any later date during such notice period), the Company terminates the Executive's employment before the date the resignation was to be effective, the Company shall, in full satisfaction of its obligations to the Executive: (a) pay the Executive's Base Salary until the date the resignation was to be effective up to a maximum of three (3) months, plus all vacation pay accrued or to be accrued as of the effective date of resignation; and (b) reimburse the outstanding expenses properly incurred by the Executive until the date the Executive's employment ceases and submitted for reimbursement pursuant to Section 5.7. In such circumstances the Executive shall be ineligible for any pro-rated bonus for the year of termination, and any entitlements in respect of any equity-based awards shall be governed by the terms and conditions of the applicable equity award plan, any other applicable plan and the applicable award agreement.

6.2 **Termination by the Company for Just Cause or on Death or Disability.** The Company may terminate the Executive's employment at any time for Just Cause without prior notice or in the event of the Executive's death or Disability (as defined below). On the termination of the Executive's employment for Just Cause or on the Executive's death or Disability, this Agreement and the Executive's employment shall terminate and the Company shall, in full satisfaction of its obligations to the Executive: (a) pay the Executive's Base Salary and vacation pay accrued until the date the Executive's employment ceases; and (b) reimburse the outstanding expenses properly incurred by the Executive until the date the Executive's employment ceases and submitted for reimbursement pursuant to Section 5.7. In such circumstances the Executive shall be ineligible for any pro-rated bonus for the year of termination, and any entitlements in respect of equity-based awards shall be governed by the terms and conditions of the applicable equity award plan, any other applicable plan and the applicable award agreement. For the purposes of this

Agreement, (A) “**Just Cause**” means: (i) any act or omission constituting “just cause” for dismissal without notice under applicable law; (ii) the Executive’s repeated failure or refusal to perform the Executive’s principal duties and responsibilities after advance notice from the CEO or other officer of the Company and providing fifteen (15) days for the Executive to cure such non-performance; (iii) misappropriation of the funds or property of the Company; (iv) use of alcohol or drugs in violation of the Company’s policies on such use or that interferes with the Executive’s obligations under this Agreement, continuing after a single warning (subject to the Company’s obligations under applicable law); (v) the indictment, arrest or conviction in a court of law for, or the entering of a plea of guilty or nolo contendere to, a summary or indictable offence or any crime involving moral turpitude, fraud, dishonesty or theft (subject to the Company’s obligations under applicable human rights legislation); (vi) engaging in any act which is a violation of any law, regulation or Cronos Group policy, that, if violated, injures or could reasonably be expected to injure the reputation, business or business relationships of the Group; (vii) engaging in any act which is a violation of any Cronos Group policy with respect to sexual harassment, discrimination or similar or related policies; or (viii) any willful or intentional act which injures or could reasonably be expected to injure the reputation, business or business relationships of the Group, and (B) “**Disability**” means a physical or mental incapacity of the Executive that has prevented the Executive from performing, with or without a reasonable accommodation, the duties customarily assigned to the Executive for 180 calendar days, whether or not consecutive, out of any twelve consecutive months and that in the opinion of the Company, acting on the basis of advice from a duly qualified medical practitioner, is likely to continue to a similar degree.

6.3 **Termination by the Company without Just Cause or Resignation for Good Reason.** The Company may terminate the Executive’s employment at any time without Just Cause, on providing thirty (30) days of written notice to the Executive. The Executive may resign from the Executive’s employment for Good Reason (as defined below) on providing thirty (30) days of written notice to the Company. If: (a) the Company terminates the Executive’s employment without Just Cause, or (b) the Executive resigns from the Executive’s employment for Good Reason, and, in each case, if the Executive signs and delivers and does not revoke a release in favor of the Group to the Company in the form attached as Exhibit C to this Agreement, the Company, shall, in full satisfaction of its obligations to the Executive:

- (i) pay the Executive’s Base Salary in accordance with applicable legislation, and accrued but unpaid vacation pay;
- (ii) reimburse the Executive’s expenses properly incurred until the date the Executive’s employment ceases;
- (iii) pay the Executive a lump sum payment equal to the Executive’s Base Salary, payable within sixty (60) days (or the next following business day if the sixtieth (60th) day is not a business day) following the Executive’s date of termination;
- (iv) continue the Executive’s group insured benefits at active employee rates under the Consolidated Omnibus Reconciliation Act of 1985, as amended, for one (1) year following the Executive’s date of termination or until the date on which the Executive obtains alternate benefit coverage, whichever occurs first, subject to the terms and conditions of the benefit plans, as amended from time to time. If the Company is unable for any reason to continue its contributions to the benefit plans as set out in this

Agreement, it shall pay the Executive an amount equal to the Company's required contributions to such benefit plans on behalf of the Executive for such period, in addition to any mandatory subsidy provided by law. The Executive agrees that the Executive is required to notify the Company when the Executive obtains alternate life, medical and dental benefit coverage;

- (v) subject to the terms and conditions of the Group's annual cash bonus plan in effect at such time, provide the Executive with an annual performance bonus in respect of the fiscal year in which the Executive's employment terminates. The annual bonus, if any, shall be (i) prorated based on the number of complete months of such fiscal year during which the Executive was actively employed up to the date of the Executive's termination of employment, and (ii) payable as a lump sum when annual bonuses in respect of the fiscal year are paid to other senior executives of the Company. Any assessment of the Company's and the Executive's year-to-date performances for purposes of determining the amount of the annual cash bonus, if any, shall be at the Company's sole discretion. For the avoidance of doubt and notwithstanding anything to the contrary in the foregoing, if the Executive's employment terminates after the end of a fiscal year, but before the payment of any annual performance bonus in respect of such year, the Executive shall only be eligible for a performance bonus in respect of such completed fiscal year, and shall not be eligible for a prorated bonus in respect of any subsequent fiscal year(s); and
- (vi) determine the Executive's entitlements in respect of equity-based awards in accordance with the terms and conditions of the applicable equity award plan, any other applicable plan and the applicable award agreement.

If the Executive does not sign and deliver to the Company the release in favor of the Group described above, or if the Executive revokes the foregoing release, the Company shall only provide the Executive with such compensation (including any Base Salary and accrued but unpaid vacation pay, termination pay, severance pay and expense reimbursements submitted in accordance with Section 5.7) and benefits that are expressly required pursuant to applicable law, if any.

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

- (aa) the assignment to the Executive of duties materially different than the duties assigned to the Executive hereunder;
- (bb) a material diminution in the Executive's title, status, seniority, responsibilities or authority and/or a requirement to report to any person other than the Company's CEO;
- (cc) the relocation of the Executive's principal place of employment more than thirty-five (35) miles from its current location;
- (dd) a material reduction in the Executive's Base Salary, target bonus opportunity or target long-term incentive opportunity; or

(ee) a material breach by the Company of the terms of this Agreement.

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

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

7. **Restrictive Covenants**

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

- (a) during the term of the Executive's employment, the Executive may be given access to or may become acquainted with confidential and proprietary information of the Group and third parties to which the Group may have any obligations of non-disclosure or confidentiality, including without limitation: trade secrets; know-how; Intellectual Property (as defined below); Executive-Developed IP (as defined below), Development Records (as defined below), existing and contemplated work product resulting from or related to projects performed or to be performed by or for the Group; programs and program modules; processes; algorithms; design concepts; system designs; production data; test data; research and development information; information regarding the acquisition, protection, enforcement and licensing of proprietary rights; technology; joint ventures; business, accounting, engineering and financial information and data; marketing and development plans and methods of obtaining business; forecasts; future plans and strategies of the Group; pricing, cost, billing and fee arrangements and policies; quoting procedures; special methods and processes; lists and/or identities of customers, suppliers, vendors and contractors; the type, quantity and specifications of products and services purchased, leased, licensed or received by the Group and/or any of its customers, suppliers, or vendors; internal personnel and financial information; business and/or personal information about any senior staff members of the Group or any individual, corporation (including not-for-profit), general or limited partnership, limited liability company, joint venture, association, joint-stock company, estate, trust, organization, governmental authority or other entity of any kind or nature ("**Person**") with which the Group enters a strategic alliance or any other partnering arrangements; vendor and supplier information; the manner and method of conducting the Group's business; the identity or nature of relationship of any Persons associated with or engaged as consultants, advisers, agents, distributors or sales representatives (the "**Confidential Information**") the disclosure of any of which to competitors of the Group or to the

general public, or the use of same by the Executive or any competitor of the Group, would be highly detrimental to the interests of the Group;

- (b) disclosure or use of Confidential Information, other than in connection with the Group's business or as specifically authorized by the Group, will be highly detrimental to the business and interests of the Group and could result in serious loss of business and damage to it. Accordingly, the Executive specifically agrees to hold all Confidential Information in strictest confidence, and the Executive agrees that the Executive shall not, without the Company's prior written consent, disclose, divulge or reveal to any Person, or use for any purpose other than for the exclusive benefit of the Company, any Confidential Information, in whatever form contained; provided that the foregoing shall not apply to information (except for personal information about identifiable individuals) that: (i) was known to the public prior to its disclosure to the Executive; (ii) becomes generally known to the public subsequent to disclosure to the Executive other than by reason of the Executive's breach of this Section; (iii) becomes available to the Executive from a source independent of the Group; or (iv) the Executive is specifically required to disclose by applicable law or legal process (provided that, to the extent legally permissible, the Executive provides the Company with prompt advance written notice of the contemplated disclosure and cooperates with the Company in seeking a protective order or other appropriate protection of such information); and
- (c) the Executive shall deliver to the Company, immediately upon termination of employment (for any reason and regardless of whether the Executive or the Company terminate the employment) or at any time the Company so requests: (i) any and all documents, files, notes, memoranda, models, databases, computer files and/or other computer programs reflecting any Confidential Information whatsoever or otherwise relating to the Group's business; (ii) lists or other documents regarding customers, suppliers, or vendors of the Group or leads or referrals to prospective business deals; and (iii) any computer equipment, home office equipment, automobile or other business equipment belonging to the Company that the Executive may then possess or have under the Executive's control.
- (d) For the avoidance of doubt, nothing in this Agreement limits, restricts or in any other way affects the Executive communicating with any governmental authority or entity concerning matters relevant to the governmental authority or entity. The Executive and the Company agree that no confidentiality or other obligation the Executive owes to the Group prohibits the Executive from reporting possible violations of law or regulation to any governmental authority or entity under any applicable whistleblower protection provision of applicable Canadian, U.S. Federal or U.S. State law or regulation (including Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002) or requires the Executive to notify the Company of any such report. The Executive is hereby notified that the immunity provisions in Section 1833 of title 18 of the United States Code provide that an individual cannot be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (i) in confidence to federal, state or local government officials, either directly or indirectly, or to an attorney, and is solely for the purpose of reporting or investigating a suspected violation of the law, (ii) under seal in a complaint or other document filed in a lawsuit or other proceeding, or (iii) to the Executive's attorney in connection with a lawsuit for retaliation for reporting a suspected violation of law (and the trade secret may

be used in the court proceedings for such lawsuit) as long as any document containing the trade secret is filed under seal and the trade secret is not disclosed except pursuant to court order.

7.2 Intellectual Property.

- (a) In this Section 7.2, the term “**Germplasm**” means any living or preserved biological tissue or material which may be used for the purpose of plant breeding and/or propagation, including, without limitation, plants, cuttings, seeds, clones, cells, tissues, plant materials and genetic materials (including, without limitation, nucleic acids, genes, promoters, reading frames, regulatory sequences, terminators, chromosomes whether artificial or natural and vectors).
- (b) For the purposes of this Agreement, “**Intellectual Property**” means any and all intellectual property rights and proprietary rights existing in any jurisdiction throughout the world, including any rights in or to: (i) patents, patent applications, patent rights, inventions, industrial designs, industrial design applications, industrial design rights, ideas, discoveries and invention disclosures (whether or not patentable), and any divisionals, continuations, continuations-in-part, reissues, renewals, reexaminations and extensions of any of the foregoing; (ii) trademarks, service marks, trade names, trade dress, logos, packaging designs, slogans, other indicia of source, Internet domain names and URLs, and registrations and applications for registration of any of the foregoing and any renewals thereof, together with any goodwill symbolized thereby; (iii) copyrightable works (including with respect to software and compilations of data), whether published or unpublished, including all copyrights, copyright registrations and applications; (iv) trade secrets, and confidential or proprietary information, data or database rights, know-how, techniques, designs, processes, recipes and formulas; (v) Germplasm, plant varieties, and applications and registrations for plant varieties issued by or pending before any Governmental Authority, including under the Plant Variety Protection Act (United States) or the Plant Breeders’ Rights Act (Canada); and (vi) circuit topographies, database rights and software.
- (c) The Executive agrees to promptly disclose to the Company (including, without limitation, to the CEO) all Intellectual Property, including with respect to, but without limitation, Germplasm, and whether or not any of the foregoing are registrable, which the Executive may author, make, conceive, develop, discover or reduce to practice, solely, jointly or in common with other employees, during the Executive’s employment with the Company, and which relate to the business activities of the Group (“**Executive-Developed IP**”). Intellectual Property coming within the scope of the business of the Company made and/or developed by the Executive while in the employ of the Company, whether or not conceived or made during regular working hours and whether or not the Executive is specifically instructed to make or develop the same, shall be for the benefit of the Company and shall be considered to have been made pursuant to this Agreement and shall be deemed Executive-Developed IP and shall immediately become exclusive property of the Company.
- (d) The Executive further acknowledges that all Executive-Developed IP is “work made for hire” (to the greatest extent permitted by applicable law), “made in the course of employment” and owned exclusively by the Company and that the Executive has been

compensated for such Executive-Developed IP by the Executive's salary, commissions and other benefits, unless regulated otherwise by law. To the extent such Executive-Developed IP is not "work made for hire", "made in the course of employment" or otherwise not owned automatically and exclusively by the Company as a matter of law, then to the greatest extent permitted under by applicable law, the Executive hereby irrevocably assigns and transfers, and shall assign and transfer, to the Company, the Executive's entire right, title and interest in and to any and all Executive-Developed IP, and the Executive agrees to execute and deliver to the Company any and all instruments necessary or desirable to accomplish the foregoing and, in addition, to do all lawful acts which may be necessary or desirable to assist the Company to obtain and enforce protection of Executive-Developed IP. If and to the extent the foregoing assignment cannot be effected as a matter of law with respect to any Executive-Developed IP, the Executive hereby grants to the Company an exclusive, perpetual, fully-paid, royalty-free, irrevocable, worldwide, fully-transferable, fully sublicensable (on multiple levels) license to use, modify, display, perform, make, have made, copy, make derivative works, import, export, distribute and otherwise exploit such Executive-Developed IP for any purpose.

- (e) The Executive must keep, maintain and make available to the Company complete and up-to-date records relating to any Executive-Developed IP, and agree that all such records are the sole and absolute property of the Company. For greater certainty, all materials related to Executive-Developed IP (including, without limitation, notes, records and correspondence, whether written or electronic) (collectively, "**Development Records**") are the property of the Company, which the Executive shall provide to the Company upon request. Development Records shall not be removed from Company premises without the prior written consent of the Company. The Executive agrees to maintain as confidential any Executive-Developed IP and Development Records unless and until made generally public by the Company, and not to make application for registration of rights in respect of any Executive-Developed IP unless it is at the request and direction of the Company.
- (f) The Executive shall, at the request and cost of the Company, and for no additional compensation or consideration from the Company, sign, execute, make and do all such deeds, documents, acts and things as the Company and its duly authorized agents may reasonably require: (i) to apply for, obtain and vest in the name of the Company alone (unless the Company otherwise directs) registered rights in any Executive-Developed IP, including any patents, industrial designs, letters patent, copyrights, plant breeders' rights, trademarks, service marks or other analogous protection in any country throughout the world and when so obtained or vested to renew and restore the same; (ii) to perfect or evidence ownership by the Company or its designees of any and all Executive-Developed IP, in form suitable for recordation in the United States, Canada and any other intellectual property office anywhere in the world; (iii) to defend any opposition proceedings of any type whatsoever in respect of such applications, and any opposition proceedings or petitions or applications of any type whatsoever for revocation of such Executive-Developed IP, whether such proceedings are brought before a court or any administrative body; (iv) to defend and/or assert the Group's rights in any Intellectual Property against any third party; and (v) to assert the Executive's moral rights in any Intellectual Property against any third party. The Executive further waives all moral rights in and to any Executive-Developed IP and all work the Executive produced during the course of the

Executive's employment in favor of the Company, its licensees, successors and assigns, and transferees of the Executive-Developed IP and such work

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

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

- (a) engage in employment or enter into a contract to do work related to the research into, development, cultivation, production, supply, sales or marketing of cannabis or cannabis derived products; or the development or provision of any services (including, without limitation, technical and product support, or consultancy or customer services) which relate to cannabis or cannabis derived products (the "**Business**"); or
- (b) have any financial or other interest (including by way of royalty or other compensation arrangements) in or in respect of the business of any Person which carries on the Business in any respect; or
- (c) advise, lend money to or guarantee the debts or obligations of any Person which carries on the Business in any respect;

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

For purposes of this section, "**cannabis**" means (a) any plant or seed, whether live or dead, from any species or subspecies of genus *Cannabis*, including *Cannabis sativa*, *Cannabis indica* and *Cannabis ruderalis*, marijuana (which has the meaning ascribed to such term under applicable law, including the Controlled Substances Act) and industrial hemp (which has the meaning ascribed to such term and the term "hemp" under applicable law, including the *Industrial Hemp Regulations* (Canada) issued under the Cannabis Act and under the Agricultural Marketing Act of 1946) and any part, whether live or dead, of the plant or seed thereof, including any stalk, branch, root, leaf, flower, or trichome; (b) any material obtained, extracted, isolated, or purified from the plant or seed or the parts contemplated by clause (a) of this definition, including any oil, cannabinoid, terpene, genetic material or any combination thereof; (c) any organism engineered to biosynthetically produce the material contemplated by clause (b) of this definition, including

any micro-organism engineered for such purpose; (d) any biologically or chemically synthesized version of the material contemplated by clause (b) of this definition or any analog thereof, including any product made by any organism contemplated by clause (c) of this definition; and (e) any other meaning ascribed to the term “cannabis” under applicable law, including the *Controlled Drugs and Substances Act* and the *Cannabis Act*.

- 7.4 **Non-Solicitation of Customers.** The Executive shall not, during the Executive’s employment and for the one (1) year period immediately following the termination of the Executive’s employment for any reason, whether alone or for or in conjunction with any Person, whether as an employee, partner, director, principal, agent, consultant or in any other capacity whatsoever, directly or indirectly solicit or attempt to solicit any Customer or Prospective Customer for the purpose of obtaining the business of any Customer or Prospective Customer or persuading any such Customer or Prospective Customer to cease to do business with or reduce the amount of business it would otherwise provide to the Group. For the purpose of this Agreement, “**Customer**” means any Person which is a current customer or has been a customer of the Group during the term of the Executive’s employment with the Company but in the event of the cessation of the Executive’s employment “**Customer**” shall include only those current customers of the Group with whom the Executive had direct contact or access to Confidential Information by virtue of the Executive’s role as an employee of the Company at any time during the twelve (12) month period preceding the date of the cessation of the Executive’s employment; “**direct contact**” means direct communications with or by the Executive, whether in person or otherwise, for purposes of servicing, selling, or marketing on behalf of the Company, but only if such communications are more than trivial in nature, and in any case excluding bulk or mass marketing communications directed to multiple customers; and, “**Prospective Customer**” means any Person has been actively contacted and solicited for its business by representatives of the Group, but in the event of the cessation of the Executive’s employment, shall include only those Persons contacted with the involvement and knowledge of the Executive within the twelve (12) month period immediately preceding the date of the cessation of the Executive’s employment.
- 7.5 **Non-Solicitation of Employees.** The Executive shall not, during the Executive’s employment and for two (2) years following the termination of the Executive’s employment for any reason, whether alone or for or in conjunction with any Person, whether as an employee, partner, director, principal, agent, consultant or in any other capacity whatsoever, directly or indirectly solicit or assist in the solicitation of any employee of the Group to leave such employment.
- 7.6 **Disclosure.** During the Executive’s employment with the Company, the Executive shall promptly disclose to the Board full information concerning any interest, direct or indirect, of the Executive (whether as owner, shareholder, partner, lender or other investor, director, officer, employee, consultant or otherwise) or any member of the Executive’s immediate family, in any business which is reasonably known to the Executive to purchase or otherwise obtain services or products from, or to sell or otherwise provide services or products to the Group or to any of their respective suppliers or Customers.
- 7.7 **Other Employment.** During the Executive’s employment with the Company, the Executive shall not, except as a representative of the Company or with the prior written approval of the CEO, whether paid or unpaid, be directly or indirectly engaged, concerned or have any financial interest in any capacity in any other business, trade, professional or occupation (or the setting up of any business, trade, profession or occupation).

- 7.8 **Return of Materials.** All files, forms, brochures, books, materials, written correspondence (including email and instant messages), memoranda, documents, manuals, computer disks, software products and lists (including financial and other information and lists of customers, suppliers, products and prices) pertaining to the Group which may come into the Executive's possession or control as a result of his employment with the Company shall at all times remain the property of the Group as applicable. Upon termination of the Executive's employment for any reason, the Executive agrees to immediately deliver to the Company all such property in the Executive's possession or directly or indirectly under the Executive's control. The Executive agrees not to make, for the Executive's personal or business use or that of any other person, reproductions or copies of any such property or other property of the Group.
- 7.9 **Non-Disparagement.** Subject to Section 7.1(d) of this Agreement, the Executive shall refrain, both during and after the cessation of the Executive's employment with the Company, from making, publicly or privately, any statement or announcement that constitutes an *ad hominem* attack on, or that otherwise disparages, defames, slanders, impugns or is reasonably likely to damage the reputation of Company or the Group, or any of their respective directors, members, limited or general partners, equity holders, officers, employees, agents, consultants, advisors or other representatives. Similarly, both during and after the cessation of the Executive's employment with the Company, the Company shall direct its CEO and Board to refrain from making any public or private statement or announcement that constitutes an *ad hominem* attack on, or that otherwise disparages, defames, slanders, impugns or is reasonably likely to damage Executive's reputation. For the avoidance of doubt, nothing contained herein shall adversely affect or impair any Party's right to enforce any of the restrictive covenants or other post-employment obligations contained in this Agreement, or any other agreement to which such Party is a party or otherwise bound.
8. **General**
- 8.1 **Reasonableness of Restrictions and Covenants.** The Executive hereby confirms and agrees that the covenants and restrictions contained in this Agreement, including, without limitation, those contained in Article 7, are reasonable and valid the Executive further acknowledges and agrees that the Company may suffer irreparable injury in the event of any breach by the Executive of the obligations under any such covenant or restriction. Accordingly, the Executive hereby acknowledges and agrees that damages would be an inadequate remedy at law in connection with any such breach and that the Company shall therefore be entitled, in addition to any other right or remedy which it may have at law, in equity or otherwise, to temporary and permanent injunctive relief enjoining and restraining the Executive from any such breach.
- 8.2 **Survival.** Article 7 and this Section 8.2 survive the termination of this Agreement and the Executive's employment for any reason whatsoever.
- 8.3 **Entire Agreement.** This Agreement (including the exhibits hereto) sets forth the entire agreement between the Parties on the subject matters addressed herein. There are no representations, warranties or collateral agreements, whether written or oral, outside of this written Agreement. This Agreement and the terms and conditions of employment contained herein supersede and replace any prior and contemporaneous understandings or discussions between the Parties regarding the Executive's employment.

- 8.4 **Withholding Taxes.** The Company may deduct or withhold from any amounts or benefits payable under this Agreement income taxes and payroll taxes that are required to be withheld pursuant to any applicable law or regulation.
- 8.5 **Section 409A Compliance.** To the extent applicable, this Agreement is intended to comply with the requirements of Section 409A of the United States Internal Revenue Code of 1986, as amended (together with the applicable regulations thereunder, “**Section 409A**”). To the extent that any provision in this Agreement is ambiguous as to its compliance with Section 409A or to the extent any provision in this Agreement must be modified to comply with Section 409A (including, without limitation, Treasury Regulation 1.409A-3(c)), such provision shall be read, or shall be modified (with the mutual consent of the Parties, which consent shall not be unreasonably withheld), as the case may be, in such a manner so that all payments due under this Agreement shall comply with Section 409A. For purposes of Section 409A, each payment made under this Agreement shall be treated as a separate payment. In no event may the Executive, directly or indirectly, designate the calendar year of payment. Notwithstanding any provision of this Agreement to the contrary, if necessary to comply with the restriction in Section 409A(a)(2)(B) concerning payments to “specified employees” (as defined in Section 409A) any payment on account of the Executive’s separation from service that would otherwise be due hereunder within six (6) months after such separation shall nonetheless be delayed until the first business day of the seventh (7th) month following the Executive’s date of termination and the first such payment shall include the cumulative amount of any payments that would have been paid prior to such date if not for such restriction. Notwithstanding anything contained herein to the contrary, the Executive shall not be considered to have terminated employment with the Company for purposes of this Agreement unless he would be considered to have incurred a “separation from service” from the Company within the meaning of Section 409A.
- 8.6 **Amendments.** This Agreement may only be amended by written agreement executed by the Parties. However, changes to the Executive’s position, duties, vacation, benefits and compensation, over time in the normal course as otherwise in compliance with the terms of this Agreement, do not affect the validity or enforceability of the Agreement.
- 8.7 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware and the laws of the United States applicable in the State of Delaware.
- 8.8 **Severability.** If any provision in this Agreement is determined to be invalid or unenforceable, such provision shall be severed from this Agreement, and the remaining provisions shall continue in full force and effect. If for any reason any court of competent jurisdiction shall find any provisions of this Agreement unreasonable in duration or geographic scope or otherwise, the Parties agree that the restrictions and prohibitions contained herein shall be effective to the fullest extent allowed under applicable law in such jurisdiction.
- 8.9 **Assignment.** The Company may assign this Agreement to an affiliate or subsidiary, and it inures to the benefit of the Company, its successors or assigns.
- 8.10 **Independent Legal Advice.** The Executive acknowledges that the Executive has been encouraged to obtain independent legal advice regarding the execution of this Agreement at the Company’s expense in an amount not to exceed US \$8,000, and that the Executive has either obtained such advice or voluntarily chosen not to do so, and hereby waives any objections or

claims the Executive may make resulting from any failure on the Executive's part to obtain such advice.

- 8.11 **Waiver.** No waiver of any of the provisions of this Agreement shall be effective or binding, unless made in writing and signed by the party purporting to give the same. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions, whether or not similar, nor shall such waiver constitute a continuing waiver, unless expressly stated otherwise.
- 8.12 **Conditions.** This Agreement and the Executive's continued employment hereunder is conditional on the Company's satisfaction (determined in the Company's sole discretion) that the Executive has met the legal requirements to perform the Executive's role, including, without limitation, satisfactory results of Health Canada or any other applicable security clearance checks and criminal record checks and other reference checks that the Company performs. The Executive acknowledges and agrees that in signing this Agreement, and providing the Company with the necessary documentation to perform the checks required for the Executive's role and with references, the Executive is providing consent to the Company or its agent, to perform such checks and contact the references the Executive provided to the Company.
- 8.13 **Prior Restrictions.** By signing below, the Executive represents that the Executive is not bound by the terms of any agreement with any Person which restricts in any way the Executive's hiring by the Company and the performance of the Executive's expected job duties; the Executive also represents that, during the Executive's employment with the Company, the Executive shall not disclose or make use of any confidential information of any other persons or entities in violation of any of their applicable policies or agreements and/or applicable law.
- 8.14 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by electronic transmission, including in portable document format (.pdf), shall be deemed as effective as delivery of an original executed counterpart of this Agreement.

[Signature Page Follows]

**EXHIBIT A
CRONOS GROUP INC.
OPTION AWARD AGREEMENT**

This Option Award Agreement (hereinafter referred to as the “**Agreement**”) is made and entered into this _____ day of _____, 2021 (the “**Grant Date**”) by and between Cronos Group Inc. (hereinafter referred to as “**Cronos**” and, together with any subsidiary, and any successor entity thereto, the “**Company**”) and Robert Madore (hereinafter referred to as the “**Grantee**”), pursuant to the **Cronos Group Inc. 2020 Omnibus Equity Incentive Plan** (hereinafter referred to as the “**Plan**”). All terms and provisions of the Plan are hereby incorporated into and shall govern the Agreement except where general provisions of the Plan are superseded by particular provisions of the Agreement. To the extent that the terms of Grantee’s Executive Employment Agreement with the Company effective August 9, 2021 (the “**Employment Agreement**”) and any terms set forth herein conflict or are otherwise inconsistent with any terms or conditions set forth in the Employment Agreement, the terms and conditions set forth in the Employment Agreement shall govern. All capitalized terms used in the Agreement shall have the same meaning given the terms in the Plan.

1. Grant of Options. Cronos hereby grants the Grantee 900,000 non-qualified stock options (the “**Options**”) (hereinafter referred to as the “**Award**”), which are subject to terms and conditions set forth below. Each Option represents the right to purchase one Common Share at the Exercise Price set forth below.
2. Exercise Price. The Exercise Price will be \$[_____]¹ per Option (the “**Exercise Price**”).
3. Vesting Dates. The Award shall vest quarterly over four (4) years, with one-sixteenth (1/16th) of the Award vesting on such date that is three (3) months after the Grant Date and every three (3) months thereafter until the fourth (4th) anniversary of the Grant Date (each, a “**Vesting Date**”), provided, that the Grantee remains employed at the Company through such applicable Vesting Date.
4. Expiration Date: Subject to the terms and conditions of this Agreement and the Plan, the latest date the Options will expire is on the seventh anniversary of the Grant Date (the “**Expiration Date**”).
5. Termination of Employment; Change of Control.
 - (a) In the event that prior to the final Vesting Date, the Grantee’s Employment terminates because of death or Disability, the Award shall remain outstanding and continue to vest and be exercisable in the same manner as provided for in Sections 3 and 6 and all vested Options may be exercised by the Grantee or the Grantee’s estate, as applicable, at any time within six (6) months from the date of such termination of Employment.
 - (b) In the event that prior to the final Vesting Date, the Grantee’s Employment terminates without Just Cause or for Good Reason (as defined in the Employment Agreement), the Award will become vested immediately, in part or in full as follows, and exercisable in accordance with Section 6 of the Agreement and all vested Options may be exercised by

¹ Note to Draft: To be the closing price reported on Nasdaq on the trading date immediately preceding the date of grant.

the Grantee at any time within six (6) months from the date of such termination of Employment (subject to the Expiration Date):

- i. if the date of such termination of Employment occurs on or before the first anniversary of the Grant Date, 50% of the Award shall vest;
- ii. if the date of such termination of Employment occurs after the first anniversary of the Grant Date and on or before the second anniversary of the Grant Date, an additional 50% of the Award shall vest (such that 75% of the total Award shall be vested); and
- iii. if the date of such termination of Employment occurs after the second anniversary of the Grant Date, the Award shall become fully vested.

- (c) In the event that prior to the final Vesting Date: (i) a Change of Control involving the purchase of Company securities described in Rule 13e-3 to the Exchange Act (including without limitation one in which Altria Group, Inc. or any of its subsidiaries is the acquirer and, as a result of such Change of Control, there is a reasonable likelihood or a purpose of causing the common stock of Cronos to be either eligible for termination from registration or reporting obligations under the Exchange Act or removed from listing on a national securities exchange), and (ii) the Grantee's Employment terminates without Just Cause or for Good Reason within twenty four (24) months of such Change of Control, the Award will become fully vested immediately and exercisable in accordance with Section 6 of the Agreement and all vested Options may be exercised by the Grantee at any time within six (6) months from the date of such termination of Employment (subject to the Expiration Date).
- (d) Except as set forth in Sections 5(b) and 5(c), in the event that prior to the final Vesting Date, the Grantee's Employment terminates for any reason other than death or Disability, then the unvested portion of the Award shall be forfeited for no consideration.
- (e) Notwithstanding anything to the contrary, to the extent any payments or benefits in connection with an applicable termination of Employment are contingent on the delivery of an effective release and waiver of claims as set out in the Employment Agreement, any accelerated vesting of the Award upon such termination of Employment shall also be contingent on such release and waiver of claims.

6. Exercise of Options. Vested Options may be exercised by submitting to Cronos a written notice specifying the number of Options to be exercised accompanied by payment of the full purchase price, in an amount equal to the aggregate Exercise Price of the Options that are being exercised, in cash or in another form, which may include: (a) bank transfer; (b) Common Shares, based on the Fair Market Value as of the exercise date; (c) cashless exercise; (d) any other form of consideration approved by the Company and permitted by applicable law; and (e) any combination of the foregoing. As soon as reasonably practicable following Cronos' determination that the Options have been validly exercised, Cronos will issue the relevant number of Shares to be allocated to the Grantee, subject to applicable tax withholding as provided in Section 3.2 of the Plan.
7. Employment. Nothing in the Agreement shall interfere with or limit in any way the right of the Company to terminate the Grantee's Employment nor confer upon any Grantee any right to

continue in the employ of the Company. For greater certainty, a Grantee's termination of Employment will include both voluntary and involuntary terminations, and the involuntary termination of a Grantee's Employment shall occur on the date that the Grantee ceases performing services for the Company on a permanent basis, whether such termination is lawful or otherwise, without regard to any required period of notice, pay in lieu of notice, severance pay or similar compensation or benefits (and without regard for any claim for damages in respect thereof), except as expressly required by applicable employment or labor standards legislation.

8. Non-Transferable. The rights or interests of the Grantee under this Agreement, including, without limitation, the Options, shall not be assignable or transferable, otherwise than in the case of death of the Grantee as set out in the Plan, and such rights or interests shall not be encumbered by any means.
9. Not Shares. The Options are not Common Shares, and the Options shall not entitle the Grantee to exercise voting rights or any other rights attaching to the ownership of Common Shares, including, without limitation, rights on liquidation.
10. Withholding Taxes. The Grantee acknowledges and agrees that the Company has the right to deduct from any payments due to the Grantee any federal, state, provincial or local taxes required by law to be withheld with respect to the Award.
11. Section 409A. Payments under this Agreement are intended to be exempt from or comply with Section 409A of the Internal Revenue Code ("**Section 409A**") to the extent applicable, and this Agreement shall be administered accordingly. Notwithstanding anything to the contrary contained in this Agreement or the Employment Agreement, to the extent that any payment under this Agreement is determined by the Company to constitute "non-qualified deferred compensation" subject to Section 409A and is payable to the Grantee by reason of termination of the Grantee's Employment, then (a) such payment shall be made to the Grantee only upon a "separation from service" as defined for purposes of Section 409A under applicable regulations and (b) if the Grantee is a "specified employee" (within the meaning of Section 409A and as determined by the Company), such payment shall not be made before the date that is six (6) months after the date of the Grantee's separation from service (or the Grantee's earlier death). Each payment under this Agreement shall be treated as a separate payment for purposes of Section 409A.
12. Governing Law. The Plan and this Agreement shall be construed in accordance with and governed by the laws of the State of Delaware.
13. Binding Effect. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Grantee. By accepting the Award on the terms set forth herein, the Grantee acknowledges and agrees to the matters and conditions set forth herein and in the Plan. The Grantee hereby further confirms and acknowledges receipt of a copy of the Plan.

IN WITNESS WHEREOF, this Agreement is executed by Cronos and by Grantee as of this ____ day of _____, 2021.

CRONOS GROUP INC.

—
By: Kurt Schmidt
Title: President and Chief Executive Officer

The Grantee (a) accepts the Award, (b) agrees to be bound by, and comply with, the terms of the Plan and this Agreement, and (c) agrees that all good faith decisions and determinations of the Administrator with respect to the Award shall be final and binding on the Grantee and any other person having or claiming an interest under the Award.

GRANTEE

—
Robert Madore

EXHIBIT B
CRONOS GROUP INC.
RESTRICTED SHARE UNIT AWARD AGREEMENT

This Restricted Share Unit Award Agreement (hereinafter referred to as the “**Agreement**”) is made and entered into this _____ day of _____, 2021 (the “**Grant Date**”) by and between Cronos Group Inc. (hereinafter referred to as “**Cronos**” and, together with any subsidiary, and any successor entity thereto, the “**Company**”) and Robert Madore (hereinafter referred to as the “**Grantee**”), pursuant to the **Cronos Group Inc. 2020 Omnibus Equity Incentive Plan** (hereinafter referred to as the “**Plan**”). All terms and provisions of the Plan are hereby incorporated into and shall govern the Agreement except where general provisions of the Plan are superseded by particular provisions of the Agreement. To the extent that the terms of Grantee’s Executive Employment Agreement with the Company effective August 9, 2019 (the “**Employment Agreement**”) and any terms set forth herein conflict or are otherwise inconsistent with any terms or conditions set forth in the Employment Agreement, the terms and conditions set forth in the Employment Agreement shall govern. All capitalized terms used in the Agreement shall have the same meaning given the terms in the Plan.

1. Grant of Restricted Share Units. Cronos hereby grants the Grantee 50,000 Restricted Share Units (hereinafter referred to as the “**Award**”), which are subject to terms and conditions set forth below.
2. Vesting and Settlement of Restricted Share Units. Subject to the terms and conditions of this Agreement and the Plan:
 - (a) the Award shall vest on the third (3rd) anniversary of the Grant Date (the “**Vesting Date**”), provided, that the Grantee remains employed at the Company through such Vesting Date;
 - (b) upon the Vesting Date, the Award shall promptly (but not later than sixty (60) calendar days thereafter) be paid out in Common Shares, cash or a combination of Common Shares or cash, as determined by the Committee; and
 - (c) where the Committee decides to settle all or a portion of the Grantee’s vested Awards in Common Shares, settlement shall be made by the issuance and delivery of one Common Share for each Restricted Share Unit which the Committee decides to settle in Common Shares. Where the Committee decides to settle all or a portion of the Grantee’s vested Awards in cash, a cash payment shall be made to the Grantee equal to the Fair Market Value determined as of the applicable Vesting Date of the Award multiplied by the number of vested Restricted Share Units that the Committee wishes to settle in cash.
3. Termination of Employment.
 - (a) In the event that prior to the Vesting Date, the Grantee’s Employment terminates because of death or Disability, the Award shall remain outstanding and continue to vest and be settled in the same manner as provided for in Section 2.
 - (b) In the event that prior to the Vesting Date, the Grantee’s Employment terminates without Just Cause or for Good Reason (as defined in the Employment Agreement), the Award will vest as follows and be settled in accordance with Sections 2(b) and (c) above:

- i. if the date of such termination of Employment occurs on or before the first anniversary of the Grant Date, 50% of the Award shall vest;
 - ii. if the date of such termination of Employment occurs after the first anniversary of the Grant Date and on or before the second anniversary of the Grant Date, 75% of the Award shall vest; and
 - iii. if the date of such termination of Employment occurs after the second anniversary of the Grant Date, the Award shall become fully vested.
 - (c) In the event that prior to the Vesting Date: (i) a Change of Control involving the purchase of Company securities described in Rule 13e-3 to the Exchange Act (including without limitation one in which Altria Group, Inc. or any of its subsidiaries is the acquirer and, as a result of such Change of Control, there is a reasonable likelihood or a purpose of causing the common stock of Cronos to be either eligible for termination from registration or reporting obligations under the Exchange Act or removed from listing on a national securities exchange), (ii) the Grantee's Employment terminates without Just Cause or for Good Reason within twenty four (24) months of such Change of Control, the Award will become fully vested and settled in accordance with Section 2 on the date of such termination of Employment.
 - (d) Except as set forth in Sections 3(b) and 3(c), in the event that prior to the Vesting Date, the Grantee's Employment terminates for any reason other than death or Disability, then the Award shall be forfeited for no consideration.
 - (e) Notwithstanding anything to the contrary, to the extent any payments or benefits in connection with an applicable termination of Employment are contingent on the delivery of an effective release and waiver of claims as set out in the Employment Agreement, any accelerated vesting of the Award upon such termination of Employment shall also be contingent on such release and waiver of claims.
4. Employment. Nothing in the Agreement shall interfere with or limit in any way the right of the Company to terminate the Grantee's Employment nor confer upon any Grantee any right to continue in the employ of the Company. For greater certainty, a Grantee's termination of Employment will include both voluntary and involuntary terminations, and the involuntary termination of a Grantee's Employment shall occur on the date that the Grantee ceases performing services for the Company on a permanent basis, whether such termination is lawful or otherwise, without regard to any required period of notice, pay in lieu of notice, severance pay or similar compensation or benefits (and without regard for any claim for damages in respect thereof), except as expressly required by applicable employment or labor standards legislation.
 5. Non-Transferable. The rights or interests of the Grantee under this Agreement, including, without limitation, the Restricted Share Units, shall not be assignable or transferable, otherwise than in the case of death of the Grantee as set out in the Plan, and such rights or interests shall not be encumbered by any means.
 6. Not Shares. The Restricted Share Units are not Common Shares, and the Restricted Share Units shall not entitle the Grantee to exercise voting rights or any other rights attaching to the ownership of Common Shares, including, without limitation, rights on liquidation.

7. Withholding Taxes. The Grantee acknowledges and agrees that the Company has the right to deduct from any payments due to the Grantee any federal, state, provincial or local taxes required by law to be withheld with respect to the Award.
8. Section 409A. Payments under this Agreement are intended to be exempt from or comply with Section 409A of the Internal Revenue Code (“**Section 409A**”) to the extent applicable, and this Agreement shall be administered accordingly. Notwithstanding anything to the contrary contained in this Agreement or the Employment Agreement, to the extent that any payment under this Agreement is determined by the Company to constitute “non-qualified deferred compensation” subject to Section 409A and is payable to the Grantee by reason of termination of the Grantee’s Employment, then (a) such payment shall be made to the Grantee only upon a “separation from service” as defined for purposes of Section 409A under applicable regulations and (b) if the Grantee is a “specified employee” (within the meaning of Section 409A and as determined by the Company), such payment shall not be made before the date that is six (6) months after the date of the Grantee’s separation from service (or the Grantee’s earlier death). Each payment under this Agreement shall be treated as a separate payment for purposes of Section 409A.
9. Governing Law. The Plan and this Agreement shall be construed in accordance with and governed by the laws of the State of Delaware.
10. Binding Effect. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Grantee. By accepting the Award on the terms set forth herein, the Grantee acknowledges and agrees to the matters and conditions set forth herein and in the Plan. The Grantee hereby further confirms and acknowledges receipt of a copy of the Plan.

[Signature Page Follows]

IN WITNESS WHEREOF, this Agreement is executed by Cronos and by Grantee as of this _____ day of _____, 2021.

CRONOS GROUP INC.

—
By: Kurt Schmidt
Title: President and Chief Executive Officer

The Grantee (a) accepts the Award, (b) agrees to be bound by, and comply with, the terms of the Plan and this Agreement, and (c) agrees that all decisions and determinations of the Administrator with respect to the Award shall be final and binding on the Grantee and any other person having or claiming an interest under the Award.

GRANTEE

— Robert Madore

EXHIBIT C
FORM OF FULL AND FINAL RELEASE

GENERAL RELEASE AND WAIVER OF CLAIMS (this “**Release**”), by the undersigned (hereinafter called the “**Releasor**”) in favor of **Cronos Group, Inc.** and its subsidiaries (hereinafter referred to as the “**Employer**”), affiliates, stockholders, beneficial owners of its stock, its current or former officers, directors, employees, members, attorneys and agents, and their predecessors, successors and assigns, individually and in their official capacities (hereinafter called the “**Releasees**”).

WHEREAS, Releasor has been employed as Chief Financial Officer of Cronos Group, Inc.;

WHEREAS, Releasor’s employment with Cronos USA Client Services LLC was terminated, effective as of • (the “**Effective Date**”); and

WHEREAS, Releasor shall receive certain payments under Section 6.3 of the employment agreement entered into by Cronos USA Client Services LLC, the Releasor and, solely for the purposes specified therein, Cronos Group, Inc., effective August 9, 2021 (hereinafter called the “**Employment Agreement**”), that are conditioned on the effectiveness of this Release.

NOW, THEREFORE, in consideration of such payments and benefits and the covenants and agreements hereinafter set forth, the parties agree as follows:

1. **GENERAL RELEASE.** Releasor knowingly and voluntarily waives, terminates, cancels, releases and discharges forever the Releasees from any and all suits, actions, causes of action, claims, allegations, rights, obligations, liabilities, demands, entitlements or charges (collectively, “**Claims**”) that Releasor (or Releasor’s heirs, executors, administrators, successors and assigns) has or may have, whether known, unknown or unforeseen, vested or contingent, by reason of any matter, cause or thing occurring at any time before and including the date of this Release, including all claims arising under or in connection with Releasor’s employment, or termination or resignation of employment with the Employer, including, without limitation: Claims under United States federal, state or local law and the national or local law of any foreign country (statutory or decisional), for wrongful, abusive, constructive or unlawful discharge or dismissal, for breach of any contract, or for discrimination based upon race, color, ethnicity, sex, age, national origin, religion, disability, sexual orientation, or any other unlawful criterion or circumstance, including rights or Claims under the Age Discrimination in Employment Act of 1967 (“**ADEA**”), the Older Workers Benefit Protection Act of 1990 (“**OWBPA**”), violations of the Equal Pay Act, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans with Disabilities Act of 1991, the Employee Retirement Income Security Act of 1974 (“**ERISA**”), the Fair Labor Standards Act, the Worker Adjustment Retraining and Notification Act, the Family Medical Leave Act, including all amendments to any of the aforementioned acts; and violations of any other federal, state, or municipal fair employment statutes or laws, including, without limitation, violations of any other law, rule, regulation, or ordinance pertaining to employment, wages, compensation, hours worked, or any other Claims for compensation or bonuses, whether or not paid under any compensation plan or arrangement; breach of contract; tort and other common law Claims; defamation; libel; slander; impairment of economic opportunity; defamation; sexual harassment; retaliation; attorneys’ fees; emotional distress; intentional infliction of emotional distress; assault; battery, pain and suffering; and punitive or exemplary damages (the “**Released Matters**”). In addition, in consideration of the provisions of this Release, Releasor further agrees to waive any and all rights under the laws of any jurisdiction in the United States, or any other country, that limit a general release to those

Claims that are known or suspected to exist in Releasor's favor as of the Release Effective Date (as defined below).

Thus, notwithstanding the purpose of implementing a full and complete release and discharge of the claims released by this Release, Releasor expressly acknowledges that this Release is intended to include in its effect, without limitation, all claims which Releasor does not know or suspect to exist in his favor at the time of execution hereof arising out of or relating in any way to the subject matter of the actions referred to herein above and that this Release contemplates the extinguishment of any such claims.

2. **SURVIVING CLAIMS.** Notwithstanding anything herein to the contrary, this Release shall not:
 - (i) release any Claims for payment of amounts payable under the Employment Agreement (including, without limitation, under Section 6.3 thereof);
 - (ii) release any Claim for employee benefits under plans covered by ERISA to the extent any such Claim may not lawfully be waived or for any payments or benefits under any Employer plans that have vested (including any 401(k) plan) according to the terms of those plans;
 - (iii) release any Claim or right Releasor may have pursuant to indemnification, advancement, defense, or reimbursement pursuant to any applicable D&O policies, any similar insurance policies, applicable law or otherwise;
 - (iv) release any Claim that may not lawfully be waived in a private agreement between the parties; or
 - (v) limit Releasor's rights under applicable law to provide truthful information to any governmental entity or to file a charge with or participate in an investigation conducted by any governmental entity. Notwithstanding the foregoing, Releasor agrees to waive Releasor's right to recover monetary damages in connection with any charge, complaint or lawsuit filed by Releasor or anyone else on Releasor's behalf (whether involving a governmental entity or not); provided that Releasor is not agreeing to waive, and this Release shall not be read as requiring Releasor to waive, any right Releasor may have to receive an award for information provided to any governmental entity.
3. **ADDITIONAL REPRESENTATIONS.** Releasor further represents and warrants that Releasor has not filed any civil action, suit, arbitration, administrative charge, or legal proceeding against any Releasees nor, has Releasor assigned, pledged, or hypothecated as of the Release Effective Date any Claim to any person and no other person has an interest in the Claims that he is releasing.
4. **ACKNOWLEDGMENT BY RELEASOR.** Releasor acknowledges and agrees that Releasor has read this Release in its entirety and that this Release is a general release of all known and unknown Claims. Releasor further acknowledges and agrees that:
 - (i) this Release does not release, waive or discharge any rights or Claims that may arise for actions or omissions after the Release Effective Date and Releasor

acknowledges that he is not releasing, waiving or discharging any ADEA Claims that may arise after the Release Effective Date;

- (ii) Releasor is entering into this Release and releasing, waiving and discharging rights or Claims only in exchange for consideration which he is not already entitled to receive;
- (iii) Releasor has been advised, and is being advised by the Release, to consult with an attorney before executing this Release;
- (iv) Releasor has been advised, and is being advised by this Release, that he has been given at least [twenty-one (21)] [forty-five (45)] days within which to consider the Release, but Releasor can execute this Release at any time prior to the expiration of such review period; [and]
- (v) [Because this Release includes a release of claims under ADEA, Releasor is being provided with the information contained in Schedule 1 hereto in accordance with the OWBPA; and]²
- (vi) Releasor is aware that this Release shall become null and void if he or she revokes his or her agreement to this Release within seven (7) days following the date of execution of this Release. Releasor may revoke this Release at any time during such seven-day period by delivering (or causing to be delivered) to the Employer written notice of his or her revocation of this Release no later than 5:00 p.m. Eastern time on the seventh (7th) full day following the date of execution of this Release (the “**Release Effective Date**”). Releasor agrees and acknowledges that a letter of revocation that is not received by such date and time shall be invalid and shall not revoke this Release.

5. **COOPERATION WITH INVESTIGATIONS AND LITIGATION.** Releasor agrees, upon the Employer’s reasonable request and consistent with Releasor’s reasonable business and personal obligations, to reasonably cooperate with the Employer in any investigation, litigation, arbitration or regulatory proceeding regarding events that occurred during Releasor’s tenure with the Employer or its affiliate, including making himself or herself reasonably available to consult with Employer’s counsel, to provide information and to give testimony. Employer shall reimburse Releasor for reasonable out-of-pocket expenses Releasor incurs in extending such cooperation, so long as Releasor provides satisfactory documentation of the expenses. Nothing in this Section is intended to, and shall not, restrict or limit Releasor from exercising his or her protected rights described in Sections 2, 4, 5 or 6 hereof or restrict or limit Releasor from providing truthful information in response to a subpoena, other legal process or valid governmental inquiry.

6. **RESTRICTIVE COVENANTS.** Releasor hereby affirms the restrictive covenants set forth in Section 7 of the Employment Agreement shall continue to apply following the Release Effective Date in accordance with their terms.

² Note to Draft: To be included (along with 45 day consideration period and Schedule 1 attached hereto) in consideration for ADEA/OWBPA claims in terminations involving multiple employees.

7. **GOVERNING LAW.** To the extent not subject to federal law, this Release shall be governed by and construed in accordance with the law of the State of Delaware applicable to contracts made and to be performed entirely within that state.

8. **SEVERABILITY.** If any provision of this Release should be declared to be unenforceable by any administrative agency or court of law, then remainder of the Release shall remain in full force and effect.

9. **CAPTIONS; SECTION HEADINGS.** Captions and section headings used herein are for convenience only and are not a part of this Release and shall not be used in construing it.

10. **COUNTERPARTS; FACSIMILE SIGNATURES.** This Release may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original instrument without the production of any other counterpart. Any signature on this Release, delivered by either party by photographic, facsimile or PDF shall be deemed to be an original signature thereto.

IN WITNESS WHEREOF I have hereunder set my hand this _____ day of _____, 20____.

SIGNED AND DELIVERED
in the presence of:

Witness' Signature

Print Name of Witness

Address of Witness

[Name of Executive]

Schedule 1

[TO BE COMPLETED AND PROVIDED IF APPLICABLE]

As required by the Older Workers Benefit Protection Act, the Employer is providing the following information.

To respect the privacy of your colleagues, we ask that you use the information on this Schedule only for its intended purpose – to help you decide whether to enter into the Release – and that you otherwise treat this information as confidential.

[All employees of the Employer] [*describe subset of employees considered for separation*] (known as the “decisional unit”) were considered for the separation program. The chart below shows the job titles and ages, as of ●, of each employee in the decisional unit and whether or not such employee has been selected for termination and offered separation pay in exchange for signing a release under the separation program. Employees have 45 days to consider whether to sign and 7 days to revoke any such release.

Job Title	Age (as of ●)	Selected for the separation program?

August 6, 2021

Jerry Barbato
At the Address on file with the Company

Dear Jerry,

This letter agreement (this "Letter Agreement"), effective as of August 9, 2021 (the "Effective Date"), sets forth the terms and conditions of our agreement regarding the separation of your employment with Hortican Inc., a corporation organized under the federal laws of Canada (the "Company"). Capitalized terms used in this Letter Agreement that are not defined herein have the meanings set forth in your employment agreement with the Company, dated as of April 2, 2019 (the "Employment Agreement").

1. **Employment Separation.**

Effective as of September 9, 2021 (the "Separation Date"): (a) your employment with the Company shall terminate; and (b) the Company and Cronos Group Inc., a corporation organized under the laws of the Province of British Columbia ("Cronos Group"), hereby accept, acknowledge, and agree to your resignation from all other positions you may hold as an officer or director (or similar or equivalent position) of the Company, Cronos Group or any subsidiary thereof, effective as of the Separation Date (collectively, the "Resignations"). If any other documentation is necessary to properly effectuate the Resignations, you agree to cooperate reasonably and promptly in executing and delivering it at the request of the Company or Cronos Group.

2. **Transition Period.**

From the Effective Date to the Separation Date: (a) you shall continue to be employed by the Company but shall cease to serve as Chief Financial Officer of Cronos Group, (b) you shall perform such work that is necessary to assist with the transition of your duties and responsibilities to the successor Chief Financial Officer of Cronos Group; and (c) the Company may in good faith reassign or reduce your duties and responsibilities.

3. **Severance Benefits, Deferred Compensation, and Long-Term Incentives.**

Contingent on your execution and non-revocation of the Release and Waiver of Claims attached hereto as Exhibit A (the "Release") during the applicable revocation period and subject to Section 4 of this Letter Agreement, in consideration of amounts in excess of the minimum entitlements under applicable law:

- (a) the Company, shall, in full satisfaction of its obligations to you:
- i. continue to pay your Base Salary for period up to the Separation Date in accordance with applicable law;
 - ii. following the Separation Date, pay any accrued but unpaid vacation pay owing to you in accordance with applicable law;

- iii. reimburse your documented expenses properly incurred prior to the Separation Date in accordance with the Company's expense reimbursement policy;
 - iv. pay you US \$111,756.82, which represents six (6) months of your annual base salary, payable by way of lump sum payment within sixty (60) days after the Separation Date;
 - v. continue to make contributions towards your life insurance and medical and dental benefits until the earlier of March 6, 2022 and the date on which you obtain alternate benefit coverage, whichever occurs first, subject to the terms and conditions of the benefit plans. You agree to notify the Human Resources Department of the Company in writing when you obtain alternate life, medical and dental benefit coverage; and
 - vi. contingent on the conclusion of the U.S. Securities and Exchange Commission ("**SEC**") and Ontario Securities Commission ("**OSC**") investigations (the "**Investigations**") into Cronos Group that are pending as of the Effective Date, and provided that the Investigations do not result in a penalty being levied or an order by the SEC and/or the OSC against you personally or against Cronos Group on account of any misconduct, mismanagement or failure to supervise by you (the "**Payment Condition**"), provide you with: (1) an annual bonus in respect of Cronos Group's 2019 fiscal year in the amount of US \$155,762; (2) an annual bonus in respect of Cronos Group's 2020 fiscal year in the amount of US \$201,411; and (3) an annual bonus in respect of Cronos Group's 2021 fiscal year in the amount of US \$130,585 (which is based on target performance and prorated based on the number of complete months of such fiscal year during which you shall be employed prior to the Separation Date). Such annual bonuses in the foregoing sentence shall be released and paid within thirty (30) days following the conclusion of the Investigations, as determined by the Board of Directors of Cronos Group (the "**Board**") in its sole discretion, subject to the Payment Condition, provided that the annual bonus in respect of the 2021 fiscal year shall be paid on the same date on which awards under Cronos Group's Discretionary Short-Term Incentive Compensation Program in respect of the 2021 fiscal year are provided to other Cronos Group named executive officers; provided, further, that subject to the Payment Condition any unpaid amounts of the foregoing bonuses shall be paid immediately upon a Change of Control of Cronos Group (as defined in the Cronos Group Inc. Amended and Restated 2018 Stock Option Plan); and
- (b) Cronos Group shall, in full satisfaction of its obligations to you, and contingent on the Payment Condition, provide you with: (1) a 2020 long-term incentive award grant in the form of restricted stock units in the amount of US \$298,480; and (2) a 2021 long-term incentive award grant in the form of restricted stock units in the amount of US \$298,480 (together, the "**LTI Grants**"). The LTI Grants shall: (1) be calculated using the closing price of Cronos Group's common shares on the NASDAQ Global Market on the trading day immediately preceding the date on which the Investigations are concluded, as determined by the Board in its sole discretion, subject to the Payment Condition; (2) be granted as soon as practicable following the conclusion of the Investigations, as

determined by the Board in its sole discretion, subject to the Payment Condition; (3) be subject to your compliance with the terms and conditions of this Letter Agreement and the post-employment obligations set forth in Article 7 of the Employment Agreement, including without limitation, as relates to non-competition, non-solicitation, confidentiality, intellectual property, and return of property; and (4) vest and be settled on what would have been their original vesting and settlement schedules (as though you had provided services to the Company or Cronos Group on each applicable vesting date), based on the vesting dates applicable to grants in respect of the 2020 and 2021 fiscal years made to other Cronos Group named executive officers; provided that any portion of the awards that would have vested prior to the date of grant will be deemed to vest on the date of grant. Any other outstanding and unvested equity awards held by you as of the Effective Date shall continue to vest in accordance with the terms and conditions of the applicable award agreements (without your need to provide services to the Company or Cronos Group on each applicable vesting date), subject to the Payment Condition and your compliance with the terms and conditions of this Letter Agreement and the post-employment obligations set forth in Article 7 of the Employment Agreement, including without limitation, as relates to non-competition, non-solicitation, confidentiality, intellectual property, and return of property, subject to Section 5 below. Subject to the Payment Condition, any unvested or unpaid amounts of the LTI Grants shall be vested and settled immediately upon a Change of Control of Cronos Group (as defined in the Cronos Group Inc. Amended and Restated 2018 Stock Option Plan). If Cronos Group is unable to grant equity to you (e.g., as a result of your not being a service provider of the Cronos Group on the applicable date of grant), then in lieu of your right to receive such equity, Cronos Group shall pay you the cash equivalent value of any unpaid LTI Grants.

You understand and agree that the entitlements under this Section 3 are provided in satisfaction of your entitlements to notice of termination, pay in lieu of notice, termination pay, and severance pay under the Employment Agreement, any employee benefit plan sponsored by the Company or any of its affiliates, applicable law or otherwise. You shall not be entitled to any other payments or benefits under the Employment Agreement, except as specifically provided herein.

4. Clawback Policy.

You understand and agree that any cash, equity or equity-based compensation paid, provided or awarded pursuant to paragraphs 3(a)(vi) and 3(b) of this Letter Agreement are subject to the terms and conditions of Cronos Group's Clawback Policy, and may be subject to a requirement that such compensation be repaid to the Company after it has been distributed to you.

5. Restrictive Covenants; Return of Materials.

You hereby affirm that the restrictive covenants and other post-employment obligations contained in the Employment Agreement are and shall remain in effect and enforceable in accordance with the terms of the Employment Agreement, and you hereby reaffirm the existence and reasonableness of those obligations (including, without limitation, any non-disclosure obligations, and any non-competition, and non-solicitation restrictions). The Company and Cronos Group acknowledge hereunder that employment by or services provided to Altria Group, Inc. or any of its direct or indirect subsidiaries shall not in and of itself constitute a violation of your post-employment obligations set forth in Article 7 of the Employment Agreement; provided, however, Article 7 of the Employment Agreement shall survive pursuant to the

terms thereof and the specific actions taken by you while employed or while providing services to Altria Group, Inc., or any of its direct or indirect subsidiaries may be taken into account in determining whether you have complied with such obligations.

6. **Cooperation with Litigation, Investigations and Regulatory Proceedings.**

You agree, upon the Company's request, to cooperate with the Company in any investigation, litigation, arbitration or regulatory proceeding regarding events that occurred during your tenure with the Company and/or its affiliates, including by making yourself reasonably available to consult with the Company's counsel. The Company shall reimburse you for reasonable out-of-pocket expenses that you incur in extending such cooperation, so long as you provide satisfactory documentation of the expenses.

Cronos Group hereby affirms that the Indemnity Agreement between you and Cronos Group shall remain in effect in accordance with its terms following the Effective Date.

7. **Deductions and Withholdings.**

You understand and agree that the Company shall make such deductions and withholdings from your remuneration and any other payments or benefits provided to you pursuant to this Letter Agreement as may be required by law.

8. **Amendments.**

This Letter Agreement may only be amended by written agreement executed by the Company, Cronos Group and you.

9. **Independent Legal Advice.**

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

10. **Expenses.**

All costs, fees and expenses incurred in connection with this Letter Agreement and the transactions contemplated this Letter Agreement including all costs, fees and expenses of representatives the parties hereto, shall be paid by the party incurring such cost, fee or expense. Notwithstanding the foregoing, you shall be reimbursed for reasonable expenses actually incurred (1) for annual tax return services in Canada and the United States for the 2021 tax year, and any additional support for tax and accounting services in the 2019 and 2020 tax years arising out of your employment with the Company and Cronos Group, provided such expenses are incurred and receipts are submitted on or prior to December 31, 2022 (and in any event within such period following the date the expenses are incurred to allow the Company to make the reimbursement payments in accordance with Section 409A of the Code as described in the last sentence of this Section 10, in an amount not to exceed US \$15,000 per tax year, and (2) in respect of your relocation to the Richmond, Virginia area, provided such expenses are incurred by October 31, 2021, in an amount not to exceed US \$20,000. You shall provide appropriate receipts or other vouchers to the Company in support of such professional services and relocation expense claims

before receiving reimbursement, and such reimbursements shall be paid within thirty (30) days after providing appropriate receipts. To avoid accelerated taxation and/or tax penalties to you under Section 409A of the U.S. Internal Revenue Code of 1986, as amended, amounts reimbursable to you under this Letter Agreement shall be paid to you on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided to Employee) during one year may not affect amounts reimbursable or provided in any subsequent year, and the right to reimbursement (or in-kind-benefits) is not subject to liquidation or exchange for another benefit.

11. **Counterparts.**

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

[Signature Page Follows]

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

Sincerely,

HORTICAN INC.

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

CRONOS GROUP INC.

By: /s/ Kurt Schmidt
Name: Kurt Schmidt
Title: President and Chief Executive Officer

Accepted and Agreed:

/s/ Jerry Barbato
Jerry Barbato

Date: August 6, 2021

[Signature Page to Resignation Letter Agreement]

Exhibit A

RELEASE AND WAIVER OF CLAIMS

GENERAL RELEASE AND WAIVER OF CLAIMS (this “**Release**”), by the undersigned (the “**Releasor**”) in favor of **Hortican Inc., Cronos Group Inc.**, and their respective subsidiaries (collectively, the “**Employer**”), affiliates, stockholders, beneficial owners of its stock, its current or former officers, directors, employees, members, attorneys and agents, and their predecessors, successors and assigns, individually and in their official capacities (the “**Releasees**”).

WHEREAS, Releasor has been employed as Chief Financial Officer of Cronos Group Inc.;

WHEREAS, Releasor’s employment with Employer was terminated, effective as of September 9, 2021 (the “**Effective Date**”); and

WHEREAS, Employer has offered to provide Releasor with certain payments, compensation and benefits pursuant to a letter agreement dated August 9, 2021 (hereinafter called the “**Letter Agreement**”), that are conditioned on the effectiveness of this Release.

NOW, THEREFORE, in consideration of such payments, compensation and benefits and the covenants and agreements set forth in the Letter Agreement, the parties hereto, intending to be legally bound, agree as follows:

1. **GENERAL RELEASE.** Releasor knowingly and voluntarily waives, terminates, cancels, releases and discharges forever the Releasees from any and all suits, actions, causes of action, claims, allegations, rights, obligations, liabilities, demands, entitlements or charges (collectively, “**Claims**”) that Releasor (or Releasor’s heirs, executors, administrators, successors and assigns) has or may have, whether known, unknown or unforeseen, vested or contingent, by reason of any matter, cause or thing occurring at any time before and including the date of this Release, including all claims arising under or in connection with Releasor’s employment, or termination or resignation of employment with the Employer, including, without limitation: Claims under United States federal, state or local law and the national, provincial or local law of any foreign country (statutory or decisional), including without limitation Canada, for wrongful, abusive, constructive or unlawful discharge or dismissal, for breach of any contract, or for discrimination based upon race, color, ethnicity, sex, age, national origin, religion, disability, sexual orientation, or any other unlawful criterion or circumstance, including rights or Claims under the Age Discrimination in Employment Act of 1967 (“**ADEA**”), the Older Workers Benefit Protection Act of 1990 (“**OWBPA**”), violations of the Equal Pay Act, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Americans with Disabilities Act of 1991, the Employee Retirement Income Security Act of 1974 (“**ERISA**”), the Fair Labor Standards Act, the Worker Adjustment Retraining and Notification Act, the Family Medical Leave Act, the Ontario *Employment Standards Act, 2000*, the Ontario *Human Rights Code*, the Ontario *Pay Equity Act*, the Ontario *Occupational Health and Safety Act*, and the Ontario *Workplace Safety and Insurance Act, 1997*, including all amendments to any of the aforementioned acts; and violations of any other federal, provincial, state, or municipal fair employment statutes or laws, including, without limitation, violations of any other law, rule, regulation, or ordinance pertaining to employment, wages, compensation, hours worked, or any other Claims for compensation or bonuses, whether or not paid under any compensation plan or arrangement; breach of contract; tort and other common law Claims (including, without limitation, any common law Claims to notice of termination, pay in lieu of notice of termination, termination pay or

severance pay); defamation; libel; slander; impairment of economic opportunity defamation; sexual harassment; retaliation; attorneys' fees; emotional distress; intentional infliction of emotional distress; assault; battery, pain and suffering; and punitive or exemplary damages (the "Released Matters"). In addition, in consideration of the provisions of this Release, Releasor further agrees to waive any and all rights under the laws of any jurisdiction in the United States, Canada, or any other country that limit a general release to those Claims that are known or suspected to exist in Releasor's favor as of the Release Effective Date (as defined below). Releasor further represents and acknowledges that the Releasees have complied with the *Human Rights Code* (Ontario) in respect of the Releasor's employment and the termination of such employment.

Thus, notwithstanding the purpose of implementing a full and complete release and discharge of the claims released by this Release, Releasor expressly acknowledges that this Release is intended to include in its effect, without limitation, all claims which Releasor does not know or suspect to exist in his favor at the time of execution hereof arising out of or relating in any way to the subject matter of the actions referred to herein above and that this Release contemplates the extinguishment of any such claims.

2. **SURVIVING CLAIMS.** Notwithstanding anything herein to the contrary, this Release shall not:
 - (i) release any Claims for payment of cash or equity amounts payable under the Letter Agreement;
 - (ii) release any Claim for employee benefits under plans covered by ERISA to the extent any such Claim may not lawfully be waived or for any payments or benefits under any Employer plans that have vested (including any 401(k) plan) according to the terms of those plans;
 - (iii) release any Claim or right Releasor may have pursuant to indemnification, advancement, defense, or reimbursement pursuant to any applicable D&O policies, any similar insurance policies, applicable law or otherwise;
 - (iv) release any Claim that may not lawfully be waived in a private agreement between the parties; or
 - (v) limit Releasor's rights under applicable law to provide truthful information to any governmental entity or to file a charge with or participate in an investigation conducted by any governmental entity. Notwithstanding the foregoing, Releasor agrees to waive Releasor's right to recover monetary damages in connection with any charge, complaint or lawsuit filed by Releasor or anyone else on Releasor's behalf (whether involving a governmental entity or not); provided that Releasor is not agreeing to waive, and this Release shall not be read as requiring Releasor to waive, any right Releasor may have to receive an award for information provided to any governmental entity.
3. **ADDITIONAL REPRESENTATIONS.** Releasor further represents and warrants that Releasor has not filed any civil action, suit, arbitration, administrative charge, or legal proceeding against any Releasees nor, has Releasor assigned, pledged, or hypothecated as of the Release

Effective Date any Claim to any person and no other person has an interest in the Claims that he is releasing.

4. **ACKNOWLEDGMENT BY RELEASOR.** Releasor acknowledges and agrees that Releasor has read this Release in its entirety and that this Release is a general release of all known and unknown Claims. Releasor further acknowledges and agrees that:

- (i) this Release does not release, waive or discharge any rights or Claims that may arise for actions or omissions after the Release Effective Date and Releasor acknowledges that he is not releasing, waiving or discharging any ADEA Claims that may arise after the Release Effective Date;
- (ii) Releasor is entering into this Release and releasing, waiving and discharging rights or Claims only in exchange for consideration which he is not already entitled to receive;
- (iii) Releasor has been advised, and is being advised by the Release, to consult with an attorney before executing this Release;
- (iv) Releasor has been advised, and is being advised by this Release, that he has been given at least twenty-one (21) days within which to consider the Release, but Releasor can execute this Release at any time prior to the expiration of such review period; and
- (v) Releasor is aware that this Release shall become null and void if he revokes his agreement to this Release within seven (7) days following the date of execution of this Release. Releasor may revoke this Release at any time during such seven-day period by delivering (or causing to be delivered) to the Employer written notice of his or her revocation of this Release no later than 5:00 p.m. Eastern time on the seventh (7th) full day following the date of execution of this Release (the “**Release Effective Date**”). Releasor agrees and acknowledges that a letter of revocation that is not received by such date and time shall be invalid and shall not revoke this Release.

5. **NON-DISPARAGEMENT.** Releasor agrees not to speak or act in a manner that would reasonably be expected to disparage or defame or damage the goodwill of Employer or its Affiliates, or the business or personal reputations of any of its officers, directors, partners, agents employees, clients or suppliers, and further agrees not to engage in any other depreciating conduct or communications with respect to Employer or its Affiliates including, without limitation, on social media. Notwithstanding the foregoing, nothing hereunder shall prevent Releasor from (i) responding publicly to any incorrect, disparaging or derogatory public statement to the extent reasonably necessary to correct or refute such public statement, (ii) making any truthful statement to the extent (x) necessary with respect to any litigation, arbitration, mediation or proceeding involving the Releasees, or (y) required by law or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with actual or apparent jurisdiction to order the Releasor to disclose or make accessible such information, or (iii) responding truthfully to any request by the U.S. Securities and Exchange Commission or the Ontario Securities Commission in connection with either of their investigations into Cronos Group that are pending as of August 9, 2021.

6. **GOVERNING LAW.** To the extent not subject to federal law, this Release shall be governed by and construed in accordance with the law of the State of Delaware applicable to contracts made and to be performed entirely within that state.

7. **SEVERABILITY.** If any provision of this Release should be declared to be unenforceable by any administrative agency or court of law, then the remainder of the Release shall remain in full force and effect.

8. **CAPTIONS; SECTION HEADINGS.** Captions and section headings used herein are for convenience only and are not a part of this Release and shall not be used in construing it.

9. **COUNTERPARTS; FACSIMILE SIGNATURES.** This Release may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original instrument without the production of any other counterpart. Any signature on this Release, delivered by either party by photographic, facsimile or PDF shall be deemed to be an original signature thereto.

IN WITNESS WHEREOF I have hereunder set my hand this 6th day of August, 2021.

SIGNED AND DELIVERED

in the presence of:

/s/ Shayne Laidlaw

Witness' Signature

Shayne Laidlaw

Print Name of Witness

22 Putnam Green, Greenwich, CT 06830

Address of Witness

/s/ Jerry Barbato

JERRY BARBATO

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

I, Kurt Schmidt, certify that:

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

/s/ Kurt Schmidt

Kurt Schmidt
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 6, 2021

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

I, Jerry Barbato, certify that:

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

/s/ Jerry Barbato

Jerry Barbato
Chief Financial Officer
(Principal Financial Officer)

Date: August 6, 2021

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

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2021 of Cronos Group Inc. (the "Company") as filed with the U.S. Securities and Exchange Commission (the "SEC") on the date hereof (the "Report"), I, Kurt Schmidt, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

/s/ Kurt Schmidt

Kurt Schmidt

President and Chief Executive Officer

(Principal Executive Officer)

Date: August 6, 2021

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

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

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

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2021 of Cronos Group Inc. (the "Company") as filed with the U.S. Securities and Exchange Commission (the "SEC") on the date hereof (the "Report"), I, Jerry Barbato, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

/s/ Jerry Barbato

Jerry Barbato

Chief Financial Officer

(Principal Financial Officer)

Date: August 6, 2021

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

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