

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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 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)

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

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

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

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

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

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

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

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

As of May 6, 2021, there were 371,656,590 common shares of the registrant issued and outstanding.

Table of Contents

PART I FINANCIAL INFORMATION

Item 1.	Financial Statements.	3
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.	24
Item 3.	Quantitative and Qualitative Disclosures About Market Risk.	38
Item 4.	Controls and Procedures.	39

PART II OTHER INFORMATION

Item 1.	Legal Proceedings.	40
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds.	41
Item 3.	Defaults upon Senior Securities.	41
Item 4.	Mine Safety Disclosures.	41
Item 5.	Other Information.	41
Item 6.	Exhibits.	42
Signatures.	Signatures	43

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.

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

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

	As of		
	March 31, 2021	March 31, 2020	December 31, 2020
Average rate	1.2665	1.3437	1.3036
Spot rate	1.2563	1.4062	1.2751
Year-to-date average rate	1.2665	1.3437	1.3411

All summaries of agreements described herein are qualified by the full text of such agreements (certain of which are filed as exhibits hereto).

PART I
FINANCIAL INFORMATION

[Table of Contents](#)

Item 1. Financial Statements

Table of Contents

Condensed Consolidated Balance Sheets as of March 31, 2021 (Unaudited) and December 31, 2020	4
Condensed Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss) for the three months ended March 31, 2021 and 2020 (Unaudited)	5
Condensed Consolidated Statements of Changes in Equity for the three months ended March 31, 2021 and 2020 (Unaudited)	6
Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2021 and 2020 (Unaudited)	7
Notes to Condensed Consolidated Financial Statements (Unaudited)	8

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

[Table of Contents](#)

	As of March 31, 2021 (Unaudited)	As of December 31, 2020 (Audited)
Assets		
Current assets		
Cash and cash equivalents	\$ 1,024,450	\$ 1,078,023
Short-term investments	214,925	211,766
Accounts receivable, net ⁽ⁱ⁾	6,997	8,928
Other receivables	3,796	10,033
Current portion of loans receivable, net ⁽ⁱⁱ⁾	6,717	7,083
Prepays and other current assets	15,053	11,161
Inventory, net	46,437	44,002
Held-for-sale assets	1,969	1,176
Total current assets	1,320,344	1,372,172
Advances to joint ventures	487	467
Investments in equity accounted investees, net	19,221	19,235
Loan receivable, net ⁽ⁱⁱ⁾	90,953	87,191
Property, plant and equipment, net	192,123	187,599
Right-of-use assets	8,538	9,776
Intangible assets, net	70,085	69,720
Goodwill	179,531	179,522
Total assets	\$ 1,881,282	\$ 1,925,682
Liabilities		
Current liabilities		
Accounts payable and other liabilities	\$ 29,213	\$ 42,102
Current portion of lease obligation	1,130	1,322
Derivative liabilities	272,300	163,410
Total current liabilities	302,643	206,834
Due to non-controlling interests	2,129	2,188
Lease obligation	8,231	8,492
Total liabilities	313,003	217,514
Commitments and contingencies ⁽ⁱⁱⁱ⁾		
Shareholders' equity		
Share capital ^(iv, v)	584,912	569,260
Additional paid-in capital	32,090	34,596
Retained earnings	895,503	1,064,509
Accumulated other comprehensive income	58,144	42,999
Total equity attributable to shareholders of Cronos Group	1,570,649	1,711,364
Non-controlling interests	(2,370)	(3,196)
Total shareholders' equity	1,568,279	1,708,168
Total liabilities and shareholders' equity	\$ 1,881,282	\$ 1,925,682

⁽ⁱ⁾ Net of current expected credit loss allowance on accounts receivable of \$66 and \$74 as of March 31, 2021 and December 31, 2020, respectively.

⁽ⁱⁱ⁾ Net of current expected credit loss allowance on loans receivable of \$3,020 and \$2,439 as of March 31, 2021 and December 31, 2020, respectively.

⁽ⁱⁱⁱ⁾ Refer to Note 9. Commitments and Contingencies in the notes to condensed consolidated financial statements.

^(iv) Authorized for issuance as of March 31, 2021: unlimited and December 31, 2020: unlimited.

^(v) Shares issued as of March 31, 2021: 371,656,590 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)
[Table of Contents](#)

	Three months ended March 31,	
	2021	2020
Net revenue, before excise taxes	\$ 14,654	\$ 9,344
Excise taxes	(2,043)	(912)
Net revenue	12,611	8,432
Cost of sales	15,574	6,946
Inventory write-down	—	7,962
Gross profit (loss)	(2,963)	(6,476)
Operating expenses		
Sales and marketing	10,254	7,112
Research and development (“R&D”)	5,102	4,590
General and administrative	21,906	23,759
Share-based payments	2,499	2,436
Depreciation and amortization	735	687
Total operating expenses	40,496	38,584
Operating loss	(43,459)	(45,060)
Other income (loss)		
Interest income, net	2,329	7,751
Gain (loss) on revaluation of derivative liabilities	(116,874)	113,368
Impairment loss on property, plant and equipment and right-of-use assets	(1,741)	—
Other loss	(1,859)	(378)
Total other income (loss)	(118,145)	120,741
Income (loss) from continuing operations	(161,604)	75,681
Loss from discontinued operations	(21)	—
Net income (loss)	\$ (161,625)	\$ 75,681
Net income (loss) attributable to:		
Cronos Group	\$ (161,312)	\$ 76,040
Non-controlling interests	(313)	(359)
	\$ (161,625)	\$ 75,681
Other comprehensive income (loss)		
Foreign exchange gain (loss) on translation	\$ 16,284	\$ (113,692)
Total other comprehensive income (loss)	16,284	(113,692)
Comprehensive loss	\$ (145,341)	\$ (38,011)
Comprehensive income (loss) attributable to:		
Cronos Group	\$ (146,167)	\$ (37,675)
Non-controlling interests	826	(336)
	\$ (145,341)	\$ (38,011)
Net income (loss) per share⁽ⁱ⁾		
Basic - continuing operations	\$ (0.44)	\$ 0.22
Diluted - continuing operations ⁽ⁱⁱ⁾	(0.44)	0.20
Weighted average number of outstanding shares		
Basic	363,012,740	348,817,472
Diluted ⁽ⁱⁱ⁾	363,012,740	374,330,168

⁽ⁱ⁾ For the three months ended March 31, 2021 and 2020, the Company reported a basic and diluted loss from discontinued operations of \$0.00 per share and \$0.00 per share and \$0.00 per share and \$0.00 per share, respectively. See Note 7. Earnings (Loss) per Share.

⁽ⁱⁱ⁾ 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. See Note 7. Earnings (Loss) per Share.

See notes to condensed consolidated financial statements.

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

[Table of Contents](#)

Table of Contents

	Number of shares	Share capital	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Non- controlling interests	Total shareholders' equity
Balance as of January 1, 2021	360,253,332	\$ 569,260	\$ 34,596	\$ 1,064,509	\$ 42,999	\$ (3,196)	\$ 1,708,168
Warrants exercised	7,832,859	1,161	(1,161)	—	—	—	—
Vesting of options	—	—	2,064	—	—	—	2,064
Options exercised	3,570,399	3,213	(3,203)	—	—	—	10
Vesting of restricted share units	—	—	435	—	—	—	435
Withholding taxes paid on share-based awards	—	—	(979)	(7,694)	—	—	(8,673)
Vesting of common shares issued in connection with the use of certain publicity rights in brand development	—	—	338	—	—	—	338
Top-up rights exercised	—	11,278	—	—	—	—	11,278
Net income (loss)	—	—	—	(161,312)	—	(313)	(161,625)
Foreign exchange gain (loss) on translation	—	—	—	—	15,145	1,139	16,284
Balance as of March 31, 2021	<u>371,656,590</u>	<u>\$ 584,912</u>	<u>\$ 32,090</u>	<u>\$ 895,503</u>	<u>\$ 58,144</u>	<u>\$ (2,370)</u>	<u>\$ 1,568,279</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	—	—	1,730	—	—	—	1,730
Vesting of restricted share units	—	—	706	—	—	—	706
Vesting of common shares issued in connection with the use of certain publicity rights in brand development	—	2,000	(187)	—	—	—	1,813
Net income (loss)	—	—	—	76,040	—	(359)	75,681
Foreign exchange gain (loss) on translation	—	—	—	—	(113,715)	23	(113,692)
Balance as of March 31, 2020	<u>348,817,472</u>	<u>\$ 563,165</u>	<u>\$ 25,483</u>	<u>\$ 1,213,686</u>	<u>\$ (85,877)</u>	<u>\$ (1,189)</u>	<u>\$ 1,715,268</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)

[Table of Contents](#)

	Three months ended March 31,	
	2021	2020
Operating activities		
Net income (loss)	\$ (161,625)	\$ 75,681
Items not affecting cash:		
Inventory write-down	—	7,962
Share-based payments	2,499	2,436
Depreciation and amortization	1,880	1,162
Gain (loss) on revaluation of derivative liabilities	116,874	(113,368)
Impairment loss on property, plant and equipment and right-of-use assets	1,741	—
Expected credit losses on financial assets and non-cash charges to inventory	681	2,068
Other non-cash operating activities, net	1,749	643
Changes in non-cash working capital:		
Accounts receivable, net	1,931	472
Other receivables	5,687	(1,235)
Prepays and other current assets	(3,737)	(2,439)
Inventory, net	(1,007)	(14,319)
Accounts payable and other liabilities	(12,675)	2,039
Cash flows used in operating activities	(46,002)	(38,898)
Investing activities		
Proceeds from (purchase of) short-term investments, net	—	80,333
Purchase of property, plant and equipment	(6,680)	(6,411)
Purchase of intangible assets	(392)	(1,105)
Advances on loans receivable	(2,645)	(14,512)
Other non-cash investing activities, net	—	781
Cash flows provided by (used in) investing activities	(9,717)	59,086
Financing activities		
Repayment of lease obligations	(613)	(448)
Withholding taxes paid on share-based awards	(8,673)	—
Other non-cash investing activities, net	10	—
Cash flows provided by (used in) financing activities	(9,276)	(448)
Effect of foreign currency translation on cash and cash equivalents	11,422	(91,037)
Net change in cash and cash equivalents	(53,573)	(71,297)
Cash and cash equivalents, beginning of period	1,078,023	1,199,693
Cash and cash equivalents, end of period	\$ 1,024,450	\$ 1,128,396
Supplemental cash flow information		
Interest paid	\$ —	\$ 7
Interest received	1,157	7,758
Income taxes paid	624	—

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 (as defined herein) 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 in Equity Accounted Investees, net.

(b) Out-of-period adjustments

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 common stock 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 as of March 31, 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 non-cash working capital and withholding taxes paid on share-based awards lines 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 months ended March 31, 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 shareholder’s 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 forwards 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 interim condensed consolidated financial statements.

2. Inventory, net

Inventory, net is comprised of the following items:

	As of March 31, 2021	As of December 31, 2020
Raw materials, net	\$ 11,182	\$ 11,489
Work-in-progress – dry cannabis, net	21,590	20,520
Work-in-progress – cannabis extracts, net	5,036	5,758
Finished goods – dry cannabis, net	5,677	4,894
Finished goods – cannabis extracts, net	2,141	1,011
Supplies and consumables	811	330
Total	\$ 46,437	\$ 44,002

Inventory is written down for any obsolescence such as slow-moving or non-marketable products, or when the net realizable value of inventory is less than the carrying value. For the three months ended March 31, 2021 and 2020, the Company recorded write-downs related to inventory of \$nil and \$7,962, respectively.

3. 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”).

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. Cronos 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. Cronos holds variable interests in Natuera through its ownership of 50% of Natuera’s common shares and other debt. Natuera’s economic performance is driven by the quantity and strains of cannabis grown, which is mutually determined by the joint venture partners.

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.

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 (\$2,483) by a non-recourse 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 March 31, 2021	As of December 31, 2020
Cronos Australia	31%	\$ —	\$ —
Cronos GrowCo	50%	\$ 19,221	\$ 19,235
Natuera	50%	—	—
		<u>\$ 19,221</u>	<u>\$ 19,235</u>

The Company’s share of net earnings (losses) from equity investments accounted for under the equity method of accounting:

	For the three months ended March 31,	
	2021	2020
Cronos GrowCo	\$ (299)	\$ (311)
Natuera ⁽ⁱ⁾	(1,344)	(861)
	<u>\$ (1,643)</u>	<u>\$ (1,172)</u>

⁽ⁱ⁾ The Company’s share of accumulated net losses in excess of its equity investment in Natuera has been applied as a loss allowance on the loan receivable. See Note 4. Loans Receivable, net.

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 March 31, 2021 and December 31, 2020:

	Ownership interest	As of March 31, 2021	As of December 31, 2020
Cronos Australia	31%	\$ 1,553	\$ 1,530
Cronos GrowCo	50%	21,433	21,125
MedMen Canada	50%	487	467
Natuera	50%	8,160	8,154
Total		<u>\$ 31,633</u>	<u>\$ 31,276</u>

4. Loans Receivable, net

	As of March 31, 2021	As of December 31, 2020
Natuera Series A loan ⁽ⁱ⁾	\$ 2,013	\$ 3,518
GrowCo Facility ⁽ⁱⁱ⁾	796	3,137
Add: Accrued interest	3,908	428
Total current portion of loans receivable	6,717	7,083
GrowCo Facility ⁽ⁱⁱ⁾	76,043	69,939
Mucci promissory note ⁽ⁱⁱⁱ⁾	13,654	13,324
Cannasoul collaboration loan ^(iv)	1,215	1,261
Add: Accrued interest	41	2,667
Total long-term portion of loans receivable	90,953	87,191
Total loans receivable, net	\$ 97,670	\$ 94,274

⁽ⁱ⁾ As of March 31, 2021 and December 31, 2020, a current expected credit loss allowance of \$1,151 and \$685, respectively, was recorded against the master loan agreement entered into with Natuera on September 27, 2019 (the “Series A loan”). As of March 31, 2021 and December 31, 2020, a loss allowance of \$4,582 and \$3,024, respectively, was recorded against the Series A Loan related to the Company’s share of net loss from Natuera in excess of the carrying value of the equity method investment. Refer to Note 3 and Note 14.

⁽ⁱⁱ⁾ As of March 31, 2021 and December 31, 2020, Cronos GrowCo had drawn C\$98,500 (\$78,405) 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 March 31, 2021 and December 31, 2020, a current expected credit loss allowance of \$1,569 and \$1,470, respectively, was recorded against the GrowCo Facility.

⁽ⁱⁱⁱ⁾ As of March 31, 2021 and December 31, 2020, a current expected credit loss allowance of \$274 and \$259, respectively, was recorded against the Mucci promissory note.

^(iv) As of March 31, 2021 and December 31, 2020 CLS has received ILS 4,149 (approximately \$1,241) from a non-recourse loan. As of March 31, 2021 and December 31, 2020 a current expected credit loss allowance of \$26 and \$25, respectively, was 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). 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 10% of the common shares of Cronos (approximately 82.6 million common shares at March 31, 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 March 31, 2021 and 2020:

	As of January 1, 2021	Revaluation (gain)/loss	Exercise of rights	Foreign exchange effect	As of March 31, 2021
(a) Altria Warrant	\$ 138,858	\$ 92,964	\$ —	\$ 2,834	\$ 234,656
(b) Pre-emptive Rights	12,095	7,833	—	245	20,173
(c) Top-up Rights	12,457	16,077	(11,278)	215	17,471
	<u>\$ 163,410</u>	<u>\$ 116,874</u>	<u>\$ (11,278)</u>	<u>\$ 3,294</u>	<u>\$ 272,300</u>

	As of January 1, 2020	Revaluation (gain)/loss	Exercise of rights	Foreign exchange effect	As of March 31, 2020
(a) Altria Warrant	\$ 234,428	\$ (88,104)	\$ —	\$ (13,958)	\$ 132,366
(b) Pre-emptive Rights	12,787	1,315	—	(1,032)	13,070
(c) Top-up Rights	49,945	(26,579)	—	(2,626)	20,740
	<u>\$ 297,160</u>	<u>\$ (113,368)</u>	<u>\$ —</u>	<u>\$ (17,616)</u>	<u>\$ 166,176</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 March 31, 2021, the Company’s share price increased from December 31, 2020 resulting in a loss on revaluation of \$116,874. During the three months ended March 31, 2020, the Company’s share price decreased from December 31, 2019 resulting in a gain on revaluation of \$113,368.

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

	As of March 31, 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⁾	\$11.88	\$11.88	\$11.88	\$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⁾	0.22%	0.17%	0.14%	0.21%	0.17%	0.13%
Weighted average expected life ⁽ⁱⁱⁱ⁾	1.93	1.25	0.72	2.18	1.50	0.98
Expected annualized volatility ^(iv)	82%	82%	82%	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 March 31, 2021 and December 31, 2020, the risk-free interest rate uses a range of approximately 0.09% to 0.86% 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 March 31, 2021 and December 31, 2020, the expected life uses a range of approximately 0.25 year to 4.50 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 March 31, 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) as of March 31, 2021.

	Increase as of March 31, 2021		
	Altria Warrant	Pre-emptive Rights	Top-up Rights
Share price	\$ 42,479	\$ 4,133	\$ 4,376
Weighted average expected life	18,051	3,039	683
Expected annualized volatility	35,099	2,865	2,785

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 stock-based compensation expense associated with the Company's stock options and RSUs for the three months ended March 31, 2021 and 2020:

	For the three months ended March 31,	
	2021	2020
Vesting of stock options	\$ 2,064	\$ 1,730
Vesting of RSUs	435	706
Total share-based payments	\$ 2,499	\$ 2,436

(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 during the three months ended March 31, 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	2.13	(5,230,550)	
Cancellation, forfeiture and expiry of options	14.71	(25,771)	
Balance as of March 31, 2021	\$ 7.38	8,498,827	2.82
Exercisable as of March 31, 2021	\$ 5.75	4,896,820	1.46

⁽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
Cancellation, forfeiture and expiry of options	17.17	(42,889)	
Balance as of March 31, 2020	\$ 4.80	14,106,613	2.06
Exercisable as of March 31, 2020	\$ 3.11	9,783,544	1.66

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	
	March 31, 2021	December 31, 2020
2020 Omnibus Plan	2,000,000	2,000,000
2018 Stock Option Plan	1,591,944	1,627,715
2015 Stock Option Plan	4,906,883	10,127,433
Total stock options outstanding	8,498,827	13,755,148

(c) Restricted share units

The following is a summary of the changes in RSUs for the three months ended March 31, 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⁾	265,904	13.27
Balance as of March 31, 2021	1,214,261	\$ 8.89

⁽ⁱ⁾ RSUs issued 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 exercise price reflects the conversion of foreign currency-denominated RSUs translated into C\$ using the foreign exchange rate as of the date of issuance.

	Number of RSUs	Weighted average grant date fair value (C\$)
Balance as of January 1, 2020 and March 31, 2020	732,972	\$ 15.34

All RSUs outstanding as of March 31, 2021 and December 31, 2020 were granted under the 2020 Omnibus Plan.

(d) Deferred share units

The following is a summary of the changes in DSUs during the three months ended March 31, 2021 and 2020:

	Number of DSUs	Financial liability
Balance as of January 1, 2021	83,293	\$ 577
Loss (gain) on revaluation	—	211
Balance as of March 31, 2021	<u>83,293</u>	<u>\$ 788</u>
	Number of DSUs	Financial liability
Balance as of January 1, 2020	33,937	\$ 255
Loss (gain) on revaluation	—	(50)
Balance as of March 31, 2020	<u>33,937</u>	<u>\$ 205</u>

All DSUs outstanding as of March 31, 2021 and December 31, 2020 were granted under the DSU Plan.

(e) Warrants

The following is a summary of the changes in warrants during the three months ended March 31, 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	(7,977,349)
Balance as of March 31, 2021 ⁽ⁱ⁾	<u>\$ 0.25</u>	<u>10,000</u>

⁽ⁱ⁾ The outstanding warrants were granted in the second quarter of 2016 and expire on May 27, 2021.

	Weighted average exercise price (C\$)	Number of warrants
Balance as of January 1, 2020 and March 31, 2020	\$ 0.26	18,066,662

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 March 31,	
	2021	2020
Basic earnings per share computation		
Net income (loss) attributable to common shareholders of Cronos Group	\$ (161,312)	\$ 76,040
Weighted average number of common shares outstanding	363,012,740	348,817,472
Basic earnings per share ⁽ⁱ⁾	\$ (0.44)	\$ 0.22
Diluted earnings per share computation		
Net income (loss) used in the computation of basic earnings per share	\$ (161,312)	\$ 76,040
Adjustment for gain (loss) on revaluation of derivative liabilities	—	—
Net income (loss) used in the computation of diluted income per share	\$ (161,312)	\$ 76,040
Weighted average number of common shares outstanding used in the computation of basic earnings per share	363,012,740	348,817,472
Dilutive effect of warrants	—	17,550,444
Dilutive effect of stock options	—	7,962,252
Weighted average number of common shares for computation of diluted income (loss) per share	363,012,740	374,330,168
Diluted earnings per share ⁽ⁱ⁾	\$ (0.44)	\$ 0.20

⁽ⁱ⁾ Basic and dilutive earnings per share from discontinued operations were \$0.00 and \$0.00 for the three months ended March 31, 2021 and 2020, respectively.

⁽ⁱⁱ⁾ 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 March 31,	
	2021	2020
Ginkgo equity milestones	14,674,904	14,674,904
Pre-emptive Rights	11,285,001	12,006,740
Top-up Rights – fixed price	11,113,451	25,111,456
Top-up Rights – market price	2,623,082	1,941,349
Altria Warrant	82,590,353	77,514,993
Stock options	8,522,086	2,240,456
Warrants	5,563,176	—
Restricted share units	572,970	732,972
Total anti-dilutive securities	136,945,023	134,222,870

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.

Segment data was as follows for the three months ended March 31, 2021 and 2020:

	Three months ended March 31, 2021			
	United States	Rest of World	Corporate expenses	Total
Net revenue				
Cannabis flower	\$ —	\$ 9,434	\$ —	\$ 9,434
Cannabis extracts	2,441	703	—	3,144
Other	—	33	—	33
Net revenue	<u>\$ 2,441</u>	<u>\$ 10,170</u>	<u>\$ —</u>	<u>\$ 12,611</u>
Share of loss from investments in equity accounted investees	\$ —	\$ 1,643	\$ —	\$ 1,643
Interest income	3	2,332	—	2,335
Interest expense	—	(6)	—	(6)
Interest income, net	<u>\$ 3</u>	<u>\$ 2,326</u>	<u>\$ —</u>	<u>\$ 2,329</u>
Depreciation and amortization	\$ 71	\$ 664	\$ —	\$ 735
Impairment loss on property, plant and equipment and right-of-use assets	1,741	—	—	1,741
Loss from discontinued operations	—	21	—	21
Adjusted EBITDA	(9,510)	(22,184)	(5,381)	(37,075)
Total assets	252,449	394,442	1,234,391	1,881,282
Investments in equity accounted investees	—	19,221	—	19,221
Goodwill	178,416	1,115	—	179,531
Purchase of property, plant and equipment, net	80	6,600	—	6,680

	Three months ended March 31, 2020			
	United States	Rest of World	Corporate expenses	Total
Net revenue				
Cannabis flower	\$ —	\$ 2,741	\$ —	\$ 2,741
Cannabis extracts	2,176	3,400	—	5,576
Other	—	115	—	115
Net revenue	<u>\$ 2,176</u>	<u>\$ 6,256</u>	<u>\$ —</u>	<u>\$ 8,432</u>
Share of loss from investments in equity accounted investees	<u>\$ —</u>	<u>\$ 1,172</u>	<u>\$ —</u>	<u>\$ 1,172</u>
Interest income	7	7,751	—	7,758
Interest expense	—	(7)	—	(7)
Interest income, net	<u>\$ 7</u>	<u>\$ 7,744</u>	<u>\$ —</u>	<u>\$ 7,751</u>
Depreciation and amortization	33	654	—	687
Adjusted EBITDA	<u>\$ (5,782)</u>	<u>\$ (29,010)</u>	<u>\$ (2,263)</u>	<u>\$ (37,055)</u>

Adjusted EBITDA is reconciled to net income (loss) as follows for the three months ended March 31, 2021 and 2020:

(In thousands of U.S. dollars)

	Three months ended March 31, 2021			
	US	ROW	Corporate Expenses	Total
Net income (loss)	\$ (12,092)	\$ (142,147)	\$ (7,386)	\$ (161,625)
Adjustments				
Interest income, net	(3)	(2,326)	—	(2,329)
Impairment loss on property, plant and equipment and right-of-use assets	1,741	—	—	1,741
Loss on revaluation of derivative liabilities	—	116,874	—	116,874
Other loss	—	1,859	—	1,859
Loss from discontinued operations	—	21	—	21
Share-based payments	745	1,754	—	2,499
Review costs related to restatement of 2019 interim financial statements	—	—	2,005	2,005
Adjusted EBIT	<u>(9,609)</u>	<u>(23,965)</u>	<u>(5,381)</u>	<u>(38,955)</u>
Adjustments				
Depreciation and amortization	99	1,781	—	1,880
Adjusted EBITDA	<u>\$ (9,510)</u>	<u>\$ (22,184)</u>	<u>\$ (5,381)</u>	<u>\$ (37,075)</u>

(In thousands of U.S. dollars)

	Three months ended March 31, 2020			
	US	ROW	Corporate Expenses	Total
Net income (loss)	\$ (6,516)	\$ 88,867	\$ (6,670)	\$ 75,681
Adjustments				
Interest income, net	(7)	(7,744)	—	(7,751)
Gain on revaluation of derivative liabilities	—	(113,368)	—	(113,368)
Other loss	—	378	—	378
Share-based payments	706	1,730	—	2,436
Review costs related to restatement of 2019 interim financial statements	—	—	4,407	4,407
Adjusted EBIT	(5,817)	(30,137)	(2,263)	(38,217)
Adjustments				
Depreciation and amortization	35	1,127	—	1,162
Adjusted EBITDA	<u>\$ (5,782)</u>	<u>\$ (29,010)</u>	<u>\$ (2,263)</u>	<u>\$ (37,055)</u>

Sources of net revenue for the three months ended March 31, 2021 and 2020 were as follows:

	Three months ended March 31,	
	2021	2020
Cannabis flower	\$ 9,434	\$ 2,741
Cannabis extracts	3,144	5,576
Other	33	115
Net revenue	<u>\$ 12,611</u>	<u>\$ 8,432</u>

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

	Three months ended March 31,	
	2021	2020
Canada	\$ 7,582	\$ 6,091
Israel	2,518	—
United States	2,441	2,176
Other countries	70	165
Net revenue	<u>\$ 12,611</u>	<u>\$ 8,432</u>

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

	As of March 31, 2021	As of December 31, 2020
Canada	\$ 167,363	\$ 162,163
Israel	23,480	23,143
United States	1,280	2,293
Total	<u>\$ 192,123</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 and greater than 10% of accounts receivable.

United States

During the three months ended March 31, 2021 and 2020, the U.S. segment had no major customers.

As of March 31, 2021 and December 31, 2020, the Company had \$36 and \$65, respectively, in expected credit losses that have been recognized on receivables from contracts with customers.

Rest of World

During the three months ended March 31, 2021, the Rest of World segment earned a total net revenue before excise taxes of \$8,963 from four major customers, Société Québécoise du Cannabis, Novolog Group, Alberta Gaming, Liquor and Cannabis Commission and Ontario Cannabis Retail Corporation, accounting for 18%, 17%, 13% and 13%, respectively, of the Company's total net revenue before excise taxes.

During the three months ended March 31, 2020, the Rest of World segment earned a total net revenue before excise taxes of \$4,121 from 3 major customers, together accounting for 49% of the Company's total net revenues before excise taxes.

As of March 31, 2021 and December 31, 2020, the Company had \$30 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 March 31, 2021 and 2020 was \$21 and \$nil, respectively.

9. Commitments and Contingencies

(a) Commitments

There has been no material change 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.

(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 March 31, 2021 and December 31, 2020 and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value.

	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 1,024,450	\$ —	\$ —	\$ 1,024,450
Short-term investments	214,925	—	—	214,925
Derivative liabilities	—	—	272,300	272,300

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

There were no transfers between categories during the periods presented.

(b) Financial Risks

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

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its operating activities, primarily accounts receivable and other receivables, and its investing activities, including cash held with banks and financial institutions, short-term investments, loan receivable, and advances to joint ventures. The Company's maximum exposure to this risk is equal to the carrying amount of these financial assets, which amounted to \$1,348,325 and \$1,403,491 as of March 31, 2021 and December 31, 2020, respectively.

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

The Company held cash and cash equivalents of \$1,024,450 and \$1,078,023 as of March 31, 2021 and December 31, 2020, respectively. The short-term investments and related interest receivable of \$214,925 and \$211,766, as of March 31, 2021 and December 31, 2020 respectively, 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 March 31, 2021 and December 31, 2020, the Company recorded a current expected credit loss allowance of \$66 and \$74, respectively. As of March 31, 2021, the Company has assessed that there is a concentration of credit risk, as 63% of the Company's accounts receivable were due from three 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 March 31, 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 March 31, 2021 and 2020, the Company had net interest income of \$2,329 and \$7,751, 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 March 31, 2021, the Company had assessed a concentration risk of vendors as 26% of accounts payables were due to two vendors. 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 March 31, 2021 and 2020, the Company had foreign currency gain (loss) on translation of \$16,284 and \$(113,692), respectively. A 10% change in the exchange rates for the U.S. dollar would affect the carrying value of net assets by approximately \$156,828 and \$170,817 as of March 31, 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 Original B.C. Ltd. ("OGBC") and as a result, OGBC's results of operations were reclassified as discontinued operations in the accompanying condensed consolidated financial statements. As of March 31, 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 March 31, 2021 and December 31, 2020, and loss from discontinued operations on the condensed consolidated statements of net income and comprehensive income for the three months ended March 31, 2021 and 2020.

During the three months ended March 31, 2021, the Company advanced its plans for the sale of land and office premises (approximately 80,173 combined square feet) located in Winnipeg, Manitoba, Canada and accounted for in the Rest of World segment. The sale is expected to be made within the next twelve months and the criteria for the land and office premises to be classified as "held-for-sale" were met during the three months ended March 31, 2021. As a result, the assets are classified as "held-for-sale" assets as of March 31, 2021.

The following table summarizes the financial information for discontinued operations:

	Three months ended March 31,	
	2021	2020
Loss from discontinued operations, net of income taxes	\$ (21)	\$ —

	March 31, 2021	December 31, 2020
OGBC assets classified as held-for-sale	\$ 1,195	\$ 1,176
Other property, plant and equipment classified as held-for-sale	774	—
Held-for-sale assets	<u>\$ 1,969</u>	<u>\$ 1,176</u>

12. Related Party Transactions and Balances

There have been no material related party transactions during the three months ended March 31, 2021 and 2020. As of March 31, 2021 and December 31, 2020 there were no material related party receivables or payables.

13. Impairment Loss on Property, Plant and Equipment and Right-of-Use Assets

During the three months ended March 31, 2021, the Company recognized an impairment charge of \$1,019 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 three months ended March 31, 2021. Both the impairment charges are recognized in the statement of net income (loss) as an impairment loss on property, plant and equipment and right-of-use assets.

14. Subsequent Events

On April 1, 2021, the Company and an affiliate of Agroidea (“AGI”), the other joint venture partner of Natuera, agreed to convert all advances made to Natuera under the Series A Loan, plus accrued interest, into equity. Total aggregate gross advances to Natuera under the Series A Loan were \$15,500, of which the Company advanced 50% and AGI advanced the remaining 50%, for an amount of \$7,750 each. As a result, the Company transferred the carrying value of the loan of \$2,013 plus accrued interest, which approximates fair value, to investments in equity accounted investees in respect of Natuera.

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 March 31, 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 the Altria Investment (as defined herein);
- the potential exercise of the Altria Warrant (as defined herein), 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;
- 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; and (xv) 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; 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 March 31, 2021, December 31, 2020 and March 31, 2020. Transactions affecting the shareholders' equity (deficit) are translated at historical foreign exchange rates. The consolidated statements of net income (loss) and comprehensive income (loss) and 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		
	March 31, 2021	March 31, 2020	December 31, 2020
Average rate	1.2665	1.3437	1.3036
Spot rate	1.2563	1.4062	1.2751
Year-to-date average rate	1.2665	1.3437	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" and "Rest of World." 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™ and Happy Dance™.

The Rest of World 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 a wholly owned license holder under the Cannabis Act (Canada), Peace Naturals Project Inc. ("Peace Naturals"), which has production facilities near Stayner, Ontario (the "Peace Naturals Campus"). 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., various states have begun rolling back their COVID-19 related restrictions as the continued rollout of vaccines has accelerated. This has resulted in the re-opening of, and increased occupancy capacities in, retail outlets, including those that sell the Company's products. There are, however, indications that the pace of vaccinations may be slowing. 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.

In Canada, in response to a recent surge in infection rates, individual provinces are taking increasingly stronger measures to slow infection rates, including stay-at-home orders and temporary closures of retail outlets, including cannabis stores. Most provinces, however, allow curbside pick-up or delivery, replacing in-person visits to cannabis stores. The measures taken to slow infection rates are expected to have a negative impact on the Company's short-term revenue growth in Canada. The roll-out of vaccines in individual provinces has continued, but the pace of the roll-out has varied between the provinces, and the rate of vaccination in Canada is lower than in the U.S. and Israel.

In Israel, COVID-19 restrictions have been gradually eased as vaccination rates have increased to cover over 50% of its population and daily infection rates remain low. Occupancy limitations are still in place in retail outlets, including those that sell the Company's products. The Company does not expect these measures 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.

Brand and Product Portfolio

In April 2021, Cronos Group announced that its Lord Jones™ brand launched a robust brand campaign entitled, "A Higher Order". The campaign features new creative assets along with a mix of market activations including out-of-home advertising and television spots in select U.S. test markets. This new Lord Jones™ campaign reaffirms the Company's commitment to robust, breakthrough marketing and brand building that aims to bring high-quality U.S. hemp-derived CBD products to adult consumers.

In the coming weeks, Cronos Group's mainstream adult-use brand, Spinach™, intends to launch edibles, a new product category for Cronos Group, in the Canadian adult-use market. This product has been developed by the Company's world class innovation and R&D teams in partnership with various teams throughout the organization such as consumer insights, marketing, and sales. Cronos Group approaches product launches with an aim to be the best, not necessarily the first. The adult-use edibles are differentiated from what is currently on the market and seeks to provide an elevated experience for the consumer. The Company's new edibles capabilities will serve as a platform for future innovation that is expected to provide Cronos Group with a robust competitive advantage.

In April 2021, the Lord Jones™ brand launched a new product, the Lord Jones™ CBD Bump & Smooth Body Serum, which is designed to deliver non-abrasive chemical exfoliation that reduces bumpiness to reveal smoother, brighter looking skin. The product is available on the Lord Jones™ website and is expected to be on Sephora's website and in their retail outlets in the coming weeks.

In the first quarter of 2021, Cronos Israel successfully launched PEACE NATURALS™ branded pre-rolls into the Israeli medical cannabis market. This launch follows the successful launch of dried flower and oils to the Israeli medical cannabis market in 2020. Cronos Israel continues to execute in Israel's rapidly growing market.

Global Supply Chain

In the first quarter of 2021, Natuera, the Company's joint venture in Latin America, successfully exported THC cannabis derivatives from Colombia to the U.S. for R&D purposes. The import was conducted under a DEA permit for R&D purposes. Additionally, Natuera's wholly owned subsidiary has been granted quotas by Colombia's Ministry of Justice and Law and Ministry of Health and Social Protection for the cultivation and manufacture of psychoactive cannabis into THC products for commercial export.

In the first quarter of 2021, Cronos GrowCo, the Company's joint venture in Canada, continued to become operational in phases, completing its first harvest in the first quarter of 2021. In addition to having a cultivation license for the operations contemplated by the first phase of the project, Cronos GrowCo has received a processing license, allowing it to sell into the Canadian cannabis wholesale market.

Intellectual Property Initiatives

In April 2021, Cronos Fermentation, Cronos Group's GMP-standard fermentation and manufacturing facility in Winnipeg, Manitoba, received its processing license. This is a significant milestone not just for Cronos Group, but for the evolution of the industry and advancements in science that will be applied in an effort to elevate the consumer experience.

Enterprise Initiatives

In April 2021, Cronos Group announced the launch of its U.S. Cronos Employees Political Action Committee (the "Employees PAC"). The Employees PAC was established to support and educate legislators who are open to responsibly advancing legislation and regulation for U.S. hemp-derived CBD products in the U.S. market and supporting a regulated, safe and legal federal cannabis industry in the U.S.

Subsequent to the end of the first quarter in April 2021, the Company expanded the implementation of its new enterprise resource planning ("ERP") system to the U.S. segment. This follows the implementation of a new ERP system across the Canadian business in the third quarter of 2020. The new ERP system will be a meaningful component of the Company's internal control over financial reporting and is expected to enable us to realize efficiencies throughout our supply chain and operations.

Consolidated Results of Operations: Q1 2021 compared with Q1 2020

Summary of financial results – consolidated

(In thousands of U.S. dollars)

	For the three months ended March 31,		Change	
	2021	2020	\$	%
Net revenue	\$ 12,611	\$ 8,432	\$ 4,179	50 %
Gross profit (loss)	(2,963)	(6,476)	3,513	(54) %
Gross margin	(23)%	(77)%	N/A	54 pp
Adjusted EBITDA ⁽ⁱ⁾	\$ (37,075)	\$ (37,055)	\$ (20)	— %

⁽ⁱ⁾ See “Non-GAAP measures” for information related to Non-GAAP measures.

Net revenue – consolidated

(In thousands of U.S. dollars)

	For the three months ended March 31,		Change	
	2021	2020	\$	%
Net revenue, before excise taxes ⁽ⁱ⁾	\$ 14,654	\$ 9,344	\$ 5,310	57 %
Excise taxes	(2,043)	(912)	(1,131)	124 %
Net revenue	\$ 12,611	\$ 8,432	\$ 4,179	50 %

⁽ⁱ⁾ Net revenue, before excise taxes, is calculated net of sales returns and discounts.

For the three months ended March 31, 2021 (“Q1 2021”), we reported consolidated net revenue of \$12.6 million, representing an increase of \$4.2 million from the three months ended March 31, 2020 (“Q1 2020”). This change was primarily due to:

- Continued growth of the adult-use market in Canada and sales in the Israeli medical market, partially offset by strategic price reductions on various adult-use cannabis products in Canada in the second half of 2020.
- An increase in sales in the U.S. segment in Q1 2021 compared to Q1 2020, primarily driven by the introduction of new hemp-derived CBD products.

Cost of sales and gross profit (loss) - consolidated

(In thousands of U.S. dollars)

	For the three months ended March 31,		Change	
	2021	2020	\$	%
Cost of sales	\$ 15,574	\$ 6,946	\$ 8,628	124 %
Inventory write-down	—	7,962	(7,962)	(100) %
Gross profit (loss)	(2,963)	(6,476)	3,513	(54) %
Gross margin	(23)%	(77)%	N/A	54 pp

For Q1 2021, we reported a consolidated gross loss of \$3.0 million, representing a decrease in losses of \$3.5 million from Q1 2020. This change was primarily due to:

- The increase in net revenue from Q1 2020, as described above.
- A decrease in inventory write-downs in the Rest of World (“ROW”) segment.

Adjusted EBITDA – consolidated

(In thousands of U.S. dollars)

	For the three months ended March 31,		Change	
	2021	2020	\$	%
Adjusted EBITDA ⁽ⁱ⁾	\$ (37,075)	\$ (37,055)	\$ (20)	— %

⁽ⁱ⁾ See “Non-GAAP measures” for information related to Non-GAAP measures.

For Q1 2021, we reported a consolidated Adjusted EBITDA loss of \$37.1 million, representing a marginal increase from Q1 2020. This was primarily due to:

- An increase in sales and marketing costs due to brand development in the U.S. segment, partially offset by a decrease in sales and marketing spend in the ROW segment.

- An increase in research and development costs primarily driven by increased spending on product development and developing cannabinoid intellectual property.
- Offsetting decreases in gross loss, as described above, and general and administrative costs.

Other items affecting the comparability of net income (loss) during Q1 2021 and Q1 2020

Interest income, net

For Q1 2021, we reported interest income, net of \$2.3 million representing a decrease of \$5.4 million from Q1 2020. Net interest income in the first quarter of 2021 decreased compared to the first quarter of 2020 primarily due to a lower interest earning account during the three months ended March 31, 2021 compared to the interest earning accounts during the three months ended March 31, 2020.

Gain/loss on revaluation of derivative liabilities

For Q1 2021, we reported a loss on revaluation of derivative liabilities of \$116.9 million representing a decrease of \$230.2 million from Q1 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 changes 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.

Review costs related to restatement of 2019 interim financial statements

For Q1 2021, we reported review costs related to the restatement of 2019 interim financial statements of \$2.0 million, which are included within general and administrative expenses in the consolidated statements of net income (loss) representing a decrease of \$2.4 million from Q1 2020. These 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.

Impairment loss on property, plant and equipment and right-of-use assets

For Q1 2021, we reported an impairment loss on property, plant and equipment of \$1.0 million 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. An impairment loss on the associated right-of-use asset of \$0.7 million was also recorded during Q1 2021. No impairment loss was recognized on leasehold improvements or right-of-use assets during Q1 2020.

Results of Operations by Business Segment: Q1 2021 compared with Q1 2020

Summary of financial results – Rest of World ("ROW")

(In thousands of U.S. dollars)

	For the three months ended March 31,		Change	
	2021	2020	\$	%
Net revenue	\$ 10,170	\$ 6,256	\$ 3,914	63 %
Gross profit (loss)	(4,139)	(7,558)	3,419	(45) %
Gross margin	(41)%	(121)%	N/A	80 pp
Adjusted EBITDA ⁽ⁱ⁾	\$ (22,184)	\$ (29,010)	\$ 6,826	(24) %

⁽ⁱ⁾ See "Non-GAAP measures" for information related to Non-GAAP measures.

Net revenue – ROW

(In thousands of U.S. dollars)

	For the three months ended March 31,		Change	
	2021	2020	\$	%
Cannabis flower	\$ 9,434	\$ 2,741	\$ 6,693	244 %
Cannabis extracts	703	3,400	(2,697)	(79)%
Other	33	115	(82)	(71)%
Net revenue	\$ 10,170	\$ 6,256	\$ 3,914	63 %

For Q1 2021, the ROW segment reported net revenue of \$10.2 million, representing an increase of \$3.9 million from Q1 2020. This change was primarily due to:

- Continued growth of the adult-use cannabis flower market in Canada and sales in the Israeli medical cannabis market, partially offset by strategic price reductions on various adult-use cannabis products in Canada in the second half of 2020 and a decrease in cannabis extract sales in Canada primarily due to fluctuating provincial demand.

Cost of sales and gross profit (loss) – ROW

(In thousands of U.S. dollars)

	For the three months ended March 31,		Change	
	2021	2020	\$	%
Cost of sales	\$ 14,309	\$ 5,852	\$ 8,457	145 %
Inventory write-down	—	7,962	(7,962)	(100) %
Gross profit (loss)	(4,139)	(7,558)	3,419	(45) %
Gross margin	(41)%	(121)%	N/A	80 pp

For Q1 2021, the ROW segment reported a gross loss of \$4.1 million, representing a decrease in losses of \$3.4 million from Q1 2020. This change was primarily due to:

- An increase in net revenue from Q1 2021, as described above.
- A decrease in inventory write-downs.

Adjusted EBITDA – ROW

(In thousands of U.S. dollars)

	For the three months ended March 31,		Change	
	2021	2020	\$	%
Adjusted EBITDA ⁽ⁱ⁾	\$ (22,184)	\$ (29,010)	\$ 6,826	(24)%

⁽ⁱ⁾ See “Non-GAAP measures” for information related to Non-GAAP measures.

For Q1 2021, the ROW segment reported an Adjusted EBITDA loss of \$22.2 million, representing a decrease in losses of \$6.8 million from Q1 2020. This change was primarily due to:

- A decrease in gross loss from Q1 2020, as described above.
- A decrease in general and administrative expenses related to a decrease in professional and consulting fees.
- A partially offsetting increase in research and development costs primarily driven by increased spending on product development and developing cannabinoid intellectual property.

Summary of financial results – United States (“U.S.”)

(In thousands of U.S. dollars)

	For the three months ended March 31,		Change	
	2021	2020	\$	%
Net revenue	\$ 2,441	\$ 2,176	\$ 265	12 %
Gross profit	1,176	1,082	94	9 %
Gross margin	48 %	50 %	N/A	(2)pp
Adjusted EBITDA ⁽ⁱ⁾	\$ (9,510)	\$ (5,782)	(3,728)	64 %

⁽ⁱ⁾ See “Non-GAAP measures” for information related to Non-GAAP measures.

Net revenue – U.S.
(In thousands of U.S. dollars)

	For the three months ended March 31,		Change	
	2021	2020	\$	%
Net revenue	\$ 2,441	\$ 2,176	\$ 265	12 %

For Q1 2021, the U.S. segment reported net revenue of \$2.4 million, representing an increase of \$0.3 million from Q1 2020. This change was primarily due to:

- An increase in product sales in the U.S. segment in Q1 2021 compared to Q1 2020, primarily driven by the introduction of new U.S. hemp-derived CBD products.

Cost of sales and gross profit (loss) – U.S.
(In thousands of U.S. dollars)

	For the three months ended March 31,		Change	
	2021	2020	\$	%
Cost of sales	\$ 1,265	\$ 1,094	\$ 171	16 %
Gross profit	1,176	1,082	94	9 %
Gross margin	48 %	50 %	N/A	(2)pp

For Q1 2021, the U.S. segment reported gross profits of \$1.2 million, with gross profit margins of 48%, representing an increase of \$0.1 million from Q1 2020. This change was primarily due to:

- An increase in net revenue from Q1 2020, as described above.

Adjusted EBITDA – U.S.
(In thousands of U.S. dollars)

	For the three months ended March 31,		Change	
	2021	2020	\$	%
Adjusted EBITDA ⁽ⁱ⁾	\$ (9,510)	\$ (5,782)	\$ (3,728)	64 %

⁽ⁱ⁾ See “Non-GAAP measures” for information related to Non-GAAP measures.

For Q1 2021, the U.S. segment reported an Adjusted EBITDA loss of \$9.5 million, representing an increase in losses of \$3.7 million. This change was primarily due to:

- An increase in sales and marketing costs related to brand development.

Non-GAAP Measures

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

Adjusted EBITDA

Management reviews Adjusted EBITDA, a non-GAAP measure which excludes non-cash items and items that do not reflect management’s assessment of on-going business performance. Management defines Adjusted EBITDA as net income (loss) before interest, tax expense, depreciation and amortization adjusted for: impairment loss on property, plant and equipment and right-of-use assets, loss (gain) on revaluation of derivative liabilities, other loss (income), 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.

Adjusted EBITDA by segment

Management also reviews adjusted earnings (loss) before interest, tax, depreciation and amortization by segment (“Adjusted EBITDA by segment”), a non-GAAP measure which excludes non-cash items and items that do not reflect management’s assessment of on-going business performance. Corporate expenses are removed from Adjusted EBITDA by segment. Corporate expenses are expenses that relate to the consolidated business. The Company’s method of allocating corporate expenses is refined periodically. Management defines Adjusted EBITDA by segment as net income (loss) by segment before interest, tax expense, depreciation and amortization adjusted for the same items that are adjusted in consolidated Adjusted EBITDA.

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

Adjusted EBITDA and Adjusted EBITDA by segment is reconciled to net income (loss) as follows for Q1 2021 and Q1 2020:

(In thousands of U.S. dollars)

	For the three months ended March 31,	
	2021	2020
Net income (loss)	\$ (161,625)	\$ 75,681
Adjustments		
Interest income, net	(2,329)	(7,751)
Impairment loss on property, plant and equipment and right-of-use assets	1,741	—
Loss (gain) on revaluation of derivative liabilities	116,874	(113,368)
Other loss	1,859	378
Loss from discontinued operations	21	—
Share-based payments	2,499	2,436
Review costs related to restatement of 2019 interim financial statements	2,005	4,407
Adjusted EBIT	(38,955)	(38,217)
Adjustments		
Depreciation and amortization	1,880	1,162
Adjusted EBITDA	\$ (37,075)	\$ (37,055)

(In thousands of U.S. dollars)

	Three months ended March 31, 2021			
	US	ROW	Corporate Expenses	Total
Net income (loss)	\$ (12,092)	\$ (142,147)	\$ (7,386)	\$ (161,625)
Adjustments				
Interest income, net	(3)	(2,326)	—	(2,329)
Impairment loss on property, plant and equipment and right-of-use assets	1,741	—	—	1,741
Loss on revaluation of derivative liabilities	—	116,874	—	116,874
Other loss	—	1,859	—	1,859
Loss from discontinued operations	—	21	—	21
Share-based payments	745	1,754	—	2,499
Review costs related to restatement of 2019 interim financial statements	—	—	2,005	2,005
Adjusted EBIT	(9,609)	(23,965)	(5,381)	(38,955)
Adjustments				
Depreciation and amortization	99	1,781	—	1,880
Adjusted EBITDA	\$ (9,510)	\$ (22,184)	\$ (5,381)	\$ (37,075)

(In thousands of U.S. dollars)

	Three months ended March 31, 2020			
	US	ROW	Corporate Expenses	Total
Net income (loss)	\$ (6,516)	\$ 88,867	\$ (6,670)	\$ 75,681
Adjustments				
Interest income, net	(7)	(7,744)	—	(7,751)
Gain on revaluation of derivative liabilities	—	(113,368)	—	(113,368)
Other loss	—	378	—	378
Share-based payments	706	1,730	—	2,436
Review costs related to restatement of 2019 interim financial statements	—	—	4,407	4,407
Adjusted EBIT	(5,817)	(30,137)	(2,263)	(38,217)
Adjustments				
Depreciation and amortization	35	1,127	—	1,162
Adjusted EBITDA	\$ (5,782)	\$ (29,010)	\$ (2,263)	\$ (37,055)

Liquidity and Capital Resources

As of March 31, 2021, we had \$1,024.5 million in cash and cash equivalents and \$214.9 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.

Summary of cash flows

(In thousands of U.S. dollars)

	For the three months ended March 31,	
	2021	2020
Cash provided/(used) in operating activities	\$ (46,002)	\$ (38,898)
Cash provided/(used) in investing activities	(9,717)	59,086
Cash provided/(used) by financing activities	(9,276)	(448)
Effect of foreign currency translation on cash and cash equivalents	11,422	(91,037)
Net change in cash	\$ (53,573)	\$ (71,297)

YTD 2021 cash flows vs YTD 2020 cash flows

Operating activities

During the three months ended March 31, 2021, we used \$46.0 million of cash in operating activities as compared to cash used of \$38.9 million in the three months ended March 31, 2020, representing an increase in cash used of \$7.1 million. This change is primarily driven by an increase in cost of sales and operating expenses, partially offset by changes in working capital during the three months ended March 31, 2021.

Investing activities

During the three months ended March 31, 2021, we used \$9.7 million of cash in investing activities, compared to \$59.1 million of cash provided by investing activities during the three months ended March 31, 2020, representing a decrease of \$68.8 million in cash provided by investing activities. This change is primarily driven by a decrease in the net effect of the purchases of, and proceeds from the maturities of short-term investments during the three months ended March 31, 2021, due to the timing of purchases and maturities of short-term investments.

Financing activities

During the three months ended March 31, 2021, cash used in financing activities was \$9.3 million, compared to \$0.4 million of cash used in financing activities during the three months ended March 31, 2020, representing a decrease of \$8.9 million in cash used in financing activities. This change is primarily driven by taxes withheld on share-based awards during the three months ended March 31, 2021.

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 March 31, 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 March 31, 2021 and 2020, the Company recorded net interest income of \$2.3 million and \$7.8 million, respectively. Net interest income in the first quarter of 2021 decreased compared to the first quarter of 2020 primarily due to a lower interest earning account during the three months ended March 31, 2021 compared to the interest earning accounts during the three months ended March 31, 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 \$156.8 million and \$170.8 million as of March 31, 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 March 31, 2021. Based on that evaluation, management has concluded that, as of March 31, 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 three months ended March 31, 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 	Not Implemented	Not Tested	Not Remediated
	<ul style="list-style-type: none"> • Implement cycle counts as a redundant control to supplement the annual physical count 	Not Implemented	Not Tested	Not Remediated
	<ul style="list-style-type: none"> • Provide training to inventory teams on count procedures and inventory management control expectations 	Not Implemented	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

There were no changes in the Company’s internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), that occurred during the quarter ended March 31, 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 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits

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

Exhibit Number	Exhibit Index
3.1	Certificate of Continuance, Notice of Articles and Articles of Cronos Group Inc. (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q of Cronos Group Inc., filed August 6, 2020).
10.1†*	Executive Employment Agreement, dated as of November 1, 2019, by and among Hortican Inc., Cronos Group Inc. and Todd Abraham.
10.2†*	Executive Employment Agreement, dated as of February 20, 2020, by and among Cronos USA Client Services LLC, Cronos Group Inc. and Anna Shlimak.
31.1*	Certification of the Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

† Management contract or compensatory plan or arrangement.

* Filed herewith.

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

SIGNATURES

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

CRONOS GROUP INC.

By: /s/ Kurt Schmidt

Kurt Schmidt
President and Chief Executive Officer

Date: May 7, 2021

EXECUTIVE EMPLOYMENT AGREEMENT(this “**Agreement**”)

BETWEEN:

HORTICAN INC.(the “**Company**”)

- and -

TODD ABRAHAM(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, through one or more of its wholly-owned subsidiaries, is in the process of establishing a U.S. subsidiary, Cronos USA Client Services LLC (“**Cronos USA**”), a Delaware limited liability company;**WHEREAS** the Company wishes to engage the services of the Executive in a senior and specialized capacity, until such time that Cronos USA is able to engage the services of the Executive in such a capacity;**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 and its affiliates;**AND WHEREAS** the Company and the Executive desire to enter into a written employment agreement, and the Executive acknowledges that this Agreement and, specifically, the proprietary rights, confidentiality, non-solicitation and non-competition provisions that form part of this Agreement are essential to protect the legitimate business interests of the Company, Cronos Group and their respective affiliates;**NOW THEREFORE** in consideration of the above, the mutual covenants and agreements set forth in this Agreement, and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Company and the Executive, and solely for the purposes of Section 5.3 herein, Cronos Group, agree as follows.

1. Position

1.1 The Executive will be employed in the position of Chief Innovation Officer, commencing on July 8th, 2019 or such other date as agreed between the Executive and the Company.

2. Location

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

3. Work Authorizations

3.1 It is a condition of this Agreement and the Executive's employment that the Executive shall be able to work lawfully in Canada 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 or any other jurisdiction in which the Executive will be required to work or visit expire without the possibility of renewal, the Executive's employment shall come to an end and shall be treated by the Company as a termination without Just Cause (as defined below).

4 Employment Duties

4.1 The Executive shall perform such duties and exercise such powers as are normally associated with or incidental and ancillary to the Executive's position and as may be assigned to the Executive from time to time. In fulfilling his/her duties to the Company, the Executive shall be instructed by and shall regularly report to the 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 his full working time and attention during normal business hours and such other times as may be reasonably required to the business and affairs of the Company and shall not, without the prior written consent of the CEO, undertake any other business or occupation or public office;

- (b) perform those duties that may be assigned to the Executive diligently, honestly, and faithfully to the best of the Executive's ability and in the best interest of the Company;
- (c) abide by all Company policies, as instituted and amended from time to time including but not limited to, the Cronos Group Employee Handbook;
- (d) use best efforts to promote the interests and goodwill of the Company and not knowingly do, or permit to be done, anything which may be prejudicial to the Company's interests, it being understood and agreed that the Executive is a fiduciary of the Company and owes fiduciary obligations to the Company that are not extinguished by this Agreement; and
- (e) identify and immediately report to the CEO any gross misrepresentations or violations of the Cronos Group Employee Handbook or applicable law by the Company or its management.

4.2 Prior to the assignment of this Agreement to Cronos USA pursuant to Section 8.9 below, the Executive shall not, while working in the United States or in any country outside of Canada:

- (a) conduct any negotiations on behalf of the Company;
- (b) modify or accept contracts on behalf of the Company;
- (c) bind the Company to any contract with any third party; or
- (d) conduct any business in the name of or on behalf of the Company.

5 **Compensation and Benefits**

5.1 **Base Salary.** The Company shall pay the Executive an annual base salary of CAD\$290,000.00 less applicable deductions and withholdings ("**Base Salary**"). The Executive's base salary shall be paid by direct deposit on a bi-weekly basis (as may be amended from time to time), in accordance with the Company's payroll practices. Any changes to Base Salary shall be at the sole discretion of the Company. Upon the Company assigning this Agreement to Cronos USA pursuant to Section 8.9 below, the Base Salary shall become payable in USD, and shall be equal to CAD\$290,000.00 based on the Bank of Canada currency exchange rate on the date of assignment.

5.2 **Annual Performance Bonus.** In addition to the Executive's annual Base Salary, the Executive shall be eligible to participate in the Company's annual cash bonus plan as may be in effect from time to time, and to receive an annual bonus, subject to the terms and conditions of that plan as determined by the Company at its sole discretion. The Executive's annual target bonus opportunity shall initially be 86% of Base Salary, provided that the actual bonus amount, if any, will be determined pursuant to the terms of the applicable annual bonus plan. Nothing in this Agreement guarantees that the Company will maintain an annual bonus plan, and the Company reserves the right to amend or terminate any annual bonus plan established or adopted at any time, without notice or further obligation (subject only to the minimum requirements of applicable employment standards legislation, if any). The Executive must be actively employed by the Company through the applicable payment date in order to be eligible for any annual bonus for that year, subject only to the minimum requirements of applicable employment standards legislation, unless provided otherwise pursuant to the applicable annual cash bonus plan. For

certainty, if the Executive's employment is terminated by the Company with or without Just Cause, or the Executive resigns or otherwise terminates employment for any reason, regardless of any applicable notice period, pay in lieu of notice, severance payment or similar amount, the Executive shall be entitled to no annual bonus or any part thereof for the year in which the Executive ceases the Executive's active employment or thereafter, or damages in lieu thereof, subject only to the minimum requirements of applicable employment standards legislation or unless provided otherwise pursuant to the applicable annual cash bonus plan. There shall be no guarantee of a bonus in any given year.

- 5.3 **Long-Term Incentive Opportunity.** The Executive shall be eligible to receive annual grants of equity-based awards over shares of Cronos Group with an initial target incentive opportunity of CAD\$280,000.00 (based on the grant date fair value of such awards), provided that the actual amount, if any, of the grants shall be determined by the board of directors of Cronos Group (the "**Board**") at its sole discretion. Any such equity-based grants shall be governed by the terms and conditions of the equity award plan or any other applicable plan of Cronos Group and/or the applicable award agreement. Such plan or plans may be amended from time to time at Cronos Group's sole discretion. In the event of the cessation of the Executive's employment for any reason, the Executive's entitlements in respect of any equity-based awards shall be governed by the terms and conditions of the applicable equity award plan, any other applicable plan and the applicable award agreement. Subject to the express minimum requirements of applicable employment standards legislation, if any, the Executive shall not be eligible for any further grants of 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 **Travel and Group Insured Benefits.** The Executive shall be eligible to participate in the Company's benefits programs for health and dental, life insurance, disability and other benefits as may be available to the employees of the Company. The company will provide a benefit allowance of \$3,500 to cover these benefits in the US under which ever plan the employee choses. The Company reserves the right to alter, amend or discontinue all benefits, coverages, plans and programs referred to in this paragraph, without advance notice or other obligation, subject only to the minimum requirements of applicable employment standards legislation. In addition, the Company shall reimburse the Executive for economy based travel to and from the Toronto office.
- 5.5 **Vacation.** The Executive shall be entitled to accrue, on a pro-rata basis, four weeks' paid vacation per year. The Executive shall take vacation time at such times as are approved in advance by the Company. Vacation time entitlement shall be prorated for the period of the Executive's active employment in the calendar year that the Executive commences and terminates employment, subject to the minimum requirements of applicable employment standards legislation. Vacation may be carried forward until March 31 of the following year after which time it shall be forfeited to the extent it exceeds the minimum vacation entitlement provided for under applicable employment standards legislation. Vacation shall be earned but shall not be taken during the first three months of the Executive's employment. The employee may exchange statutory vacation in Canada for those in the US but not take both.
- 5.6 **Business Expenses.** The Executive shall be reimbursed for all reasonable travel and other out-of-pocket expenses properly incurred by the Executive from time to time in connection with performance of the Executive's duties. The Executive shall furnish to the Company on a monthly

basis and in accordance with any of the Company's policies or procedures for expense reimbursement all invoices or statements in respect of expenses for which the Executive seeks reimbursement.

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

6. **Termination of Employment**

6.1 **Termination by the Executive.** The Executive may terminate his 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 employment standards legislation, if any. In such circumstances the Executive shall be ineligible for any pro-rated bonus for the year of termination, and any entitlements in respect of any equity-based awards shall be governed by the terms and conditions of the applicable equity award plan, any other applicable plan and the applicable award agreement.

6.2 **Termination by the Company for Just Cause or on Death or Disability.** The Company may terminate the Executive's employment at any time for Just Cause without prior notice or in the event of the Executive's death or Disability (as defined below). On the termination of the Executive's employment for Just Cause or on the Executive's death or Disability, this Agreement and the Executive's employment shall terminate and the Company shall, in full satisfaction of its obligations to the Executive: (a) pay the Executive's Base Salary and vacation pay accrued until the date the Executive's employment ceases; (b) reimburse the outstanding expenses properly incurred by the Executive until the date the Executive's employment ceases; and (c) provide the Executive with such other compensation and benefits that are expressly required pursuant to applicable employment standards legislation, if any. In such circumstances the Executive shall be ineligible for any pro-rated bonus for the year of termination, and any entitlements in respect of equity-based awards shall be governed by the terms and conditions of the applicable equity award plan, any other applicable plan and the applicable award agreement. For the purposes of this Agreement, (A) "**Just Cause**" means: (i) any act or omission constituting "just cause" for dismissal without notice under applicable law; (ii) the Executive's repeated failure or refusal to perform the Executive's principal duties and responsibilities after notice from the CEO or other officer of the Company; (iii) misappropriation of the funds or property of the Company; (iv) use of alcohol or drugs in violation of the Company's policies on such use or that interferes with the Executive's obligations under this Agreement, continuing after a single warning (subject to the Company's obligations under applicable human rights legislation); (v) the indictment, arrest or conviction in a court of law for, or the entering of a plea of guilty to, a summary or indictable offence or any crime involving moral turpitude, fraud, dishonesty or theft (subject to the Company's obligations under applicable human rights legislation); (vi) the misuse of Company computers or computer network systems for non-Company business; (vii) engaging in any act (including, without 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 if the Executive signs and delivers and does not revoke a release in favour of the Company and its affiliates to the Company in consideration of amounts in excess of the Executive’s minimum entitlements under applicable employment standards legislation, the Company, shall, in full satisfaction of its obligations to the Executive:

- (a) pay the Executive’s Base Salary and accrued but unpaid vacation pay in accordance with applicable employment standards legislation;
- (b) reimburse the Executive’s expenses properly incurred until the date the Executive’s employment ceases;
- (c) in lieu of notice, pay the Executive the greater of (i) one month of the Executive’s annual base salary in effect at the time of termination for each completed year of service with the Company, to a maximum of twelve 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 employment standards legislation.
- (d) continue the Executive’s group insured benefits, if any, until the end of the notice period calculated under (c) above or the date on which the Executive obtains alternate benefit coverage, whichever occurs first, subject to the terms and conditions of the benefit plans, as amended from time to time, and the minimum requirements of applicable employment standards legislation. If the Company is unable for any reason to continue its contributions to the benefit plans as set out in this Agreement, it shall pay the Executive an amount equal to the Company’s required contributions to such benefit plans on behalf of the Executive for such period. The Executive agrees that he 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 Company and its affiliates 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 employment standards 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;
- (c) a material reduction in the Executive's Base Salary; or
- (d) the relocation of the Executive's primary work location, except as permitted by Section 2.1.

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 employment standards legislation, this Agreement, any employee benefit plan sponsored or maintained by the Company or any of its affiliates, applicable law (including the common law) or otherwise.

7. **Restrictive Covenants**

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

- (a) during the term of the Executive's employment, the Executive may be given access to or may become acquainted with confidential and proprietary information of the Company and its affiliates and related entities and third parties to which the Company and its affiliates and related entities may have any obligations of non-disclosure or confidentiality, including but not limited to: trade secrets; know-how; Intellectual Property (as defined below); Employee Inventions (as defined below), Invention Records (as defined below), existing and contemplated work product resulting from or related to projects performed or to be performed by or for the Company; programs and program modules; processes; algorithms; design concepts; system designs; production data; test data; research and development information; information regarding the acquisition, protection, enforcement and licensing of proprietary rights; technology; joint ventures; business, accounting, engineering and financial information and data; marketing and development plans and methods of obtaining business; forecasts; future plans and strategies of the Company; pricing, cost, billing and fee arrangements and policies; quoting procedures; special methods and processes; lists and/or identities of customers,

suppliers, vendors and contractors; the type, quantity and specifications of products and services purchased, leased, licensed or received by the Company and/or any of its customers, suppliers, or vendors; internal personnel and financial information; business and/or personal information about any senior staff members of the Company or any Person with which the Company enters a strategic alliance or any other partnering arrangements; vendor and supplier information; the manner and method of conducting the Company's business; the identity or nature of relationship of any persons or entities associated with or engaged as consultants, advisers, agents, distributors or sales representatives (the "**Confidential Information**") the disclosure of any of which to competitors of the Company or to the general public, or the use of same by the Executive or any competitor of the Company, would be highly detrimental to the interests of the Company;

- (b) disclosure or use of Confidential Information, other than in connection with the Company's business or as specifically authorized by the Company, will be highly detrimental to the business and interests of the Company and could result in serious loss of business and damage to it. Accordingly, the Executive specifically agrees to hold all Confidential Information in strictest confidence, and the Executive agrees that the Executive shall not, without the Company's prior written consent, disclose, divulge or reveal to any person, or use for any purpose other than for the exclusive benefit of the Company, any Confidential Information, in whatever form contained; provided that the foregoing shall not apply to information (except for personal information about identifiable individuals) that: (i) was known to the public prior to its disclosure to the Executive; (ii) becomes generally known to the public subsequent to disclosure to the Executive other than by reason of the Executive's breach of this Section; (iii) becomes available to the Executive from a source independent of the Company; or (iv) the Executive is specifically required to disclose by applicable law or legal process (provided that the Executive provides the Company with prompt advance written notice of the contemplated disclosure and cooperates with the Company in seeking a protective order or other appropriate protection of such information); and
- (c) the Executive shall deliver to the Company, immediately upon termination of employment (for any reason and regardless of whether the Executive or the Company terminate the employment) or at any time the Company so requests: (i) any and all documents, files, notes, memoranda, models, databases, computer files and/or other computer programs reflecting any Confidential Information whatsoever or otherwise relating to the Company's business; (ii) lists or other documents regarding customers, suppliers, or vendors of the Company or leads or referrals to prospective business deals; and (iii) any computer equipment, home office equipment, automobile or other business equipment belonging to the Company that the Executive may then possess or have under the Executive's control.
- (d) For the avoidance of doubt, nothing in this Agreement limits, restricts or in any other way affects the Executive communicating with any governmental authority or entity concerning matters relevant to the governmental authority or entity. The Executive and the Company agree that no confidentiality or other obligation the Executive owes to the Company prohibits the Executive from reporting possible violations of law or regulation to any governmental authority or entity under any applicable whistleblower protection provision of applicable Canadian, U.S. Federal or U.S. State law or regulation (including

Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002) or requires the Executive to notify the Company of any such report. The Executive is hereby notified that the immunity provisions in Section 1833 of title 18 of the United States Code provide that an individual cannot be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that is made (i) in confidence to federal, state or local government officials, either directly or indirectly, or to an attorney, and is solely for the purpose of reporting or investigating a suspected violation of the law, (ii) under seal in a complaint or other document filed in a lawsuit or other proceeding, or (iii) to the Executive's attorney in connection with a lawsuit for retaliation for reporting a suspected violation of law (and the trade secret may be used in the court proceedings for such lawsuit) as long as any document containing the trade secret is filed under seal and the trade secret is not disclosed except pursuant to court order.

7.2 Intellectual Property

- (a) In this Section 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, know-how, techniques, designs, processes 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 termination of this Agreement and the Executive's employment with the Company for any reason, either individually or in partnership or jointly or in conjunction with any Person as principal, agent, consultant, employee, partner, director, shareholder (other than an investment of less than five 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.

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 of the Executive's employment for any reason, whether alone or for or in conjunction with any Person or entity, whether as an employee, partner, director, principal, agent, consultant or in any other capacity whatsoever, directly or indirectly solicit or attempt to solicit any Customer or Prospective Customer for the purpose of obtaining the business of any Customer or Prospective Customer of the Company or persuading any such Customer or Prospective Customer to cease to do business

with or reduce the amount of business it would otherwise provide to the Company or its affiliates. For the purpose of this Agreement, “**Customer**” means any Person which is a current customer or has been a customer of the Company or an affiliate of the Company during the term of the Executive’s employment with the Company but in the event of the cessation of the Executive’s employment “**Customer**” shall include only those current customers of the Company or an affiliate of the Company with whom the Executive had direct contact or access to Confidential Information by virtue of the Executive’s role as an employee of the Company at any time during the twelve month period preceding the date of the cessation of the Executive’s employment; “**direct contact**” means direct communications with or by the Executive, whether in Person or otherwise, for purposes of servicing, selling, or marketing on behalf of the Company, but only if such communications are more than trivial in nature, and in any case excluding bulk or mass marketing communications directed to multiple customers; and, “**Prospective Customer**” means any organization, individual or entity which has been actively contacted and solicited for its business by representatives of the Company or affiliates of the Company, but in the event of the cessation of the Executive’s employment within the twelve month period immediately preceding the date of the cessation of the Executive’s employment, with the involvement and knowledge of the Executive.

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

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

8.2 **Survival.** Section 7 and this Section survive the termination of this Agreement and the Executive's employment for any reason whatsoever.

8.3 **Entire Agreement.** This is the entire agreement between the Company and the Executive on the subject matters addressed herein. There are no representations, warranties or collateral agreements, whether written or oral, outside of this written Agreement. This Agreement and the terms and conditions of employment contained herein supersede and replace any prior understandings or discussions between the Executive and the Company regarding the Executive's employment.

8.4 **Withholding Taxes.** The Company may withhold from any amounts or benefits payable under this Agreement income taxes and payroll taxes that are required to be withheld pursuant to any applicable law or regulation.

8.5 **Section 409A Compliance.** To the extent applicable, this Agreement is intended to comply with the requirements of Section 409A of the United States Internal Revenue Code of 1986, as amended (together with the applicable regulations thereunder, "**Section 409A**"). To the extent that any provision in this Agreement is ambiguous as to its compliance with Section 409A or to the extent any provision in this Agreement must be modified to comply with Section 409A (including, without limitation, Treasury Regulation 1.409A-3(c)), such provision shall be read, or shall be modified (with the mutual consent of the parties, which consent shall not be unreasonably withheld), as the case may be, in such a manner so that all payments due under this Agreement shall comply with Section 409A. For purposes of Section 409A, each payment made under this Agreement shall be treated as a separate payment. In no event may Executive, directly or indirectly, designate the calendar year of payment. Notwithstanding any provision of this Agreement to the contrary, if necessary to comply with the restriction in Section 409A(a)(2)(B) concerning payments to "specified employees" (as defined in Section 409A) any payment on account of the Executive's separation from service that would otherwise be due hereunder within six months after such separation shall nonetheless be delayed until the first business day of the seventh month following the Executive's date of termination and the first such payment shall

include the cumulative amount of any payments that would have been paid prior to such date if not for such restriction. Notwithstanding anything contained herein to the contrary, the Executive shall not be considered to have terminated employment with the Company for purposes of this Agreement unless he would be considered to have incurred a “separation from service” from the Company within the meaning of Section 409A.

- 8.6 **Amendments.** This Agreement may only be amended by written agreement executed by the Company and the Executive. However, changes to the Executive’s position, duties, vacation, benefits and compensation, over time in the normal course, do not affect the validity or enforceability of the Agreement.
- 8.7 **Governing Law.** Prior to the Company assigning this Agreement to Cronos USA pursuant to Section 8.9 below, this Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario. The Company and the Executive each irrevocably consent to the exclusive jurisdiction of the courts of Ontario and the courts of Ontario shall have the sole and exclusive jurisdiction to entertain any action arising under this Agreement in respect of the Executive’s employment prior to the assignment of this Agreement to Cronos USA pursuant to Section 8.9 below. Upon the Company assigning this Agreement to Cronos USA pursuant to Section 8.9 below, 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 in respect of the Executive’s employment following the assignment of this Agreement to Cronos USA pursuant to Section 8.9 below.
- 8.8 **Severability.** If any provision in this Agreement is determined to be invalid or unenforceable, such provision shall be severed from this Agreement, and the remaining provisions shall continue in full force and effect. If for any reason any court of competent jurisdiction will find any provisions of this Agreement unreasonable in duration or geographic scope or otherwise, the Executive and the Company agree that the restrictions and prohibitions contained herein will be effective to the fullest extent allowed under applicable law in such jurisdiction.
- 8.9 **Assignment.** The Company shall assign this Agreement to Cronos USA at such time that Cronos USA is operational and able to employ the Executive, as determined by the Company in its sole discretion. Upon Hortican Inc. assigning this Agreement to Cronos USA, the Executive’s employment shall continue solely with Cronos USA consistent with the terms of this Agreement, and references herein to the “Company” shall be deemed to be references to Cronos USA. The Executive hereby confirms that he voluntarily and irrevocably consents to such assignment and resigns from his employment with Hortican Inc. effective as of the assignment of this Agreement to Cronos USA. Without limiting the foregoing, the Company may assign this Agreement to an affiliate or subsidiary, and it enures to the benefit of the Company, its successors or assigns.
- 8.10 **Independent Legal Advice.** The Executive acknowledges that the Executive has been encouraged to obtain independent legal advice regarding the execution of this Agreement, and that the Executive has either obtained such advice or voluntarily chosen not to do so, and hereby waives any objections or claims the Executive may make resulting from any failure on the Executive’s part to obtain such advice.

- 8.11 **Waiver.** No waiver of any of the provisions of this Agreement shall be effective or binding, unless made in writing and signed by the party purporting to give the same. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions, whether or not similar, nor shall such waiver constitute a continuing waiver, unless expressly stated otherwise.
- 8.12 **Conditions.** This Agreement and the Executive's continued employment hereunder is conditional on the Company's satisfaction (determined in the Company's sole discretion) that the Executive has met the legal requirements to perform the Executive's role, including but not limited to satisfactory results of Health Canada or any other applicable security clearance checks and criminal record checks and other reference checks that the Company performs. The Executive acknowledges and agrees that in signing this Agreement, and providing the Company with the necessary documentation to perform the checks required for the Executive's role and with references, the Executive is providing consent to the Company or its agent, to perform such checks and contact the references the Executive provided to the Company.
- 8.13 **Prior Restrictions.** By signing below, the Executive represents that the Executive is not bound by the terms of any agreement with any Person which restricts in any way the Executive's hiring by the Company and the performance of the Executive's expected job duties; the Executive also represents that, during the Executive's employment with the Company, the Executive shall not disclose or make use of any confidential information of any other persons or entities in violation of any of their applicable policies or agreements and/or applicable law.
- 8.14 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by electronic transmission, including in portable document format (.pdf), shall be deemed as effective as delivery of an original executed counterpart of this Agreement.

[Signature Page Follows]

EXECUTIVE EMPLOYMENT AGREEMENT(this “**Agreement**”)

BETWEEN:

CRONOS USA CLIENT SERVICES LLC(the “**Company**”)

- and -

ANNA SHLIMAK(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 a senior and specialized capacity;**WHEREAS** Executive has 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 (together, the “**Group**”);**AND WHEREAS** the Company and the Executive desire to enter into a written employment agreement, and the Executive acknowledges that this Agreement and, specifically, the proprietary rights, confidentiality, non-solicitation and non-competition provisions that form part of this Agreement are essential to protect the legitimate business interests of the Company and 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, the sufficiency of which is hereby acknowledged, the Company and the Executive, and solely for the purposes of Section 5.3 herein, Cronos Group, agree as follows.**1. Position**

- 1.1 The Executive will be employed in the position of SVP Communications, Investor Relations and Government Affairs, commencing on February 21, 2020 or such other date as agreed between the Executive and the Company.

2 Location

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

3 Work Authorizations

3.1 It is a condition of this Agreement and the Executive's employment that the Executive shall be able to work lawfully in 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 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 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"), or as otherwise designated by 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 her full working time and attention during normal business hours and such other times as may be reasonably required to the business and affairs of the Company and shall not, without the prior written consent of the CEO, undertake any other business or occupation or public office;
- (b) perform those duties that may be assigned to the Executive diligently, honestly, and faithfully to the best of the Executive's ability and in the best interest of the Company;
- (c) abide by all Company policies, as instituted and amended from time to time and applicable to the Executive, including but not limited to, the Cronos Group Code of

Conduct. The Company shall not institute any new policy that materially expands the definition of Cause under Section 6.2 of this Agreement;

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

5 **Compensation and Benefits**

- 5.1 **Base Salary.** The Company shall pay the Executive an annual base salary of US\$230,000.00 less applicable deductions and withholdings ("**Base Salary**"). The Executive's base salary shall be paid by direct deposit on a bi-weekly basis (as may be amended from time to time), in accordance with the Company's payroll practices. Any changes to Base Salary shall be at the sole discretion of the Company. The Base Salary shall be subject to increases, but not decreases.
- 5.2 **Annual Performance Bonus.** In addition to the Executive's annual Base Salary, the Executive shall be eligible to participate in the Company's annual cash bonus plan as may be in effect from time to time, and to receive an annual bonus, subject to the terms and conditions of that plan as determined by the Company at its sole discretion. The Executive's annual target bonus opportunity shall initially be 86% of Base Salary, provided that the actual bonus amount, if any, will be determined pursuant to the terms of the applicable annual bonus plan. Nothing in this Agreement guarantees that the Company will maintain an annual bonus plan, and the Company reserves the right to amend or terminate any annual bonus plan established or adopted at any time, without notice or further obligation (subject only to the minimum requirements of applicable employment standards legislation, if any). Subject to Section 6.3 of this Agreement, the Executive must be actively employed by the Company through the applicable payment date in order to be eligible for any annual bonus for that year, subject only to the minimum requirements of applicable employment standards legislation, unless provided otherwise pursuant to the applicable annual cash bonus plan. For certainty, if the Executive's employment is terminated by the Company with or without Just Cause, or the Executive resigns or otherwise terminates employment for any reason, regardless of any applicable notice period, pay in lieu of notice, severance payment or similar amount, the Executive shall be entitled to no annual bonus or any part thereof for the year in which the Executive ceases the Executive's active employment or thereafter, or damages in lieu thereof, subject only to the minimum requirements of applicable employment standards legislation or unless provided otherwise pursuant to 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.** The board of directors of Cronos Group (the "**Board**") shall grant the Executive an initial target incentive opportunity of US\$230,000.00 (based on the grant date fair value of such awards). Thereafter, the Executive shall be eligible to receive annual grants of equity-based awards of shares of Cronos Group, provided that the actual amount, if any, of the grants shall be determined by Board at its sole discretion. Any such equity-based grants shall be governed by the terms and conditions of the equity award plan or any other applicable

plan of Cronos Group and/or the applicable award agreement. Such plan or plans may be amended from time to time at Cronos Group's sole discretion. In the event of the cessation of the Executive's employment for any reason, the Executive's entitlements in respect of any equity-based awards shall be governed by the terms and conditions of the applicable equity award plan, any other applicable plan and the applicable award agreement. Subject to the express minimum requirements of applicable employment standards legislation, if any, the Executive shall not be eligible for any further grants of 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 **Signing Bonus.** The Company shall provide the Executive with a one-time lump sum cash payment of US\$197,800, less applicable deductions and withholdings (the "Signing Bonus"). The Signing Bonus shall be payable in or around March 2020, on a date to be determined by the Company in its sole discretion.
- 5.5 **Group Insured Benefits.** The Company shall, on an interim basis, provide the Executive with a monthly payment of US\$1,348.81 as reimbursement for out-of-pocket expenses incurred by the Executive in respect of her U.S. health and dental insurance premiums. These payments shall cease on the later of (i) the date upon which the Company introduces its own benefit programs, or (ii) if such benefit programs do not provide coverage for any of the Executive's anticipated health and dental needs that are covered under the Executive's current health and dental insurance, June 30, 2020. Upon the Company ceasing the monthly payments, the Executive shall instead be eligible to participate in the Company's benefit programs as may be made available to employees of the Company from time to time, subject to the terms and conditions of the applicable plan document. The Company reserves the right to alter, amend or discontinue all benefits, coverages, plans and programs referred to in this paragraph, without advance notice or other obligation, subject only to the minimum requirements of applicable employment standards legislation.
- 5.6 **Vacation.** The Executive shall be entitled to accrue, on a pro-rata basis, four weeks' paid vacation per year. The Executive shall take vacation time at such times as are approved in advance by the Company. Vacation time entitlement shall be prorated for the period of the Executive's active employment in the calendar year that the Executive commences and terminates employment, subject to the minimum requirements of applicable employment standards legislation. Vacation may be carried forward until March 31 of the following year after which time it shall be forfeited to the extent it exceeds the minimum vacation entitlement provided for under applicable employment standards legislation.
- 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. 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.
- 5.8 **Legal Fees.** The Company will contribute up to US\$5,000.00 (inclusive of applicable sales taxes) towards legal fees incurred by the Executive in respect of this Agreement, which will be paid to Executive no later than 30 days after submission by Executive of her lawyer's invoice for services rendered in respect to this Agreement.

5.9 **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 her employment with the Company at any time by providing the Company with at least sixty days 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 sixty days; (b) reimburse the outstanding expenses properly incurred by the Executive until the date the Executive's employment ceases; and (c) provide the Executive with such other compensation and benefits that are expressly required pursuant to applicable employment standards legislation, if any. In such circumstances the Executive shall be ineligible for any pro-rated bonus for the year of termination, and any entitlements in respect of any equity-based awards shall be governed by the terms and conditions of the applicable equity award plan, any other applicable plan and the applicable award agreement.

6.2 **Termination by the Company for Just Cause or on Death or Disability.** The Company may terminate the Executive's employment at any time for Just Cause without prior notice or in the event of the Executive's death or Disability (as defined below). On the termination of the Executive's employment for Just Cause or on the Executive's death or Disability, this Agreement and the Executive's employment shall terminate and the Company shall, in full satisfaction of its obligations to the Executive: (a) pay the Executive's Base Salary and vacation pay accrued until the date the Executive's employment ceases; (b) reimburse the outstanding expenses properly incurred by the Executive until the date the Executive's employment ceases; and (c) provide the Executive with such other compensation and benefits that are expressly required pursuant to applicable employment standards legislation, if any. In such circumstances the Executive shall be ineligible for any pro-rated bonus for the year of termination, and any entitlements in respect of equity-based awards shall be governed by the terms and conditions of the applicable equity award plan, any other applicable plan and the applicable award agreement; provided, however, that notwithstanding anything to the contrary in an applicable equity plan or award agreement, on a termination of Executive's employment for Just Cause, any fully vested equity-based awards shall not be forfeited and will remain outstanding, subject to the other terms and conditions of such plan or award agreement and the Company's clawback policy as in effect from time to time. For the purposes of this Agreement,

- (a) **"Just Cause"** means: (i) the Executive's willful failure or refusal to perform the Executive's principal duties and responsibilities after written notice from the CEO specifying the Executive's non-performance, and providing fifteen days for the Executive to cure such non-performance; (ii) misappropriation of the funds or property of the Company; (iii) 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); (iv) the conviction in a court of law for, or the entering of a plea of guilty to, a felony or any crime involving moral turpitude (subject to the Company's obligations under applicable human rights legislation); (v) the willful misuse of Company computers

or computer network systems for non-Company business, excluding communications incidental to family emergencies; (vi) willful gross misconduct; or (viii) any willful or intentional act of the Executive which injures the reputation, business or business relationships of the Company. For purposes of this Agreement, no act or failure to act by the Executive shall be considered “willful” unless done or omitted in bad faith and without a reasonable belief that the Executive’s action or omission was in the interest 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) the Executive resigns her employment for Good Reason within twenty-four months of the occurrence of a Change of Control, and if the Executive signs and delivers and does not revoke a release in favour of the Company and its affiliates to the Company in consideration of amounts in excess of the Executive’s minimum entitlements under applicable employment standards legislation, the Company, shall, in full satisfaction of its obligations to the Executive:

- (a) pay the Executive’s Base Salary and accrued but unpaid vacation pay in accordance with applicable employment standards legislation;
- (b) reimburse the Executive’s expenses properly incurred until the date the Executive’s employment ceases;
- (c) in lieu of notice, pay the Executive the greater of (i) one month of the Executive’s annual base salary in effect at the time of termination plus one month of the Executive’s annual base salary in effect at the time of termination for each completed year of service with the Company, subject 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 employment standards legislation.
- (d) continue the Executive’s group insured benefits, if any, until the end of the notice period calculated under (c) above or the date on which the Executive obtains alternate benefit coverage, whichever occurs first, subject to the terms and conditions of the benefit plans, as amended from time to time, and the minimum requirements of applicable employment standards legislation. If the Company is unable for any reason to continue its contributions to the benefit plans as set out in this Agreement, it shall pay the Executive an amount equal to the Company’s required contributions to such benefit plans on behalf

of the Executive for such period. The Executive agrees that she is required to notify the Company when she obtains alternate life, medical and dental benefit coverage;

- (e) subject the terms and conditions of the Company'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 during which the Executive was actively employed up to the date of the Executive's termination of employment, as specified in the Company's written notice of termination, 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 Executive's year-to-date performance for purposes of determining the amount of the annual cash bonus, if any, will be at the Company's sole discretion. For the avoidance of doubt, 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 the year in which the Executive's employment terminates; and
- (f) 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 Company and its affiliates 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 employment standards 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;
- (c) a material reduction in the Executive's Base Salary; or
- (d) the relocation of the Executive's primary work location, except as permitted by Section 2.1.

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 employment standards

legislation, this Agreement, any employee benefit plan sponsored or maintained by the Company or any of its affiliates, applicable law (including the common law) or otherwise.

7. **Restrictive Covenants**

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

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

that the Executive provides the Company with prompt advance written notice of the contemplated disclosure and cooperates with the Company in seeking a protective order or other appropriate protection of such information); and

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

7.2 Intellectual Property

- (a) In this Section 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 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) 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" 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 year following the termination of this Agreement and the

Executive's employment with the Company for any reason, either individually or in partnership or jointly or in conjunction with any Person as principal, agent, consultant, employee, partner, director, shareholder (other than an investment of less than five 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.

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 of the Executive's employment for any reason, whether alone or for or in conjunction with any Person or entity, whether as an employee, partner, director, principal, agent, consultant or in any other capacity whatsoever, directly or indirectly solicit or attempt to solicit any Customer or Prospective Customer for the purpose of obtaining the business of any Customer or Prospective Customer of the Company or persuading any such Customer or Prospective Customer to cease to do business with or reduce the amount of business it would otherwise provide to the Company or its affiliates. For the purpose of this Agreement, "**Customer**" means any Person which is a current customer or has been a customer of the Company or an affiliate of the Company during the term of the Executive's employment with the Company but in the event of the cessation of the Executive's employment "**Customer**" shall include only those current customers of the Company or an affiliate of the Company with whom the Executive had direct contact or access to Confidential Information by virtue of the Executive's role as an employee of the Company at any time during the twelve month period preceding the date of the cessation of the Executive's employment; "**direct contact**" means direct communications with or by the Executive, whether in person or otherwise, for purposes of servicing, selling, or marketing on behalf of the Company, but only if such communications are more than trivial in nature, and in any case excluding bulk or mass marketing communications directed to multiple customers; and, "**Prospective Customer**" means any organization, individual or entity which has been actively contacted and solicited for its business by representatives of the Company or affiliates of the Company, but in the event of the cessation of the Executive's employment within the twelve month period immediately preceding the date of the cessation of the Executive's employment, with the involvement and knowledge of the Executive.

7.5 **Non-Solicitation of Employees.** The Executive shall not, during the Executive's employment and for two years following the termination of the Executive's employment for any reason, whether alone or for or in conjunction with any Person or entity, whether as an employee, partner, director, principal, agent, consultant or in any other capacity whatsoever, directly or indirectly

solicit or assist in the solicitation of any employee of the Company or an affiliate of the Company to leave such employment.

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

8 **General**

- 8.1 **Reasonableness of Restrictions and Covenants.** The Executive hereby confirms and agrees that the covenants and restrictions contained in this Agreement, including, without limitation, those contained in Section 7, are reasonable and valid the Executive further acknowledges and agrees that the Company may suffer irreparable injury in the event of any breach by the Executive of the obligations under any such covenant or restriction. Accordingly, the Executive hereby acknowledges and agrees that damages would be an inadequate remedy at law in connection with any such breach and that the Company shall therefore be entitled, in addition to any other right or remedy which it may have at law, in equity or otherwise, to temporary and permanent injunctive relief enjoining and restraining the Executive from any such breach.

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

- 8.9 **Assignment.** The Company may assign this Agreement to an affiliate or subsidiary, and it enures to the benefit of the Company, its successors or assigns.
- 8.10 **Independent Legal Advice.** The Executive acknowledges that the Executive has been encouraged to obtain independent legal advice regarding the execution of this Agreement, and that the Executive has either obtained such advice or voluntarily chosen not to do so, and hereby waives any objections or claims the Executive may make resulting from any failure on the Executive's part to obtain such advice.
- 8.11 **Waiver.** No waiver of any of the provisions of this Agreement shall be effective or binding, unless made in writing and signed by the party purporting to give the same. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions, whether or not similar, nor shall such waiver constitute a continuing waiver, unless expressly stated otherwise.
- 8.12 **Conditions.** This Agreement and the Executive's continued employment hereunder is conditional on the Company's satisfaction (determined in the Company's sole discretion) that the Executive has met the legal requirements to perform the Executive's role, including but not limited to satisfactory results of Health Canada or any other applicable security clearance checks and criminal record checks and other reference checks that the Company performs. The Executive acknowledges and agrees that in signing this Agreement, and providing the Company with the necessary documentation to perform the checks required for the Executive's role and with references, the Executive is providing consent to the Company or its agent, to perform such checks and contact the references the Executive provided to the Company.
- 8.13 **Prior Restrictions.** By signing below, the Executive represents that the Executive is not bound by the terms of any agreement with any Person which restricts in any way the Executive's hiring by the Company and the performance of the Executive's expected job duties; the Executive also represents that, during the Executive's employment with the Company, the Executive shall not disclose or make use of any confidential information of any other persons or entities in violation of any of their applicable policies or agreements and/or applicable law.
- 8.14 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by electronic transmission, including in portable document format (.pdf), shall be deemed as effective as delivery of an original executed counterpart of this Agreement.

[Signature Page Follows]

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

CRONOS USA CLIENT SERVICES LLC

By: /s/ Michael Gorenstein

Name: Michael Gorenstein

Title: President

CRONOS GROUP INC.

By: /s/ Michael Gorenstein

Name: Michael Gorenstein

Title: Chief Executive Officer

ANNA SHLIMAK

/s/ Anna Shlimak

Date: 2/20/2020

SIGNED AND DELIVERED

in the presence of

/s/ Matthew Goodman

Witness Signature

Matthew Goodman

Witness Print Name

**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: May 7, 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: May 7, 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 March 31, 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: May 7, 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 March 31, 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: May 7, 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.