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

FORM 40-F

☐ **Registration statement pursuant to Section 12 of the Securities Exchange Act of 1934**

or

☒ **Annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2017

Commission File Number 001-38403

CRONOS GROUP INC.
(Exact name of registrant as specified in its charter)

Ontario, Canada	**2833**	**N/A**
(Province or Other Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Code)**	**(I.R.S. Employer Identification No.)**

720 King Street W., Suite 320
Toronto, Ontario
M5V 2T3
(Address and telephone number of registrant's principal executive offices)

CT Corporation
111 Eighth Avenue
New York, New York 10011
(212) 590-9070
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

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

Title of Each Class:	**Name of Each Exchange On Which Registered:**
Common Shares, no par value	**The Nasdaq Stock Market LLC**

Securities registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

For annual reports, indicate by check mark the information filed with this form:

☒ **Annual Information Form** ☒ **Audited Annual Financial Statements**

Indicate the number of outstanding shares of each of the registrant's classes of capital or common stock as of the close of the period covered by the annual report: 149,360,603

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, 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. ☐

FORWARD LOOKING STATEMENTS

This Annual Report on Form 40-F, including the exhibits hereto (collectively, the "Annual Report"), contains certain information that may constitute forward-looking information and forward-looking statements (collectively, "Forward-Looking Statements") within the meaning of applicable securities laws. The Forward-Looking Statements in this Annual Report are based upon the Registrant's current internal expectations, estimates, projections, assumptions and beliefs. Such statements can be identified by the use of forward-looking terminology such as "expect," "likely", "may," "will," "should," "intend," or "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-Looking Statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. Forward-Looking Statements in this Annual Report include, but are not limited to, statements with respect to:

- the performance of the Registrant's business and operations;
- the Registrant's expectations regarding revenues, expenses and anticipated cash needs;
- the Registrant's international activities and joint venture interests, including required regulatory approvals and licensing, anticipated costs and timing, and expected impact;
- the intended expansion of the Registrant's facilities, including construction and operation of Building 4 and the Greenhouse at Peace Naturals Project Inc. and receipt of approval from Health Canada to increase the maximum production limits and sales from the expanded facilities, and Cronos Israel, Cronos Australia and Indigenous Roots and the respective costs and timing associated therewith;
- the expected growth in the number of patients using medical cannabis;
- the expected growth in the Registrant's growing and production capacities;
- expectations with respect to future production costs;
- the expected methods to be used by the Registrant to distribute cannabis;
- the competitive conditions of the industry;
- the legalization of cannabis for recreational use in Canada, including federal and provincial regulations pertaining thereto, and the related timing and impact thereof and the Registrant's intentions to participate in such market, if and when it is legalized;
- the legalization of the use of cannabis for medical and/or recreational use in jurisdictions outside of Canada and the related timing and impact thereof and the Registrant's intentions to participate in such markets outside of Canada if and when such use is legalized;
- laws and regulations and any amendments thereto applicable to the business and the impact thereof;
- the competitive advantages and business strategies of the Registrant;

- the grant, renewal and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;
- the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis;
- the Registrant's future product offerings; and
- the anticipated future gross margins of the Registrant's operations.

Certain of the Forward-Looking Statements contained in this Annual Report concerning the cannabis industry and the general expectations of the Registrant concerning the cannabis industry are based on estimates prepared by the Registrant using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Registrant believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While the Registrant is not aware of any misstatement regarding any industry or government data presented herein or information presented in this Annual Report which is based on such data, the cannabis industry involves risks and uncertainties that are subject to change based on various factors, which factors are described further below.

With respect to the Forward-Looking Statements contained in this Annual Report, the Registrant has made assumptions regarding, among other things: (i) its ability to generate cash flow from operations and obtain necessary financing on acceptable terms; (ii) general economic, financial market, regulatory and political conditions in which the Registrant operates; (iii) the output from the Registrant's operations; (iv) consumer interest in the Registrant's products; (v) competition; (vi) anticipated and unanticipated costs; (vii) government regulation of the Registrant's activities and products and in the areas of taxation and environmental protection; (viii) the timely receipt of any required regulatory approvals; (ix) the Registrant's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; (x) the Registrant's ability to conduct operations in a safe, efficient and effective manner; and (xi) the Registrant's construction plans and timeframe for completion of such plans.

The above list of cautionary statements is not exhaustive. Known and unknown risks, many of which are beyond the control of the Registrant, could cause actual results to differ materially from the Forward-Looking Statements in this Annual Report. Such factors include, without limitation, those discussed under the heading "Risk Factors" in the Registrant's Annual Information Form for the year ended December 31, 2017, included as Exhibit 99.1 to this Annual Report and those discussed under the heading "Risks and Uncertainties" in the Registrant's management's discussion and analysis for the year ended December 31, 2017, included as Exhibit 99.3 to this Annual Report. The purpose of Forward-Looking Statements is to provide the reader with a description of management's expectations, and such Forward-Looking Statements may not be appropriate for any other purpose. You should not place undue reliance on Forward-Looking Statements contained in this Annual Report. Although the Registrant believes that the expectations reflected in such Forward-Looking Statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Forward-Looking Statements contained herein are made as of the date of this Annual Report and are based on the beliefs, estimates, expectations and opinions of management on the date such Forward-Looking Statements are made. The Registrant undertakes 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, except as required by applicable law. The Forward-Looking Statements contained in this Annual Report are expressly qualified in their entirety by this cautionary statement.

DIFFERENCES IN UNITED STATES AND CANADIAN REPORTING PRACTICES

The Registrant is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare this report in accordance with Canadian disclosure requirements, which are different from those of the United States. The Registrant prepares its financial statements, which are filed with this Annual Report in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and the audit is subject to applicable Canadian auditing and auditor independence standards and independence in accordance with the rules and regulations of the SEC and Public Company Accounting Oversight Board.

INCORPORATED DOCUMENTS

Annual Information Form

The Registrant's Annual Information Form ("AIF") is filed as Exhibit 99.1 to this Form 40-F.

Audited Annual Financial Statements

The Registrant's consolidated financial statements and auditor's report thereon are filed as Exhibit 99.2 to this Form 40-F.

Management's Discussion and Analysis

The Registrant's management's discussion and analysis ("MD&A") is filed as Exhibit 99.3 to this Form 40-F.

DISCLOSURE CONTROLS AND PROCEDURES

At the end of the period covered by this report, an evaluation was carried out under the supervision of and with the participation of the Registrant's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures (as defined in Rule 13a – 15(e) and Rule 15d – 15(e) under the United States Securities Exchange Act, as amended (the "Exchange Act")). Based on that evaluation the CEO and the CFO have concluded that as of the end of the period covered by this report, the Registrant's disclosure controls and procedures were adequately designed and effective in ensuring that: (i) information required to be disclosed by the Registrant in reports that it files or submits to the Securities and Exchange Commission (the "SEC") under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) information required to be disclosed in the Registrant's reports filed under the Exchange Act is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

This Annual Report does not include a report of management's assessment regarding internal control over financial reporting due to a transition period established by rules of the SEC for newly public companies.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

This Annual Report does not include an attestation report of the Registrant's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the year ended December 31, 2017 there were no changes to the Registrant's internal controls over financial reporting that have materially affected or are reasonably likely to materially affect the Registrant's internal control over financial reporting.

NOTICES PURSUANT TO REGULATION BTR

The Registrant was not required by Rule 104 of Regulation BTR to send any notices to any of its directors or executive officers during the fiscal year ended December 31, 2017.

AUDIT COMMITTEE FINANCIAL EXPERT

The board of directors of the Registrant has determined that Mr. James D. Rudyk, the chair of the Registrant's audit committee, qualifies as an audit committee financial expert for purposes of paragraph (8) of General Instruction B to Form 40-F. The board of directors has further determined that Mr. James D. Rudyk is also independent, as that term is defined in the corporate governance requirements of the NASDAQ Global Market ("Nasdaq"). The SEC has indicated that the designation of Mr. James D. Rudyk as an audit committee financial expert does not make him an "expert" for any purpose, impose any duties, obligations or liabilities on him that are greater than those imposed on members of the audit committee and the board of directors who do not carry this designation or affect the duties, obligations or liabilities of any other member of the audit committee or the board of directors.

CODE OF ETHICS

The Registrant has adopted a written Code of Business Conduct and Ethics (the "Code") that is applicable to all officers, directors, employees, subsidiaries and affiliates of the Registrant.

All departures from, all amendments to the Code, and all waivers of the Code with respect to any of the senior officers covered by it, which waiver may be made only by the board of directors of the Registrant in respect of senior officers, will be disclosed as required. The Code is located on the Registrant's website at www.thecronosgroup.com.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The fees paid to the independent auditor are included under the heading "Audit Committee Information" in the AIF, which is filed as Exhibit 99.1 hereto and incorporated by reference herein.

OFF-BALANCE SHEET TRANSACTIONS

The Registrant does not have any off-balance sheet transactions that have or are reasonably likely to have a current or future effect on the Registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

As at December 31, 2017, the Registrant is contractually committed to the following:

(in Canadian dollars)	Within 1 year	Between 1 to 3 years	Between 3 to 5 years	After 5 years	Total
Long-Term Debt Obligations	$ Nil	$6,304,494	$ Nil	$ Nil	$6,304,494

(in Canadian dollars)	Within 1 year	Between 1 to 3 years	Between 3 to 5 years	After 5 years	Total
Capital (Finance) Lease Obligations	52,500	157,500	13,125	Nil	223,125
Operating Lease Obligations	189,372	536,896	186,312	Nil	912,580
Purchase Obligations	1,3831,542	Nil	Nil	Nil	13,831,542
Other Long-Term Liabilities	Nil	Nil	Nil	Nil	Nil
Total	**$14,073,415**	**$6,998,890**	**$ 199,437**	**$ Nil**	**$21,271,741**

IDENTIFICATION OF THE AUDIT COMMITTEE

The Registrant's board of directors has a separately designated standing audit committee established in accordance with section 3(a)(58)(A) of the Exchange Act. The required disclosure is included under the headings "Audit Committee Information" in the AIF, which is filed as Exhibit 99.1 hereto and incorporated by reference herein.

CORPORATE GOVERNANCE

The Registrant's common shares are listed on the TSX Venture Exchange ("TSX-V") and the Nasdaq, but as a listed foreign private issuer, the Nasdaq does not require the Registrant to comply with all of its listing standards regarding corporate governance. Notwithstanding this exemption, the Registrant is in compliance in all material respects with the Nasdaq listing standards and the Registrant intends to continue to comply with such standards so as to ensure that there are no significant differences between its corporate governance practices and those practices required by the Nasdaq of other publicly listed companies.

UNDERTAKINGS

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the SEC staff, and to furnish promptly, when requested to do so by the SEC staff, information relating to the securities in relation to which the obligation to file an annual report on Form 40-F arises or transactions in said securities.

CONSENT TO SERVICE OF PROCESS

The Registrant has previously filed with the SEC a written irrevocable consent and power of attorney on Form F-X. Any change to the name or address of the Registrant's agent for service shall be communicated promptly to the SEC by amendment to the Form F-X referencing the file number of the Registrant.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CRONOS GROUP INC.

/s/ Michael Gorenstein

Name: Michael Gorenstein
Title: President and Chief Executive Officer

Date: April 30, 2018

EXHIBIT INDEX

The following documents are being filed with the SEC as exhibits to this Annual Report on Form 40-F.

Exhibits	Documents
99.1	Annual Information Form for the fiscal year ended December 31, 2017
99.2	Audited Consolidated Financial Statements for the years ended December 31, 2017 and 2016 and auditor's report thereon
99.3	Management's Discussion and Analysis for the year ended December 31, 2017
99.4	Certifications of Chief Executive Officer pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934
99.5	Certifications of Chief Financial Officer pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934
99.6	Certifications of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.7	Certifications of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.8	Consent of MNP LLP
101	Interactive Data File

Exhibit 99.1

CRONOS GROUP INC.



ANNUAL INFORMATION FORM

For the year ended December 31, 2017

DATED: April 27, 2018

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GENERAL MATTERS

Unless otherwise noted or the context indicates otherwise, in this Annual Information Statement (this " **AIF**") the "Company", "Cronos", "we", "us" and "our" refer to Cronos Group Inc., its direct and indirect subsidiaries and, if applicable, its joint ventures and investments accounted for by the equity method, and the term "marijuana" has the meaning given to the term "marihuana" in the *Access to Cannabis for Medical Purposes Regulations* ("**ACMPR**").

All currency amounts in this AIF are stated in Canadian dollars, unless otherwise noted. All references to "dollars" or "$" are to Canadian dollars and all references to "US$" are to United States dollars.

All information in this AIF is given as of the date hereof, unless otherwise indicated.

FORWARD LOOKING INFORMATION

This AIF contains certain information that may constitute forward-looking information and forward-looking statements (collectively, " **Forward-Looking Statements**") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Such 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, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-Looking Statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. Forward-Looking Statements in this AIF include, but are not limited to, statements with respect to:

- the performance of the Company's business and operations;
- the Company's expectations regarding revenues, expenses and anticipated cash needs;
- the Company's international activities and joint venture interests, including required regulatory approvals and licensing, anticipated costs and timing, and expected impact;
- the intended expansion of the Company's facilities, including the construction and operation of Building 4 and the Greenhouse (as such terms are defined herein) at Peace Naturals Project Inc. ("**Peace Naturals**") and receipt of approval from Health Canada to increase the maximum production limits and sales from the expanded facilities, and Cronos Israel, Cronos Australia and Indigenous Roots (as such terms are defined herein) and the respective costs and timing associated therewith;
- the expected growth in the number of patients using the Company's medical cannabis;
- the expected growth in the Company's growing and production capacities;
- expectations with respect to future production costs;
- the expected methods to be used by the Company to distribute cannabis;
- the competitive conditions of the industry;
- the legalization of cannabis for recreational use in Canada, including federal and provincial regulations pertaining thereto, and the related timing and impact thereof and the Company's intentions to participate in such market, if and when it is legalized;

- the legalization of the use of cannabis for medical and/or recreational use in jurisdictions outside of Canada and the related timing and impact thereof and the Company's intentions to participate in such markets outside of Canada, if and when such use is legalized;
- laws and regulations and any amendments thereto applicable to the business and the impact thereof;
- the competitive advantages and business strategies of the Company;
- the grant, renewal and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof;
- the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis;
- the Company's future product offerings; and
- the anticipated future gross margins of the Company's operations.

Certain of the Forward-Looking Statements contained herein concerning the cannabis industry and the general expectations of Cronos concerning the cannabis industry are based on estimates prepared by Cronos using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which Cronos believes to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently imprecise. While Cronos is not aware of any misstatement regarding any industry or government data presented herein or information presented herein which is based on such data, the cannabis industry involves risks and uncertainties that are subject to change based on various factors, which factors are described further below.

With respect to the Forward-Looking Statements contained in this AIF, the Company has made assumptions regarding, among other things: (i) its ability to generate cash flow from operations and obtain necessary financing on acceptable terms; (ii) general economic, financial market, regulatory and political conditions in which the Company operates; (iii) the output from the Company's operations; (iv) consumer interest in the Company's products; (v) competition; (vi) anticipated and unanticipated costs; (vii) government regulation of the Company's activities and products and in the areas of taxation and environmental protection; (viii) the timely receipt of any required regulatory approvals; (ix) the Company's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; (x) the Company's ability to conduct operations in a safe, efficient and effective manner; and (xi) the Company's construction plans and timeframe for completion of such plans.

Purchasers are cautioned that the above list of cautionary statements is not exhaustive. Known and unknown risks, many of which are beyond the control of the Company, could cause actual results to differ materially from the Forward-Looking Statements in this AIF. Such lists include, without limitation, those discussed under the heading "*Risk Factors*" in this AIF. The purpose of Forward-Looking Statements is to provide the reader with a description of management's expectations, and such Forward-Looking Statements may not be appropriate for any other purpose. You should not place undue reliance on Forward-Looking Statements contained in this AIF. Although the Company believes that the expectations reflected in such Forward-Looking Statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Forward-Looking Statements contained herein are made as of the date of this AIF and are based on the beliefs, estimates, expectations and opinions of management on the date such Forward-Looking Statements are made. The Company undertakes 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, except as required by applicable law. The Forward-Looking Statements contained in this AIF are expressly qualified in their entirety by this cautionary statement.

CORPORATE STRUCTURE

Name, Address and Incorporation

Cronos Group Inc. was originally incorporated on August 21, 2012 under the *Business Corporations Act* (Ontario) as 2339498 Ontario Inc. Prior to completing its qualifying transaction, the Company was classified as a Capital Pool Company pursuant to Policy 2.4 of the TSX Venture Exchange (the "**TSX-V**"). Cronos was incorporated with the intention of developing a business based on capitalizing companies that were applying to Health Canada to become a licensed producer of medical cannabis pursuant to the provisions of the *Controlled Drugs and Substances Act* ("**CDSA**") and its relevant regulation, the ACMPR (" **Licensed Producers**").

Pursuant to articles of amendment dated October 18, 2012, the Company changed its name from 2339498 Ontario Inc. to Searchtech Ventures Inc. Pursuant to articles of amendment dated June 24, 2014, the Company amended its articles to remove certain restrictions on the transfer of its common shares. On December 10, 2014, Cronos closed its qualifying transaction (the "**Qualifying Transaction**") with Hortican Inc. ("**Hortican**"), a company whose business model was to invest in medical cannabis companies in Canada, pursuant to which the shareholders of Hortican completed a reverse takeover of the Company. Immediately prior to the completion of the Qualifying Transaction, pursuant to articles of amendment dated December 10, 2014, the Company amended its articles to change its name to PharmaCan Capital Corp. and to consolidate its shares on a one for seven (1:7) basis. Following these changes, Hortican amalgamated with 8996741 Canada Inc., a wholly owned subsidiary of the Company formed solely for the purpose of facilitating the Qualifying Transaction. Pursuant to the amalgamation, the Company indirectly acquired all of the issued and outstanding shares of Hortican and issued post-consolidation shares of the Company on the basis of approximately 2.1339 post-consolidation shares for each one of Hortican's shares. Hortican warrants, stock options, and convertible debentures were also exchangeable at the same conversion ratio, and the exercise prices for such securities were divided by the conversion ratio.

On October 6, 2016, the Company announced it would thereafter conduct business under the name "Cronos Group Inc." Shareholder approval for the name change was obtained at a special shareholders meeting held February 24, 2017. Articles of amendment effecting the change in name were filed on February 24, 2017, and approval from the TSX-V for the change in name was received on March 1, 2017.

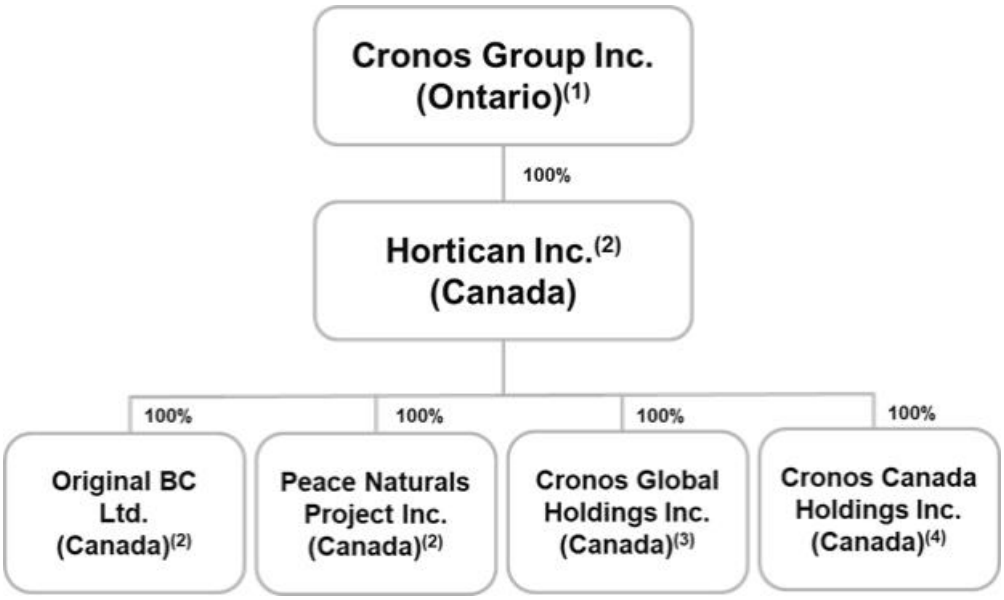
The Company's corporate and registered office is located at 720 King Street West, Suite 320, Toronto, Ontario M5V 2T3. The Company's telephone number is +1.416.504.0004.

The Company's common shares are listed on the TSX-V and on the NASDAQ Global Market (" **NASDAQ**") under the trading symbol "CRON".

Intercorporate Relationships

Cronos is a geographically diversified and vertically integrated global cannabis company, with a presence across four continents, whose principal activities are the production and sale of cannabis in federally legal jurisdictions, including Canada and Germany. Cronos operates two wholly-owned Licensed Producers, namely Peace Naturals, which has production facilities near Stayner, Ontario, and Original BC Ltd ("**OGBC**"), which has a production facility in Armstrong, British Columbia. Currently, Cronos sells dried cannabis and cannabis oils under its medical cannabis brand, Peace Naturals. Cronos has also established four strategic joint ventures in Canada, Israel and Australia (see "*Description of the Business – Joint Ventures and International Activities*") and holds minority interests in other cannabis-related companies and Licensed Producers (see "*Description of the Business – Minority Interests*").

The following chart illustrates, as of the date of this AIF, the Company's subsidiaries, including their respective jurisdictions of incorporation and percentage of voting securities of each that are beneficially owned, controlled or directed by the Company. The Company does not beneficially own, control or direct, directly or indirectly, any restricted securities in any of its subsidiaries.



Notes:

(1) Cronos Group Inc. holds a 50% interest in Cronos Australia (as defined herein). See " *Description of the Business – Joint Ventures and International Activities".*

(2) Other than these subsidiaries, no other subsidiary of the Company has total assets that exceed 10% of the consolidated assets of the Company or revenue that exceeds 10% of the consolidated revenue of the Company.

(3) Cronos Global Holdings Inc. is expected to hold a 70% interest in each of the nursery and cultivation operations and a 90% interest in each of the manufacturing and distribution operations of Cronos Israel (as defined herein). See "*Description of the Business – Joint Ventures and International Activities".*

(4) Cronos Canada Holdings Inc. holds a 50% interest in MedMen Canada (as defined herein) and is expected to hold a 49.9% interest in Indigenous Roots (as defined herein). See "*Description of the Business – Joint Ventures and International Activities".*

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Acquisitions, Investments and Partnerships

The Company has entered into the following notable transactions, strategic investments and partnerships since January 1, 2015:

- *MedMen Canada.* On March 19, 2018, the Company announced a strategic joint venture with MedMen Enterprises USA, LLC (" **MedMen**"). Each of the Company and MedMen owns 50% of the equity interests of the joint venture, MedMen Canada Inc. ("**MedMen Canada**"). MedMen Canada is focused on developing a Canadian branded retail chain in provinces that permit private retailers, branded products and research and

development activities in Canada. MedMen Canada will have access to the Company's production facilities and future expansions while leveraging MedMen's brand recognition. In addition, the Company will be leveraging its regulatory expertise and know-how to obtain the requisite licenses, approvals and permits from Health Canada for MedMen Canada to commence its operations. See "*Description of the Business – Joint Ventures and International Activities*".

- *Cronos Australia.* On February 5, 2018, the Company announced the launch of Cronos Australia Pty. Ltd., its strategic joint venture in Australia, ("**Cronos Australia**") with NewSouthern Capital Pty Ltd. (" **NewSouthern**") for the research, production, manufacture and distribution of medical cannabis. Each of the Company and NewSouthern owns 50% of the equity interests in Cronos Australia and has equal board representation. Concurrent with this announcement, the Company also announced the grant of medical cannabis cultivation and research licenses by the Therapeutic Goods Administration and the Office of Drug Control (the "**ODC**") to Cronos Australia. See "*Description of the Business – Joint Ventures and International Activities* ".

- *Partnership with Pohl-Boskamp.* On October 12, 2017, the Company announced its strategic partnership and five-year exclusive distribution agreement with G. Pohl-Boskamp GmbH & Co. KG ("**Pohl-Boskamp**"), an international European pharmaceutical manufacturer and distributor with a German distribution network of pharmacies, to distribute Peace Naturals branded cannabis products within Germany. The Company announced the first shipment of Peace Naturals branded product to Pohl-Boskamp on December 27, 2017.

- *Cronos Israel.* On September 6, 2017, the Company announced its strategic joint venture (" **Cronos Israel**") with Kibbutz Gan Shmuel ("**Gan Shmuel**") for the production, manufacture and global distribution of medical cannabis. On November 9, 2017, the Company announced that its participation in Cronos Israel had been approved by the TSX-V. See "*Description of the Business – Joint Ventures and International Activities*".

- *Indigenous Roots.* On December 6, 2016, the Company announced the launch of a strategic joint venture (" **Indigenous Roots**") led by Phil Fontaine, former National Chief of the Assembly of First Nations. Indigenous Roots will work cooperatively with Canadian First Nations towards building and operating licensed facilities and providing medical cannabis to First Nations communities in Canada. See "*Description of the Business – Joint Ventures and International Activities*".

- *OGBC's Acquisition of Land.* On October 21, 2016, the Company acquired approximately 17 acres of land adjacent to the 13-acre OGBC production campus in the Okanagan Valley of British Columbia for total consideration of $600,000 cash payable at closing. The acquisition more than doubled the acreage of OGBC's production campus.

- *Acquisition of Peace Naturals.* On September 6, 2016, Hortican acquired the remaining issued and outstanding shares of Peace Naturals, increasing its total holdings from 27.3% to 100% of Peace Naturals' issued and outstanding shares. The purchase price payable for the acquisition of the shares not already held by Hortican was approximately $11.8 million, of which (i) $2.9 million was payable at closing, by the issuance, out of treasury, of the Company's common shares, (ii) approximately $6.2 million was payable in cash at closing and (iii) the balance was held back for a period of up to twelve (12) months following closing. The purchase price was based on an enterprise value of Peace Naturals of approximately $22 million. On September 25, 2017, the final holdback payments of the balance of the purchase price were completed in connection with the closing of a loan facility with Romspen Investment Corporation ("**Romspen**"). See "– *Capital Markets and Financing Activities*".

Capital Markets and Financing Activities

The Company has engaged in the following equity offerings and financing activities since January 1, 2015:

- *April 2018 Bought Deal*. On April 6, 2018, the Company announced the closing of a bought deal offering pursuant to which the Company sold a total of 10,420,000 common shares at a price of $9.60 per common share for aggregate gross proceeds of approximately $100.0 million. The common shares were offered in the United States ("**U.S.**") pursuant to the Company's effective registration statement on Form F-10 filed with the U.S. Securities and Exchange Commission (" **SEC**") and in Canada by way of a short form prospectus offering.

- *January 2018 Bought Deal.* On January 24, 2018, the Company announced the closing of a bought deal offering pursuant to which the Company sold a total of 5,257,143 common shares at a price of $8.75 per common share for aggregate gross proceeds of approximately $46.0 million. The bought deal was completed by way of a short form prospectus offering in Canada.

- *November 2017 Bought Deal.* On November 8, 2017, the Company announced the closing of a bought deal offering pursuant to which the Company sold a total of 5,476,190 common shares at a price of $3.15 per common share for aggregate gross proceeds of approximately $17.2 million. The bought deal was completed by way of a short form prospectus offering in Canada.

- *September 2017 Private Placement.* On September 26, 2017, the Company announced the closing of a non-brokered private placement and on October 12, 2017, announced the TSX-V's approval of the non-brokered private placement, pursuant to which the Company sold a total of 6,671,112 common shares at a price of $2.25 per common share for aggregate gross proceeds of approximately $15.0 million.

- *Romspen Debt Facility.* On August 23, 2017, the Company announced that Peace Naturals had entered into a commitment letter with Romspen for the provision of a $40,000,000 senior secured debt facility (the "**Loan**"). The Loan is secured by a first ranking charge on the real estate of each of Peace Naturals and OGBC. OGBC, Hortican, and the Company are also guarantors of the Loan. Under the Loan, Peace Naturals, OGBC, Hortican and the Company retain the ability to enter into equipment financing arrangements, and the Company retains the ability to raise capital by issuing common shares. The Loan is available in multiple advances, with each advance subject to certain conditions, including, among other things, Romspen's approval of construction progress. The aggregate advances are limited to $35,000,000 until Romspen receives an appraisal valuing the property in British Columbia at an amount not less than $8,000,000. Each advance bears interest at a rate of 12% per annum, and interest will only accrue once the advance is made. The Loan has a maturity of two (2) years with a one-year extension option in favor of the Company and is pre-payable on one month's notice. The Loan closed on September 21, 2017, and an approximately $6,300,000 (not taking into account fees and expenses) advance for working capital purposes was drawn simultaneously on the date of closing. See "*Material Contracts*" for more information.

- *March 2017 Bought Deal.* On March 9, 2017, the Company announced the closing of a bought deal offering pursuant to which the Company sold a total of 7,705,000 common shares at a price of $2.25 per common share for aggregate gross proceeds of approximately $17.3 million. The bought deal was completed by way of a short form prospectus offering in Canada.

- *August 2016 Private Placement.* On August 11, 2016, the Company announced the closing of the first tranche of a non-brokered private placement pursuant to which the Company sold 18,743,352 common shares at a price of $0.35 per common share. The second tranche of the non-brokered private placement closed on August 31, 2016 and resulted in the sale of 22,902,359 common shares at a price of $0.35 per common share. The third and final tranche of the private placement closed on September 8, 2016 and resulted in the sale of 1,211,429 common shares at a price of $0.35 per common share, for aggregate gross proceeds of approximately $15.0 million for the three tranches, taken together.

- *May 2016 Private Placement*. On May 16, 2016, the Company announced the closing of the first tranche of a non-brokered private placement pursuant to which the Company sold 10,810,812 common share units

(consisting of one common share and one common share purchase warrant which entitles the holder to purchase one common share at a price of $0.245 per common share for a period of five years following the closing of the offering) at a price of $0.185 per common share unit. The second and final tranche of the private placement closed on May 27, 2016 and resulted in the sale of 21,621,613 common share units at a price of $0.185 per common share unit, for aggregate gross proceeds of approximately $10,000,000 for the two tranches, taken together.

- *October 2015 Private Placement.* On October 8, 2015, the Company announced the closing of the first tranche of a non-brokered private placement pursuant to which the Company sold 5,263,157 common share units (consisting of one common and one common share purchase warrant which entitles the holder to purchase one common share at a price of $0.31 per share for a period of five year following the closing of the offering) at a price of $0.285 per common share unit for gross proceeds of approximately $1.5 million. On October 29, 2015, the Company announced the closing of additional tranches of the non-brokered private placement, pursuant to which the Company sold an additional 2,629,296 common share units at a price of $0.285 per common share unit for additional gross proceeds of $749,350.

Exchange Listings

The following developments have occurred with respect to the Company's exchange listings since January 1, 2015:

- On March 5, 2018, the Company announced that the Company was changing its ticker symbol on the TSXV from "MJN" to "CRON".
- On February 26, 2018, the Company announced that trading of its common shares would be elevated from the Nasdaq International Designation program to the NASDAQ. The common shares began trading on the NASDAQ on February 27, 2018 under the trading symbol "CRON".
- On September 12, 2017, the Company announced that it was admitted into the Nasdaq International Designation program under the symbol OTC – Nasdaq International Designation: PRMCF.

Operations

The following operational changes have taken place since January 1, 2015:

- *Cronos Australia Facilities and Licenses*. On February 5, 2018, the Company announced its strategic joint venture in Australia, Cronos Australia. Cronos Australia's first production campus will be located on 120 acres, with the initial phase of Cronos Australia's production platform consisting of a 20,000 sq. ft. purpose-built facility with an expected annual production capacity of 2,000 kilograms of cannabis. The Company expects construction to commence in the summer of 2018 and to be complete in the first half of 2019. See "*Description of the Business – Production Facilities*". On February 5, 2018, the Company also announced the grant of a medical cannabis cultivation license and a cannabis research license by the Australian ODC to Cronos Australia. See "*Description of the Business – Regulatory Framework in Australia – Cronos Australia Licenses*".
- *Peace Naturals' Dealer's License.* On January 22, 2018, the Company announced that Peace Naturals received a dealer's license pursuant to the *Narcotic Control Regulations* ("**NCR**") and CDSA from Health Canada for the possession, sale, transportation and delivery of controlled substances under the CDSA, including cannabis, tetrahydrocannabinol ("**THC**") and cannabidiol ("**CBD**"). The Peace Naturals Dealer's License allows Peace Naturals to export medical cannabis extracts, including concentrated oil and resin products, internationally. See "*Description of the Business – Regulatory Framework in Canada – Licenses and Regulatory Framework* ".

- *Rebranding of In the Zone Produce Ltd.* On October 4, 2017, the Company announced the rebranding of In the Zone Produce Ltd. to Original BC Ltd. As part of this rebranding, OGBC's legal name change became effective on October 16, 2017 and it was continued under the *Business Corporations Act* (Canada). The OGBC ACMPR License (as defined herein) was amended to reflect the name change on October 20, 2017.

- *Rebranding of Peace Naturals.* The Company initiated a rebrand of Peace Naturals in 2017. The objective was to create a new visual identity system that emphasized the brand's reputation as a trusted and dependable medicinal cannabis company appealing to both men and women. The transition began in October of 2017 and was completed in the first quarter of 2018. The project included: new proprietary packaging, an evolution of the brand's logo, new marketing materials, a revised website, a new shopping portal experience and new products such as strain specific oils. Peace Naturals also established a new classification system for products that helped educate patients on key product differences.

- *Cronos Israel Facilities and Licenses*. On September 6, 2017, the Company announced its strategic joint venture in Israel, Cronos Israel. The initial phase of construction of Cronos Israel involves the construction of a 45,000 sq. ft. greenhouse that is expected to produce up to 5,000 kilograms of cannabis annually and a 17,000 sq. ft. manufacturing facility that will be utilized for analytics, formulation development and research. Cronos Israel has commenced initial construction work and anticipates completing the construction of the greenhouse and manufacturing facility in the first quarter of 2019. See "*Description of the Business – Production Facilities*". In early 2017, the Yakar granted Gan Shmuel preliminary licenses ("**Israel Codes**") to establish four distinct cannabis commercial operations: (1) propagation and breeding, (2) commercial cannabis cultivation, (3) extraction, formulation and packaging and (4) patient care and distribution. These Israel Codes are preliminary licenses granted to successful applicants to construct facilities for cannabis operations. Applicants at this stage are not yet officially permitted to propagate, cultivate, process or distribute cannabis until the nursery, cultivation and manufacturing facilities are constructed and pass inspections by the Yakar, after which point, assuming the facilities pass inspections, the Yakar will issue the final cannabis licenses for each operation. See "*Description of the Business – Regulatory Framework in Israel – Cronos Israel Licenses"*

- *Peace Naturals Capacity Expansion.* On May 23, 2017, the Company announced breaking ground on its 315,000 sq. ft. capacity expansion project at Peace Naturals premises. The expansion includes a state-of-the-art 286,000 sq. ft. production facility (" **Building 4**"), a 28,000 sq. ft. greenhouse (the "**Greenhouse**"), and an additional 2,257 sq. ft. extraction laboratory. Having received the necessary regulatory approvals, growing and cultivation in the Greenhouse has commenced, and its first harvest is expected to occur in the second quarter of 2018. Construction of Building 4 remains on schedule and cultivation is expected to commence in the second half of 2018. The Company also completed significant improvements to the pre-existing facilities at Peace Naturals, including retrofitting the original facility to increase production capacity and substantial renovations and improvements to the first and second 15,000 sq. ft. purpose built production facilities. See "*Description of the Business – Production Facilities*".

- *Peace Naturals Voluntary Recall*. On May 5, 2017, Peace Naturals announced a voluntary recall with the support of Health Canada for products sold between November 26, 2015 to March 13, 2017. Peace Naturals was notified by Health Canada that upon testing a random cannabis leaf sample, trace levels of Piperonyl Butoxide ("**PBO**") were discovered at 0.78 parts per million (ppm). PBO is an organic compound known as a synergist. Root cause analysis conducted by Peace Naturals concluded that this was the result of cross-contamination from a sanitation protocol that is no longer practiced at Peace Naturals. The source of the PBO was a Pest Management Regulatory Agency approved product that was used to sanitize empty rooms between harvests. The sanitation protocol has not been practiced since new management implemented an improved production methodology after taking control of Peace Naturals.

- *Good Manufacturing Practice Certification.* On May 2, 2017, the Company announced that, following a comprehensive audit performed by German regulators, Peace Naturals was issued a Good Manufacturing Practice ("**GMP**") certification in relation to its facilities and processes for the production of dried cannabis flower in accordance with the rules governing pharmaceutical production in the European Union. This GMP certification requires adherence to quality standards that extend well beyond current Health Canada requirements. The certification enables Peace Naturals to distribute medical cannabis across the European Union, which only permits importation of medical products produced by GMP-certified manufacturers.

- *OGBC Sales License.* On January 11, 2017, the Company announced that OGBC was approved by Health Canada to sell medical cannabis pursuant to the ACMPR. This sales license granted to OGBC supplements its prior cultivation license and as a result, OGBC is allowed to sell cannabis directly to medical patients throughout Canada. Upon obtaining its license, OGBC became the Company's second wholly-owned licensed producer to receive a sales license. See "*Description of the Business – Regulatory Framework in Canada – Licenses and Regulatory Framework*".

DESCRIPTION OF THE BUSINESS

Overview

Cronos is a geographically diversified and vertically integrated global cannabis company, with a presence across four continents, whose principal activities are the production and sale of cannabis in federally legal jurisdictions, including Canada and Germany. Cronos operates two wholly-owned Licensed Producers, Peace Naturals and OGBC (see "*– Canadian Licensed Producers"*). Currently, Cronos sells dried cannabis and cannabis oils under its medical cannabis brand, Peace Naturals. Cronos has also established four strategic joint ventures in Canada, Israel and Australia (see "*– Joint Ventures and International Activities*") and holds minority interests in other cannabis-related companies and Licensed Producers (see "*– Minority Interests*").

Canadian Licensed Producers

Cronos operates two wholly-owned Licensed Producers, namely, Peace Naturals, which has production facilities near Stayner, Ontario, and OGBC, which has a production facility in Armstrong, British Columbia.

Peace Naturals

On October 31, 2013, Health Canada issued an initial license to Peace Naturals for activities related to the production and sale of dried cannabis flower under the ACMPR, which license has since been amended and supplemented. Peace Naturals' current license has an effective term from November 1, 2016 to November 1, 2019, and grants Peace Naturals the authority to engage in, among other things, the production and sale of dried cannabis flower, cannabis resin, cannabis seeds, cannabis plants and cannabis oil (the "**Peace Naturals ACMPR License**").

On January 22, 2018, the Company announced that Peace Naturals received a dealer's license (the "**Peace Naturals Dealer's License**," together with the Peace Naturals ACMPR License, the "**Peace Naturals Licenses**") pursuant to the NCR and CDSA from Health Canada for the possession, sale, transportation and delivery of controlled substances under the CDSA, including cannabis THC and CBD. The Peace Naturals Dealer's License allows Peace Naturals to export medical cannabis extracts, including concentrated oil and resin products, internationally in accordance with an export permit issued under section 103 of the ACMPR or section 10 of the NCR. The Peace Naturals Dealer's License has an effective term from January 29, 2018 to December 31, 2018.

OGBC

On February 26, 2014, Health Canada issued an initial cultivation license to OGBC under the ACMPR, which license has since been amended and supplemented. OGBC's current license has an effective term from February 28, 2017 to February 28, 2020 and grants OGBC the authority to engage in the production and sale of dried cannabis flower (the "**OGBC ACMPR License**").

Joint Ventures and International Activities

The Company has entered into four strategic joint ventures to produce and sell cannabis:

- *MedMen Canada.* In March 2018, the Company announced a strategic joint venture with MedMen. Each of the Company and MedMen owns 50% of the equity interests of the joint venture, MedMen Canada, and have equal board representation. MedMen Canada holds the exclusive license of the MedMen brand in Canada for a minimum term of 20 years. Each of Cronos and MedMen will contribute capital equally to MedMen Canada for working capital purposes. MedMen Canada is focused on developing a Canadian branded retail chain in provinces that permit private retailers, branded products and research and development activities in Canada. MedMen Canada will have access to the Company's production facilities while leveraging MedMen's brand recognition. In addition, the Company will be leveraging its regulatory expertise and know-how to obtain the requisite licenses, approvals and permits from Health Canada for MedMen Canada to commence its operations.

- *Cronos Australia*. In February 2018, the Company announced a strategic joint venture in Australia with NewSouthern for the research, production, manufacture and distribution of medical cannabis. Each of the Company and NewSouthern owns 50% of the equity interests in Cronos Australia and have equal board representation. The Company believes that Cronos Australia will serve as the Company's hub for Australia, New Zealand and South East Asia, bolstering the Company's supply capabilities and distribution network. In the initial phase of construction, Cronos Australia is planning to construct a 20,000 sq. ft. purpose-built facility that is expected to produce up to 2,000 kilograms of cannabis annually. The Company expects construction to commence in the summer of 2018 and to be complete in the first half of 2019. The Company's activities in respect of Cronos Australia have been approved by the TSX-V. For a description of the Cronos Australia Licenses (as defined herein), see "*License and Regulatory Framework in Australia – Cronos Australia Licenses* ".

- *Cronos Israel.* In September 2017, the Company announced a strategic joint venture in Israel with the Israeli agricultural collective settlement Gan Shmuel for the production, manufacture and distribution of medical cannabis. Following transfer of the Israel Codes to Cronos Israel, the Company will hold a 70% interest in each of the nursery and cultivation operations and a 90% interest in each of the manufacturing and distribution operations of Cronos Israel. Cronos will have three board member nominees on the board of directors of each of the cultivation, manufacturing, distribution and pharmacies companies of Cronos Israel, while Gan Shmuel will have one board member nominee on the board of directors of each such entity. In the initial phase of construction, Cronos Israel is planning to construct a 45,000 sq. ft. greenhouse that is expected to produce up to 5,000 kilograms of cannabis annually and a 17,000 sq. ft. manufacturing facility that will be utilized for analytics, formulation development and research. Cronos will contribute intellectual property, management expertise, access to its current and future distribution channels and capital to Cronos Israel. Gan Shmuel will contribute the Israel Codes, agricultural and industrial expertise, land, capital and access to the skilled Gan Shmuel labor force. The Company's activities in respect of Cronos Israel have been approved by the TSX-V. Until exports are permitted under applicable Israeli law, products from Cronos Israel will be distributed domestically in the local Israeli market. For a description of the Israel Codes, see "*License and Regulatory Framework in Israel – Cronos Israel Licenses*".

- *Indigenous Roots.* In December 2016, the Company launched Indigenous Roots, a strategic joint venture led by Phil Fontaine, former National Chief of the Assembly of First Nations. Indigenous Roots will work cooperatively with Canadian First Nations towards building and operating licensed facilities and providing medical cannabis to First Nations communities in Canada. We will own a 49.9% stake in Indigenous Roots upon closing of the investment which is expected to be led by a First Nation. The Company believes that Indigenous Roots will provide Cronos with optionality for nontraditional distribution channels and incremental production capacity without dilution, and a strong brand for our portfolio. Indigenous Roots has commanded significant interest, having met with over 100 indigenous communities and leaders across Canada. Indigenous Roots is in the process of finalizing its capital raise. Once completed, Indigenous Roots is anticipated to commence construction of a 30,000 sq. ft. production facility at the premises of OGBC. The Company is awaiting definitive regulatory clarity on provincial distribution frameworks prior to finalization of the capital raise.

No U.S. Cannabis-Related Activities

While a number of states in the U.S. have legalized the cultivation, distribution or possession of cannabis in some form to various degrees and subject to various requirements or conditions, cannabis continues to be categorized as a controlled substance under the *Controlled Substances Act* in the U.S. As such, cultivation, distribution and possession are in violation of federal law in the U.S. unless a U.S. federal agency (e.g. the Drug Enforcement Agency) licenses for a specific use, such as research with cannabis.

The Company currently does not engage in any activities related to the cultivation, distribution or possession of cannabis in the U.S. From time to time, the Company may have minority interests in non-U.S. cannabis companies (as set out above). Based on what is disclosed publicly by these minority investees, the Company is not aware of any U.S. cannabis-related activities of such minority investees as of the date of this AIF.

Other International Operations

The ACMPR permits Licensed Producers to export their intellectual property and genetics to other jurisdictions (subject to all applicable import and export permits and requirements). The Company is focused on developing international alliances and expansion. By leveraging the Company's operational, manufacturing and educational outreach expertise, quality assurance capabilities and experience in submitting regulatory licensing applications, management believes that the Company is well-positioned to effectively penetrate international markets.

The Company has received several inquiries concerning strategic business opportunities from third-parties in several international jurisdictions. The Company believes there is an opportunity to leverage its expertise and its business model in other legal cannabis markets around the world. Subject to regulatory approvals (including any applicable TSX-V approvals), strategic international business opportunities pursued by the Company could include:

- ownership of cannabis cultivation and sales operations in countries outside of Canada (which have passed legislation to legalize the cultivation, distribution and possession of cannabis at all relevant levels of government); and
- the export of medical cannabis to third-parties in countries outside of Canada (which permit the import of medical cannabis).

The Company will only conduct business in jurisdictions where it is federally legal to do so and legislation permitting the cultivation, distribution or possession of cannabis has been adopted at all relevant levels of government. The Company believes that operating and investing in markets where such activity is federally illegal breaches the Company's legal and regulatory obligations, puts the company at risk of government regulatory actions or investigations, risks of governmental penalties, fines and sanctions, increases exposure to reputational risk, limits its ability to operate freely, could potentially jeopardize its listing on major exchanges now and in the future and limits its access to capital. In addition, the Company remains committed to conducting business in jurisdictions outside of Canada where such operations remain compliant with the Company's Canadian listing obligations with the TSX-V and NASDAQ.

Principal Products

Peace Naturals currently produces and sells numerous strain varieties of cannabis in two main product lines: dried cannabis and cannabis oil. OGBC currently produces and sells numerous strain varieties of dried cannabis in bulk via intercompany sales to Peace Naturals for sales to its customers. Peace Naturals currently offers 21 strain varieties of dried cannabis flower and 10 strain-specific cannabis oils. It intends to continue to establish a variety of strains to

cater to patient needs. OGBC has access to a smaller number of strains currently, however, strain sharing between Peace Naturals and OGBC allows OGBC access to particular strains on an as needed basis.

In November 2017, Health Canada approved the Company's renovated extraction laboratory at Peace Naturals that uses supercritical and subcritical carbon dioxide and commercial oil production methodologies. The resulting increased oil production facilitates introducing new product formulations, such as capsules, tinctures and ointments. In the fourth quarter of 2017, the Company released a number of new strain-specific cannabis oils that have been received favorably by customers. The new cannabis oils do not require any secondary refinement using harsh solvents like alcohol, which means that the natural balance of the plant is kept intact. This is important because of the "entourage effect," or the concept that all cannabis compounds work together synergistically to yield the desired therapeutic effect.

The Company currently supplies the German market with dried cannabis flower through its distribution partner Pohl-Boskamp and anticipates supplying other product forms (such as cannabis oils) upon receipt of the necessary regulatory approvals and certifications (such as GMP certification for production processes related to cannabis oils).

The Company will develop new product formulations for cannabis-based products (such as edibles) if and when authorized by Health Canada.

Principal Markets

Canadian Domestic Market

Currently, the Company, through its Peace Naturals brand, acquires Canadian medical clients through physician and clinic referrals or by word-of-mouth recommendations from existing clients. The Company strives to identify patient segments with high lifetime value. These are patient segments that the Company believes will have the highest expected lifetime dollar value in purchasing products from the Company, taking into account costs of acquisition and expected turnover.

If and when recreational use of cannabis products is legalized in Canada, the Company plans to position OGBC and MedMen Canada to take advantage of such market opportunities by entering the Canadian recreational market. The Company believes that by maintaining separate medical and recreational brands, it can more successfully address consumer needs and preferences and better penetrate the aggregate cannabis market.

Indigenous Roots will work cooperatively with Canadian First Nations towards building and operating licensed facilities and providing medical cannabis to First Nations communities in Canada.

International Markets

The Company currently addresses medical cannabis markets in Germany by exporting dried cannabis flower produced by Peace Naturals to its distribution partner in Germany. The Company also intends to distribute to the Israeli medical cannabis market through the operations of Cronos Israel, once Cronos Israel is fully licensed and operational. Finally, the Company intends to meet demand in the Australian medical cannabis market through the operations of Cronos Australia, once fully operational and licensed; and in the interim, Cronos Australia has applied for an import permit for imports of Peace Naturals medical cannabis products into Australia. See *"– Licenses and Regulatory Framework in Australia," "– Licenses and Regulatory Framework in Israel,"* and *"– Regulatory Framework in Germany for Imports."*

The Company continues to seek new international distribution channels in jurisdictions with federally legal medical cannabis regulatory frameworks.

Distribution Methods

Distribution in Canada

Medical cannabis patients order product from the Company primarily through the Peace Naturals' online store or by phone. Medical cannabis is and will continue to be delivered by secured courier or other methods permitted by the ACMPR or future regulation. Peace Naturals' prices vary based on growth time, strain yield and market conditions. Peace Naturals may from time to time offer volume discount or promotional pricing.

Peace Naturals is also authorized for wholesale shipping of medical cannabis plant cuttings, dried bud and cannabis oil to other Licensed Producers. Peace Naturals has completed several sales through its wholesale distribution channel and based on current costs, the Company expects to continue with its wholesale distribution strategy. This sales channel requires minimal selling, general and administrative costs over and above the cost to produce plant cuttings and dried bud.

The Company anticipates conducting distribution from OGBC or MedMen Canada for the recreational market in accordance with the finalized regulatory framework in relation to cannabis for recreational purposes in Canada. MedMen Canada is focused on developing a Canadian branded retail chain in provinces that permit private retailers for distribution of products via its retail stores or via its online website.

International Distribution Channels

Peace Naturals currently exports dried cannabis flower to Germany pursuant to export permits issued by Health Canada, and its products are distributed in the domestic German market through its distribution partner Pohl-Boskamp via its network of pharmacies in Germany.

Currently in Israel, medical cannabis is provided to patients on a "direct to patient" distribution model, whereby patients purchase medical cannabis directly from authorized medical cannabis suppliers. Cronos Israel anticipates distributing medical cannabis products to patients directly once operations have commenced and product is available. In addition, the Company continues to monitor the regulatory framework in Israel if and when distribution by pharmacies is permitted by the Ministry of Health.

Currently in Australia, medical cannabis is provided directly to patients and to physicians who have received authorization to procure unregistered medical cannabis products. Subject to the granting of Cronos Australia's cannabis manufacturing license by the Australian ODC and the completion of its planned cultivation and manufacturing facility, the Company anticipates selling cannabis products into the domestic Australian market directly to authorized patients and prescribing physicians. It is unclear at this time whether prevailing market conditions in Australia will require Cronos Australia to offer volume discount or promotional pricing. In addition, Cronos Australia is awaiting its import license which would allow Peace Naturals to export Peace Naturals branded medical cannabis products to Cronos Australia for the Australian market while the planned cultivation and manufacturing facilities are being constructed.

Production Facilities

The following chart summarizes the existing and anticipated production capacity at each of the Company's facilities that is currently constructed or under construction:

Facility	Location	Grow Type	Square Footage	Estimated Annual Capacity (in kg)
Existing Capacity (1)				
Peace Naturals – Buildings 1, 2, 3	Stayner, ON, Canada	Indoor	39,000	5,000
Peace Naturals – Greenhouse	Stayner, ON, Canada	Greenhouse	28,000	1,500
OGBC	Armstrong, BC, Canada	Indoor	2,500	150
Existing Capacity			69,500	6,650
Capacity in Progress but not yet Completed				
Peace Naturals – Building 4	Stayner, ON, Canada	Indoor	286,000	33,500
Cronos Israel(2) – Phase I	Hadera, Israel	Greenhouse	45,000	5,000
Cronos Australia(3) – Phase I	Melbourne, VIC, Australia	Indoor	20,000	2,000
Capacity in Progress but not yet Completed			351,000	40,500
Pro Forma Capacity			**420,500**	**47,150**

(1) Existing capacity is defined as facilities where construction is substantially complete, regulatory approvals required to commence operations have been received and cannabis cultivation has commenced.

(2) Cronos will hold a 70% equity interest in the nursery and cultivation operations of Cronos Israel and 90% equity interest in the manufacturing and distribution operations of Cronos Israel.

(3) Cronos owns a 50% equity interest in Cronos Australia.

It is currently anticipated that Indigenous Roots will commence construction of a 30,000 sq. ft. production facility at the premises of OGBC following the completion of its capital raise. See "*— Joint Ventures and International Activities*".

Peace Naturals

Situated on approximately 90 acres of land zoned and licensed for cannabis production, Peace Naturals operates four completed production buildings (Building 1, Building 2, Building 3 and Greenhouse) and is constructing additional capacity via Building 4, a 286,0000 sq. ft. production facility. Peace Naturals' production processes are GMP-certified under relevant European Economic Area GMP directives by the national competent authority of Germany.

Buildings 1, 2 and 3 are engaged in cultivation, processing, extraction, finishing and packaging, shipping and client care operations. These buildings incurred major renovations in the first half of 2017, including upgraded LED lighting, automation equipment, irrigation systems and other environmental control systems to improve yields and lower costs.

The Greenhouse is expected to provide a year-round, low-cost supply of flower for extraction in a 2,257 sq. ft. GMP-grade extraction lab. The Greenhouse is designed as a testing facility for various production technologies. Any tests yielding favorable operational improvements would then be disseminated to the Company's other domestic and international facilities. Growing and cultivation of cannabis in the Peace Naturals Greenhouse commenced in the first quarter of 2018 and the facility is in the process of becoming fully operational, with the first harvest anticipated in the second quarter of 2018.

In addition to large scale cultivation of premium dried flower, Building 4 will include:

- designated areas for proprietary genetic breeding genomic testing;
- a GMP-grade cannabinoid and terpene extraction, processing and bottling facility;
- a GMP-grade analytical testing laboratory for Canadian, European and other pharmacopeia standards;

- a GMP-grade analytical and chemical laboratory for formulation, delivery system and product development;
- research and development ("**R&D**") grow and dry areas with compartmentalized chambers to conduct experiments on yield, genetic markers, and metabolite/terpene enhancement techniques;
- a tissue culture laboratory and mass scale micro-propagation production area; and
- a GMP-grade and industrial-grade kitchen.

OGBC

Situated on 30 acres of land, 13 acres of which are zoned and licensed for cannabis production, OGBC's facility primarily engages in cultivation and processing operations. OGBC has completed several inter-company bulk transfers of dried cannabis to Peace Naturals to be sold under the Peace Naturals brand.

Cronos Australia

Cronos Australia's first production campus will be located on 120 acres, with the initial phase of Cronos Australia's production platform consisting of a 20,000 sq. ft. purpose-built facility with an expected annual production capacity of 2,000 kilograms of cannabis. The Company expects construction to commence in the summer of 2018 and to be complete in the first half of 2019.

Cronos Israel

The initial phase of construction of Cronos Israel involves the construction of a 45,000 sq. ft. greenhouse that is expected to produce up to 5,000 kilograms of cannabis annually and a 17,000 sq. ft. manufacturing facility that will be utilized for analytics, formulation development and research. Cronos Israel has commenced initial construction work and anticipates completing the construction of the greenhouse and manufacturing facility in the first quarter of 2019.

Specialized Knowledge, Skills, Resources & Equipment

Knowledge with respect to cultivating and growing cannabis is important in the medical cannabis industry. The nature of growing cannabis is not substantially different from the nature of growing other agricultural products. Variables such as temperature, humidity, lighting, air flow, watering and feeding cycles are meticulously defined and controlled to produce consistent product and to avoid contamination. The product is cut, sorted and dried under defined conditions that are established to protect the activity and purity of the product. Once processing is complete, each and every processing batch is subject to full testing against stringent quality specifications set for activity and purity.

The Company grows the primary component of its finished products, namely cannabis. The Company's cultivation operations are dependent on a number of key inputs and their related costs including raw materials and supplies related to our growing operations, as well as electricity, water and other utilities. See "*Risk Factors – Risks Related to the Industry and the Company's Business - Our cannabis cultivation operations are vulnerable to rising energy costs and dependent upon key inputs*".

Staff with suitable horticultural and quality assurance expertise is generally available on the market in the jurisdictions in which the Company currently has or anticipates cultivation activity, including in Canada, Israel and Australia. The Company also requires client care staff, which will grow as its business grows. Customer care staff is a skillset that is also generally available in the market in the jurisdictions in which the Company currently houses or anticipates housing such staff, including in Canada, Israel and Australia.

Equipment used is specialized, but is readily available and not specific to the cultivation of medical cannabis. Subject to available funding, the Company does not anticipate any difficulty in obtaining equipment as needed in the jurisdictions in which the Company anticipates need for such equipment, including in Canada, Israel and Australia.

The Company anticipates an increased demand for skilled manpower, energy resources and equipment in connection with the build-outs of the new facilities at Peace Naturals, Building 4 and the Greenhouse, and in connection with the Cronos Australia and Cronos Israel facilities currently under construction.

Competitive Conditions

According to Health Canada, as of May 25, 2017, 1,665 applications to become a Licensed Producer had been received by Health Canada, of which 428 applications were in process. To the knowledge of the Company, only a limited number of licenses are issued by Health Canada on a monthly basis, if any. Further, as Health Canada licenses are limited to individual properties, if a Licensed Producer reaches production capacity at its licensed site, it must apply to Health Canada for a new license in order to expand production to another site. Currently, there are 104 Licensed Producers in Canada that are authorized to produce and/or sell dried or fresh cannabis, cannabis oil, or starting materials to eligible individuals. More information on the current list of Licensed Producers can be found on Health Canada's website.

On April 13, 2017, the Canadian Federal Government released Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts* ("**Bill C-45**"), which aims to legalize, control, and regulate the recreational use of cannabis with a target implementation date of the summer of 2018. For additional information, see "*– Regulatory Framework in Canada – Recent Regulatory Developments*". The introduction of a recreational model for cannabis production and distribution may impact the medical marijuana market. The impact of this development may be negative for the Company and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

The Company believes that, due to the extensive regulatory restrictions and significant capital required for facilities and operations, the number of Licensed Producers will remain relatively small in the short term, however Health Canada may accelerate its processing of applications which may result in acceleration in the rate at which applicants become Licensed Producers. As the demand for cannabis increases, the legalization of recreational cannabis comes into effect and the application backlog with Health Canada is processed, the Company believes that new competitors will enter the market. The principal competitive factors on which the Company competes with other Licensed Producers are the price and quality of its cannabis-based pharmaceutical products (and associated goodwill and brand recognition), physician familiarity and willingness to prescribe the Company's cannabis-based products, and the Company's patient services. While the Company prices its cannabis products according to the Company's perception of market demand, given its relatively low cost of production (based on management's assessment of the Company's own financial information against that of all publicly-traded Licensed Producers), it is expected that the Company will be able to enjoy pricing flexibility while maintaining its margins.

According to the Australian ODC, as of April 16, 2018, the ODC had granted a total of 35 cannabis-related licenses since applications were opened in November 2016, including 16 medical cannabis licenses (cultivation and production), ten cannabis research licenses (cultivation and production) and nine manufacturing licenses. The ODC has not placed a cap on the number of cannabis-related licenses to be granted. The Company believes that, due to the extensive regulatory restrictions and significant capital required for facilities and operations, the number of cannabis-related licenses will remain relatively small in the short term, however the ODC may accelerate its processing of applications which may result in acceleration in the rate at which applicants are granted licenses. The impact of additional licenses being granted could be negative for the Company and could result in increased levels of competition

within the domestic Australian market. The domestic Australian market is still in a nascent stage of development, making it more difficult for the Company to predict competitive pressure; however, given the supply constraint typically associated with fledging cultivation industry, and the Company's operational experience, it is anticipated that the Company will be able to enjoy pricing flexibility while maintaining its margins.

Protection of Intangible Assets

The ownership and protection of our intellectual property rights is a significant aspect of our future success. Currently we rely on trade secrets, technical know-how and proprietary information. We protect our intellectual property by seeking and obtaining registered protection where possible, developing and implementing standard operating procedures to protect trade secrets, technical know-how and proprietary information and entering into agreements with parties that have access to our inventions, trade secrets, technical know-how and proprietary information, such as our partners, collaborators, employees and consultants, to protect confidentiality and ownership. We also seek to preserve the integrity and confidentiality of our inventions, trade secrets, trademarks, technical know-how and proprietary information by maintaining physical security of our premises and physical and electronic security of our information technology systems.

In addition, we have sought trademark protection in many countries, including Canada, Australia and countries in the European Union. Our ability to obtain registered trademark protection for cannabis-related goods and services, in particular for cannabis itself, may be limited in certain countries outside of Canada, including the U.S., where registered federal trademark protections is currently unavailable for trademarks covering the sale of cannabis products (a controlled substance); and including the European Union, where laws on the legality of cannabis use are not uniform, and trademarks cannot be obtained for products that are "contrary to public policy or accepted principles of morality". Accordingly, our ability to obtain intellectual property rights or enforce intellectual property rights against third party uses of similar trademarks may be limited in certain countries.

Germplasm, including seeds, clones and cuttings, is the genetic material used in new cannabis varieties and hybrids. We use advanced breeding technologies to produce cannabis germplasm (hybrids and varieties) with superior performance. We rely on parental varieties for the success of our breeding program. We seek to protect our parental germplasm as appropriate, relying on intellectual property rights, including rights related to inventions (patents and plant breeders' rights), trade secrets, technical know-how, trademarks and proprietary information.

We also seek to protect our parental germplasm, hybrids and varieties from pests and diseases and enhance plant productivity and fertility, and we research products to protect against crop pests and fungus.

Employees

As of December 31, 2017, Cronos Group Inc. employed seven employees and four fulltime contractors, Peace Naturals employed 87 employees, and OGBC employed nine employees.

As of March 31, 2018, Cronos Group Inc. employed 13 employees and three full time contractors, Peace Naturals employed 133 employees and OGBC employed 15 employees.

Senior Management and Board of Directors

As of the date of this AIF, 2018, the Board of Directors has five members, comprised of Mr. Michael Gorenstein (Chair of the Board of Directors), Mr. Michael Krestell (member of the audit committee and the compensation committee), Mr. Alan Friedman (member of the audit committee), Mr. Jason Adler and Mr. James Rudyk (chair of the audit committee and a member of the compensation committee).

As of the date of this AIF, 2018, the Company's executive officers consist of Mr. Michael Gorenstein (Chief Executive Officer and President), William Hilson (Chief Financial Officer) and Xiuming Shum (General Counsel and Corporate Secretary).

Minority Investments

Prior to the acquisition of OGBC in November of 2014 (as described above), the Company exclusively invested in companies either licensed, or actively seeking a license, to produce medical cannabis pursuant to the ACMPR. In addition to its wholly-owned subsidiaries, Peace Naturals and OGBC, the Company currently holds certain minority interests in investees with active ACMPR licenses.

As of the date of this AIF the Company beneficially owned, controlled or directed the following percentages of voting securities in its minority investees:

- *Whistler Medical Marijuana Corporation* ("**Whistler**") (20.3%). Whistler is a corporation incorporated under the laws of British Columbia, and is a licensed producer and seller of medical cannabis with operations in Whistler, British Columbia. The Company's investment in Whistler is accounted for using the equity method. On March 9, 2017, the Company announced that it invested an additional $1,085,000 in Whistler in order to maintain its then 21.5% equity position in Whistler and assist Whistler with its announced 65,000 sq. ft. expansion in Pemberton, British Columbia.
- *Evergreen Medicinal Supply Inc*. ("**Evergreen**") (up to 30%). Evergreen is a corporation incorporated under the laws of British Columbia, with facility and operations in Victoria, British Columbia and a license to cultivate medical cannabis. In the first quarter of 2017, the Company completed its subscription for a second tranche of shares of Evergreen for $100,000 and exercised its option to acquire an additional 5% of the equity for $500,000, for a total additional investment of $600,000. Evergreen has not recognized the exercise by the Company of its option and on April 21, 2017, the Company filed a claim in the Supreme Court of British Columbia against Evergreen and its directors, seeking, among other things, declarations that the Company holds equity of Evergreen and that the agreement between the parties in respect of its equity is a valid and binding contract.
- *Canopy Growth Corp.* Canopy Growth Corp. ("**Canopy**") (0.7%). Canopy is a corporation incorporated under the laws of Canada and is the parent company of Licensed Producers and sellers of medical cannabis. Canopy's common shares are listed on the TSX, under the trading symbol "WEED". The Company acquired shares of Canopy as part of its disposition of its previous equity stake in ACMPR-applicant Vert/Green Medical Inc. ("**Vert Medical**"). During the first half of 2017, the Company sold 7,374 of its shares of Canopy for proceeds of $87,653. The remaining shares of Canopy are held in escrow and may be released upon certain conditions related to Vert Medical. Subsequent to December 31, 2017, the Company sold some of its shares of Canopy for proceeds of $687,000.

See Notes 9 and 10 of the Company's audited consolidated financial statements as at and for the years ended December 31, 2017 and December 31, 2016 (the "**Annual Financial Statements**") for additional information.

Regulatory Framework in Canada

Licenses and Regulatory Framework

Pursuant to the Peace Naturals ACMPR License, Peace Naturals may, subject to further requirements set out in the ACMPR:

(a) possess, produce, sell, transport, deliver and destroy cannabis, including live plants, clippings, oil, resin and seeds;

(b) possess, produce, sell, transport, deliver and destroy dried cannabis;

(c) possess and destroy cannabinol, CBD, delta-9-THC and delta-8-THC.

Pursuant to the OGBC ACMPR License, OGBC may, subject to further requirements set out in the ACMPR:

(a) possess, produce, sell, transport, deliver and destroy cannabis, including live plants and clippings;

(b) possess, produce, sell, transport, deliver and destroy dried cannabis; and

(c) produce, possess and destroy cannabis seeds.

In terms of selling and providing, and subject to further requirements set out in the ACMPR, Peace Naturals and OGBC may sell or provide:

(a) cannabis and dried cannabis (and in the case of Peace Naturals, cannabis oil and cannabis resin) to:

(i) another Licensed Producer;

(ii) a licensed dealer (as defined in the ACMPR);

(iii) the Federal Minister of Health; or

(iv) a person to whom an exemption relating to the substance has been granted under section 56 of the CDSA; and

(b) dried cannabis (and in the case of Peace Naturals, cannabis oil) to:

(i) a client or an individual who is responsible for the client;

(ii) a hospital employee, if the possession of the dried cannabis is for the purposes of and in connection with their employment; or

(iii) a person to whom an exemption relating to the dried cannabis has been granted under section 56 of the CDSA.

Permitted activities related to cannabis oils, like other forms of cannabis, includes strict terms and conditions that a Licensed Producer must comply with, including:

- the cannabis must be shipped in secure, child resistant packaging;
- Licensed Producers must include the same health warning messages that apply to dried cannabis;
- Licensed Producers must not sell or provide any cannabis oil with a concentration of THC exceeding 30 mg per ml of oil;
- Licensed Producers must ensure that the label specifies the amount (in milligrams) of THC and CBD;
- Licensed Producers must ensure that the quantity of the fresh cannabis buds or leaves or cannabis oil is also labeled, in terms of equivalency to one gram of dried cannabis. Information on the conversion method must be published on the producer's website;
- Licensed Producers must not make therapeutic claims in relation to the cannabis, unless they are otherwise approved under the *Food and Drugs Act* (Canada);
- Licensed Producers must continue to comply with the record-keeping requirements for all transactions involving non-dried cannabis, including sales and destruction records; and
- Licensed Producers must notify Health Canada of any adverse reactions related to fresh cannabis buds and leaves or cannabis oil of which they become aware.

Peace Naturals and OGBC may also: (i) ship dried cannabis to a health care practitioner (as defined in the ACMPR) in the case referred to in subparagraph 130(1)(f)(iii) of the ACMPR; (ii) import cannabis if done in accordance with

an import permit issued under section 95 of the ACMPR; and (iii) possess cannabis for the purpose of export and export cannabis if done in accordance with an export permit issued under section 103 of the ACMPR or section 10 of the NCR.

Summary of the ACMPR

The ACMPR replaced the *Marihuana for Medical Purposes Regulations* (the "**MMPR**") as the governing regulations in respect of the production, sale and distribution of medical cannabis and related oil extracts. The replacement regulations were implemented as a result of the ruling by the Federal Court of Canada in the case of *Allard v Canada* which found the MMPR unconstitutional in violation of the plaintiffs' rights under Section 7 of the *Canadian Charter of Rights and Freedoms* due to the restrictions placed on a patient's ability to reasonably access medical cannabis.

The ACMPR effectively combines the regulations and requirements of the MMPR, the *Marihuana Medical Access Regulations* and the section 56 exemptions relating to cannabis oil under the CDSA into one set of regulations. In addition, among other things, the ACMPR sets out the process patients are required to follow to obtain authorization from Health Canada to grow cannabis and to acquire seeds or plants from Licensed Producers to grow their own cannabis. Under the ACMPR, patients have three options for obtaining cannabis:

(a) they can continue to access quality-controlled cannabis by registering with Licensed Producers;

(b) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or

(c) they can designate someone else to produce it for them.

With respect to (b) and (c), starting materials, such as plants or seeds, must be obtained from Licensed Producers. It is possible that (b) and (c) could significantly reduce the addressable market for the Company's products and could materially and adversely affect the business, financial condition and results of operations of the Company. That said, management of the Company believes that many patients may be deterred from opting to proceed with options (b) or (c) since such steps require applying for and obtaining registration from Health Canada to grow cannabis, as well as the up-front costs of obtaining equipment and materials to produce such cannabis. See " *– Competitive Conditions"*.

Reporting Requirements under the ACMPR

As described under the ACMPR (see Part 1, Division 5 of the ACMPR), Licensed Producers are required to keep records of, among other things, their activities with cannabis, including all transactions (sale, exportation, and importation), all fresh or dried marijuana or cannabis oils returned from clients, and an inventory of cannabis (e.g. seeds, fresh harvested marijuana, dried marijuana, packaged marijuana, packaged marijuana seeds, cannabis oil, marijuana plants destined to be sold or provided). All records have to be kept for a period of at least two years, in a format that will be easily auditable, and must be made available to Health Canada upon request. All communications regarding reports for healthcare licensing authorities, including both those sent and received, are also subject to this two-year requirement.

A Licensed Producer must provide Health Canada with a case report for each serious adverse reaction to fresh or dried marijuana or cannabis oil within 15 days of the Licensed Producer becoming aware of the reaction. A Licensed Producer must annually prepare and maintain a summary report that contains a concise and critical analysis of all adverse reactions that have occurred during the previous 12 months (the serious adverse reaction reports and the summary reports must be retained by the Licensed Producer for a period of 25 years after the day on which they were made).

Health Canada released an Information Bulletin titled, “Licensed Producers’ Reporting Requirements” to provide an overview of the information Licensed Producers must provide to Health Canada on a monthly basis. Licensed Producers must provide, among other requirements, the following information to the Office of Controlled Substances for the previous month on or before the 15th day of each month:

(a) With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the amounts produced, as well as the amounts received from another Licensed Producer as follows:

- total amount produced in the reporting period;
    - amount released for sale in the reporting period;
    - amount of fresh and dried marijuana produced in the reporting period and intended for extraction activities; and
    - amount received from other Licensed Producers during the reporting period;

(b) With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the total amount sold or transferred to the following during the reporting period:

- registered clients;
- other Licensed Producers; and
- licensed dealers;

(c) Number of clients registered (including breakdowns of different types of clients);

(d) Number of clients registered by province or territory of residence (including breakdowns of different types of clients);

(e) Number of refused registrations and refusals to fill order;

(f) With respect to fresh and dried marijuana and cannabis oil, Licensed Producers must report as of the final day of the reporting period the amounts held in inventory as follows:

- total amount held in inventory;
- amount intended for sale but not yet approved held in inventory;
- amount approved for sale held in inventory;
- amount of samples in inventory; and
- amount of fresh and dried marijuana intended for extraction activities held in inventory;

(g) With respect to cannabis seeds and marijuana plants, Licensed Producers must report:

- the total number of plants held in inventory;
- the number of plants destined to be sold as starting material held in inventory;
- the total weight of seeds held in inventory; and
- the number and weight of seeds destined to be sold as starting material held in inventory;

(h) Licensed Producers must also include in their report the total amounts ready to be destroyed, but still held in inventory on the final day of the reporting period;

(i) Total amount of cannabis imported during the reporting period;

(j) Total amount of cannabis exported during the reporting period;

(k) Total amount of cannabis lost or stolen during the reporting period;

(l) With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the total amount:

- that was destroyed during the reporting period; and
- of waste (e.g., plants, leaves, twigs) destroyed during the reporting period;

(m) With respect to fresh and dried marijuana, cannabis oil, cannabis seeds and marijuana plants, Licensed Producers must report the total amount returned from clients during the reporting period;

(n) Licensed Producers must report the total number of shipments sent to the following during the reporting period:

- registered clients;
- registered clients for interim supply;
- other Licensed Producers; and
- licensed dealers;

(o) Licensed Producers must report the total number of shipments sent to the following in each province and territory:

- registered clients;
- registered clients for interim supply;
- other Licensed Producers; and
- licensed dealers;

(p) Average daily amount of marijuana for medical purposes authorized;

(q) Median daily amount of marijuana for medical purposes authorized;

(r) Average shipment size sent to registered clients during the reporting period;

(s) Median shipment size sent to registered clients during the reporting period;

(t) List of ten highest unique daily authorized amounts and the frequency with which they occur;

(u) List of daily authorized amounts in specified increments:

- 0 to 1 grams;
- 1.1 to 2 grams;
- 2.1 to 3 grams;
- 3.1 to 4 grams;
- 4.1 to 5 grams;
- 5 to 10 grams;
- 10 to 15 grams; and
- > 15 grams;

(v) Total number of shipments to registered clients per each 10-gram interval between 0 and 150 grams;

(w) List of all health care practitioners who have completed medical documents for cannabis for medical purposes for registered clients and their location;

(x) List of all nurse practitioners who have completed medical documents for cannabis for medical purposes for registered clients and their location;

(y) Cannabis with which they are conducting R&D activities; and

(z) Activities with respect to cannabis products, other than marijuana or cannabis oil (e.g. cannabis resin).

Export Permits

Export permits issued by Health Canada are specific to each shipment. To apply for a permit to export cannabis, a Licensed Producer must submit significant information to the Canadian Minister of Health (the "**Minister of Health**"), including information about the substance to be exported (including description, intended use, quantity) and the importer. As part of the application, applicants are also required to provide a copy of the import permit issued by a competent authority in the jurisdiction of final destination and to make a declaration to the Minister of Health that the shipment does not contravene the laws of the jurisdiction of the final destination or any country of transit or transshipment. Export permits are time limited and the Minister of Health may include conditions that the export permit holder must meet in order to comply with an international obligation, or reduce any potential public health, safety or security risk, including the risk of the exported substance being diverted to an illicit market or use. Moreover, the jurisdiction of import may impose additional obligations on a Canadian exporter. Export permit holders must also comply with post-export reporting requirements.

Recent Regulatory Developments

Federal Developments

On December 13, 2016, the Task Force on Cannabis Legalization and Regulation (the " **Task Force**"), which was established by the Canadian Federal Government to seek input on the design of a new system to legalize, strictly regulate and restrict access to cannabis, published its report outlining its recommendations. On April 13, 2017, the Canadian Federal Government released Bill C-45, which proposes the enactment of the *Cannabis Act* (Canada) (the "**Cannabis Act**") to regulate the production, distribution and sale of cannabis for medical and unqualified adult use. On November 27, 2017, the House of Commons passed Bill C-45, and on December 20, 2017, the Prime Minister communicated that the Canadian Federal Government intends to legalize cannabis in the summer of 2018, despite previous reports of a July 1, 2018 deadline. Bill C-45 is currently before the Senate of Canada. On March 22, Bill C-45 passed second reading in the Senate. However, as of the date hereof, it is being studied by various committees of the Senate, and Bill C-45 must also pass a third reading in order for it to become law.

On February 6, 2018, Public Safety Minister, Ralph Goodale, announced that, while Bill C-45 was still on schedule to receive royal assent in July 2018, implementation of various aspects of the regime, including preparing markets for retail sales, could take another eight to twelve weeks from such date. The impact of such regulatory changes on Cronos' business is unknown, and the proposed regulatory changes may not be implemented at all. See "*Risk Factors – Risks Related to the Industry and the Company's Business – There can be no assurance that the legalization of recreational cannabis by the Government of Canada will occur and the legislative framework pertaining to the Canadian recreational cannabis market is uncertain*."

On October 3, 2017, the Parliamentary Standing Committee on Health (the " **HESA**") proposed amendments to the Cannabis Act to provide, among other things, that edibles containing cannabis and cannabis concentrates would be added to the classes of cannabis an authorized person may sell. In addition, HESA's proposed amendments provide

that a framework for the sale of edibles and cannabis concentrates would be implemented within a year of the Cannabis Act coming into force. HESA's proposed amendments were incorporated into Bill C-45.

On November 21, 2017, Health Canada released a consultation paper entitled "Proposed Approach to the Regulation of Cannabis" (the "**Proposed Regulations**"). Interested stakeholders were invited to share their views on the Proposed Regulations until January 20, 2018. On March 19, 2018, Health Canada published a summary of the comments received on the Proposed Regulations as well as some proposed additions to the regulatory proposal (the "**Summary of Comments**"), although all of the details are still subject to change until final regulations are published.

The Proposed Regulations were divided into the following seven major categories:

1. Licenses, Permits and Authorizations;
2. Security Clearances;
3. Cannabis Tracking System;
4. Cannabis Products;
5. Packaging and Labelling;
6. Cannabis for Medical Purposes; and
7. Health Products and Cosmetics Containing Cannabis.

Licenses, Permits and Authorizations

The Proposed Regulations would establish different types of authorizations based on the activity being undertaken and, in some cases, the scale of the activity. Rules and requirements for different categories of authorized activities are intended to be proportional to the public health and safety risks posed by each category of activity. The types of proposed authorizations include: (i) cultivation; (ii) processing; (iii) sale to the public for medical purposes and non-medical purposes in provinces and territories that have not enacted a retail framework; (iv) analytical testing; (v) import/export; and (vi) research.

Cultivation licenses would allow for both large-scale and small-scale (i.e. micro) growing of cannabis, subject to a stipulated threshold. Industrial hemp and nursery licenses would also be issued as a subset of cultivation licenses. Health Canada is considering a number of options for establishing and defining a "micro-cultivator" threshold, such as plant count, size of growing area, total production, or gross revenue. Part of the stated purpose of the Proposed Regulations was to solicit feedback from interested stakeholders regarding the most appropriate basis for determining what such threshold should be. The Summary of Comments states that consideration is being given to restricting the number of micro-cultivation and microprocessing licenses at a single site to avoid allowing anyone to combine multiple micro-scale licenses to avoid meeting the requirements associated with standard licenses. In addition, the Summary of Comments states that it will be proposed that final regulations define micro-scale licenses as follows:

- Micro-cultivation license would authorize the cultivation of a plant canopy area of no more than 200 square metres.
- Micro-processing license would authorize the processing of no more than 600 kilograms of dried cannabis (or equivalent) per year, or the entire output of a single micro-cultivation license.

The Proposed Regulations provide that all licenses issued under the Cannabis Act would be valid for a period of no more than five years and that no licensed activity could be conducted in a dwelling-house. The Proposed Regulations would also permit both outdoor and indoor cultivation of cannabis. The implications of the proposal to allow outdoor cultivation are not yet known, but such a development could be significant as it may reduce start-up capital required

for new entrants in the cannabis industry. It may also ultimately lower prices as capital expenditure requirements related to growing outside are typically much lower than those associated with indoor growing. The Summary of Comments suggests that although people are generally supportive of outdoor cultivation, final regulations might address concerns related to risks of theft and diversion, impact on adjacent crops, good production practices and management of odour during flowering.

Security Clearances

It is proposed that select personnel (including individuals occupying a “key position,” directors, officers, large shareholders and individuals identified by the Minister of Health) associated with certain licenses issued under the Cannabis Act would be obliged to hold a valid security clearance issued by the Minister of Health. The Proposed Regulations would enable the Minister of Health to refuse to grant security clearances to individuals with associations to organized crime or with past convictions for, or an association with, drug trafficking, corruption or violent offences. This is the approach in place today under the ACMPR and other related regulations governing the licensed production of cannabis for medical purposes.

According to the Summary of Comments, a number of commenters felt that the proposed requirement for large shareholders to hold security clearances would be difficult to enforce, and that it would be relatively simple to structure investments and assets to avoid the requirement. As a result, Health Canada is considering alternative options to reduce the risk of criminal organizations establishing a financial relationship with legal cannabis producers. According to the Summary of Comments, such measures could include requiring license applicants to submit financial information (including information about investors) as part of the license application process. This information could then be used in determining whether to refuse to issue or renew a license, should public safety concerns be raised. As well, the regulations could require regular, ongoing reporting of financial information by licensees to help identify suspicious financial relationships or arrangements that may warrant additional regulatory action (including, for example, a license suspension).

Health Canada acknowledges in the Proposed Regulations that there are individuals who may have histories of non-violent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) who may seek to obtain a security clearance so they can participate in the legal cannabis industry. Under the new set of rules, the Minister of Health would be authorized to grant security clearances to any individual on a case-by-case basis.

Cannabis Tracking System

As currently proposed under the Cannabis Act, the Minister of Health would be authorized to establish and maintain a national cannabis tracking system. The purpose of this system would be to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. The Proposed Regulations would provide the Minister of Health with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister of Health.

Cannabis Products

The Proposed Regulations would permit the sale to the public of dried cannabis, cannabis oil, fresh cannabis, cannabis plants and cannabis seeds. It is proposed that the sale of edible cannabis products and concentrates (such as hashish, wax and vaping products) would only be permitted within one year following the coming into force of the Cannabis Act. According to the Summary of Comments, many commenters urged the government to allow the sale of edibles and concentrates immediately. However, based on the Summary of Comments, the government has not changed its

position and states that necessary regulations addressing edibles containing cannabis and cannabis concentrates will be put in place within one year following the coming into force of the proposed Cannabis Act. The Summary of Comments also states that Health Canada plans to consult broadly on these regulations with the provinces and territories, industry, the public health community and other interested stakeholders.

The Proposed Regulations acknowledge that a range of product forms should be enabled to help the legal industry displace the illegal market. Additional product forms that are mentioned under the Proposed Regulations include "pre-rolled" cannabis and vaporization cartridges manufactured with dried cannabis. Specific details related to these new products are to be set out in a subsequent regulatory proposal.

Packaging and Labelling

The Proposed Regulations would set out requirements pertaining to the packaging and labelling of cannabis products. Such requirements would promote informed consumer choice and allow for the safe handling and transportation of cannabis. Consistent with the requirements under the ACMPR, the Proposed Regulations would require all cannabis products to be packaged in a manner that is tamper-evident and child-resistant. The Summary of Comments makes it clear that these requirements will also apply to cannabis accessories, such as rolling paper and gel capsules, that contain cannabis.

While minor allowances for branding would be permitted, in the Proposed Regulations, Health Canada stated that it would propose strict limits on the use of colours, graphics, and other special characteristics of packaging, and products (both medical and recreational) would be required to be labelled with specific information about the product, contain mandatory health warnings similar to tobacco products, and be marked with a clearly recognizable standardized cannabis symbol.

The Summary of Comments has provided significant details on the label content and labelling requirements that the Canadian Federal Government intends to propose. These details include:

- a standardized cannabis symbol that would need to appear on every label, including specific requirements with respect to its size, placement and appearance;
- mandatory health warning messages that would need to appear on every label, including specific requirements with respect to their size, placement and appearance. The proposed warnings cover six topics related to harms related to smoke, pregnancy/breastfeeding, operating vehicles/machinery, addiction, psychosis/schizophrenia and youth use. A warning (comprised of a primary and secondary message) would need to appear on every label, and the different warnings would need to be rotated on package labels; and
- requirements with respect to information on THC and CBD content, as well as other information that would be required on each label, including specific requirements with respect to the size, placement and appearance of this information.

The intended proposal is that, consistent with the Task Force's recommendation to require plain packaging of cannabis products, the regulations would set strict requirements related to the use of branding, logos, and colours. Specifically:

- only one other brand element (in addition to the brand name) could be displayed. This element could include, for example, a slogan or logo. If it is a text element, the font must be no larger than the font of the health warning message, and must be a single, uniform colour. If the brand element is a graphic, image or logo, it would be required to be no larger than the standardized cannabis symbol;
- it would be prohibited to display any other image or graphic;
- label and package backgrounds would need to be a single, uniform colour (inside and outside);

- it would be prohibited to use any fluorescent or metallic colours;
- colours must contrast with the colours of the standardized cannabis symbol and the background of the health warning messages;
- labels and packaging could not have any coating (e.g. could not be glossy), embossing (raised or recessed relief images), texture, foil, cut-outs or peel-away labels;
- any over-wrap must be clear; and
- it would be prohibited to include any insert in a package.

In addition, the Summary of Comments states that the intention is to propose that the regulations would require that the immediate container be opaque or translucent. Products could have both an inner and outer package, but every package would need to be labelled in accordance with the proposed requirements. Finally, the regulations would require licensed processors to ship an informational document developed by Health Canada with every package delivered to a federally-, provincially-, or territorially-licensed distributor or retailer. The document would not be required to be included as an insert in the package, but would be provided to consumers with the sale or delivery of the package. The document would provide adult consumers with health and safety information, such as precautions and directions for use, and would be updated periodically to take into account new information and evidence.

To facilitate the orderly transition from the current packaging and labelling requirements under the ACMPR to the new regulatory requirements, the Summary of Comments states that the intention is to propose a transition period for cannabis products sold for medical purposes. Specifically, it is proposed that for six months following the coming into force of the proposed Cannabis Act, all cannabis products sold for medical purposes could be packaged and labelled in accordance with the current rules under the ACMPR.

Cannabis for Medical Purposes

The proposed medical access regulatory framework would remain substantively the same as currently exists under the ACMPR, with proposed adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system.

Health Products and Cosmetics Containing Cannabis

Health Canada is proposing a scientific, evidence-based approach for the oversight of health products with cannabis that are approved with health claims, including prescription and non-prescription drugs, natural health products, veterinary drugs and veterinary health products, and medical devices. Under the Proposed Regulations, the use of cannabis-derived ingredients (other than certain hemp seed derivatives containing no more than 10 parts per million THC) in cosmetics, which is currently prohibited, is proposed to be permitted and subject to provisions of the Cannabis Act.

Provincial and Territorial Developments

While the Cannabis Act provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the Canadian Federal Government, the Cannabis Act proposes that the provinces and territories of Canada will have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

The Governments of every Canadian province and territory have, to varying degrees, announced proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. Most of these

Canadian jurisdictions have announced a minimum age of 19 years old, except for Québec and Alberta, where the minimum age will be 18.

British Columbia

Although British Columbia has not yet tabled any cannabis bills, the Government of British Columbia announced in December 2017 that recreational cannabis will be sold in that province through both public and privately operated stores. The British Columbia Liquor Distribution Branch will be responsible for the public retail stores and will also be the province's wholesale distributor of non-medical cannabis. Licensing and monitoring of private retail stores will be the responsibility of the Liquor Control and Licensing Branch. In February 2018, the Government of British Columbia released further details about proposed cannabis regulation in the province. Adults will be allowed to use cannabis in places where tobacco smoking and vaping are permitted, but will be banned from smoking and vaping in areas frequented by children including beaches, parks and playgrounds, and the use of cannabis in any form will be banned for all occupants in vehicles. British Columbia will allow personal cultivation of up to four cannabis plants per household, but the province will allow landlords to prohibit home cultivation.

Alberta

Alberta Bill 26, *An Act to Control and Regulate Cannabis* ("**Bill 26**"), and Bill 29, *An Act to Reduce Cannabis and Alcohol Impaired Driving* ("**Bill 29**"), received royal assent on December 15, 2017 and will come into force on proclamation. Sections 1-16 of Bill 29 have been proclaimed in force April 8, 2018. Bill 26 amends the *Gaming and Liquor Act* and will allow for the purchase of cannabis through privately run retail stores and government-operated online sales. On April 6, 2018, the Government of Alberta introduced Bill 6, *Gaming and Liquor Statutes Amendment Act, 2018,* which would amend Bill 26 to create a list of individuals in good standing to be employees of retail stores, to allow for the possibility of cannabis retail stores selling non-cannabis products, and to restrict how cannabis retailers name and brand their premises such that terms commonly associated with medicine, health or pharmaceuticals will be prohibited. The Alberta Gaming and Liquor Commission will be the sole wholesale distributor in the province. Consumption of cannabis will be allowed anywhere that tobacco consumption is permitted, but cannabis use will be banned in vehicles. Smoking and vaping cannabis will be prohibited on hospital, school or child care properties, and within prescribed distances of areas such as playgrounds, sports fields and outdoor pools. Albertans will be allowed to grow up to four plants per household, and there will be a possession limit of 30 grams of cannabis in a public place. The Regulations to the *Gaming and Liquor Act* were amended to include regulations related to cannabis on February 15, 2018 and will come into force upon the coming into force of Bill 26.

Saskatchewan

The Government of Saskatchewan has announced that both wholesaling and retailing of recreational cannabis will be conducted by private companies, and will be regulated by the Saskatchewan Liquor and Gaming Authority. The Saskatchewan Liquor and Gaming Authority will issue approximately 60 retail permits to private stores located in roughly 40 municipalities and First Nations across the province. Municipalities will have the option of opting out of having a cannabis store if they choose, and so far five municipalities have opted out. On March 14, 2018, Bill 121, *Cannabis Control (Saskatchewan) Act* (the "**Saskatchewan Act**") had its first reading. The Saskatchewan Act sets a minimum age for cannabis consumption of 19. The Saskatchewan Act also restricts possession to 30 grams in public or four cannabis plants for personal use, and restricts consumption to private places except as exempted by regulation. The Government of Saskatchewan has said that they intend to adopt the federal rules around home growing, with a limit of four plants per household. Bill 112, *The Miscellaneous Vehicle and Driving Statutes (Cannabis Legislation) Amendment Act, 2017* had its first reading on November 28, 2017 and amends the province's impaired driving laws.

Manitoba

The Government of Manitoba has adopted a "hybrid model" for cannabis sales, whereby the retail sale of cannabis will be conducted by private retailers under the regulation and supervision of the Manitoba Liquor and Gaming Authority, and the supply of cannabis in the province will be secured and tracked by the Manitoba Liquor and Lotteries Corporation. Bill 11, *The Safe and Responsible Retailing of Cannabis Act (Liquor and Gaming Control Act and Manitoba Liquor and Lotteries Corporation Act Amended)* ("**Bill 11**") had its second reading April 23, 2018. Following an application process between November and December 2017, the Government of Manitoba selected four groups to operate retail sales of cannabis in the province. Bill 11 will prohibit individuals from growing cannabis at their place of residence. The Government of Manitoba has also passed *The Cannabis Harm Prevention Act (Various Acts Amended)* to address health and safety concerns connected with legalized cannabis consumption, which include the prohibition against consuming cannabis in vehicles and against smoking cannabis in enclosed public places. Bill 11 also prohibits the consumption of cannabis in any manner in a cannabis retail store. On March 20, 2018, the Government of Manitoba also announced a proposal to prohibit smoking and vaping cannabis in outdoor public places, and the related *The Non-Smokers Health Protection and Vapour Products Amendment Act (Prohibiting Cannabis Consumption in Outdoor Public Places)* received second reading on April 23, 2018.

Ontario

On September 8, 2017, the Government of Ontario announced its proposed retail and distribution model of legalized recreational cannabis to be modelled on the current Liquor Control Board of Ontario ("**LCBO**") framework. On December 12, 2017, the Government of Ontario passed the *Ontario Cannabis Retail Corporation Act, 2017* ("**OCRCA**") and the *Cannabis Act, 2017* (Ontario), which will regulate the lawful use, sale and distribution of recreational cannabis. The OCRCA is already in force, but the *Cannabis Act, 2017* (Ontario) is expected to come into force at the same time as federal legalization.

The new Ontario legislation will, among other matters:

- create a subsidiary of the LCBO, known as the Ontario Cannabis Retail Corporation, to manage the distribution of recreational cannabis through stand-alone stores and an LCBO-controlled online order and distribution service, which together, will comprise the only channels through which consumers will be able to legally purchase recreational cannabis in Ontario;
- ban the use of recreational cannabis in public places, workplaces and motor vehicles, as is the case with alcohol (restrictions relating to consumption of medical cannabis are covered under the *Smoke-Free Ontario Act)*; and
- create significant penalties for non-compliance.

Other details of Ontario's approach have been set out in regulations to the *Cannabis Act, 2017* (Ontario). The regulations filed as the date hereof include a number of provisions that will allow cannabis consumption in hotel rooms and limited types of workplaces, among other exceptions, and other provisions that will prohibit cannabis consumption in a variety of spaces including indoor common areas in a condominium, apartment building or university or college residence in the case of the consumption of cannabis by smoking or through the use of an electronic cigarette. The regulations also exempt certain industrial hemp products from the application of the *Cannabis Act, 2017* (Ontario).

Québec

Québec Bill 157, *An Act to constitute the Société québécoise du cannabis, to enact the Cannabis Regulation Act and to amend various highway safety-related provisions* ("**Bill 157**"), was introduced in November 2017 and had its second reading on February 13, 2018. Bill 157 will amend the *Act respecting the Société des alcools du Québec* to create a government agency to regulate cannabis sales as a parallel organization to the existing government-controlled alcohol

retailer commonly known in the province as the “SAQ”. Initial reports from the Government of Québec indicate that 15 government-run dispensaries will be opened initially, with up to 150 additional dispensaries to open within the following two years. Bill 157 will also enact the *Cannabis Regulation Act* which, among other things, will prohibit the cultivation of cannabis for personal purposes, and will limit cannabis consumption outside of private residences and other designated closed smoking rooms.

New Brunswick

The Government of New Brunswick has introduced three bills related to cannabis: the *Cannabis Control Act*, the *Cannabis Management Corporation Act*, and the *Cannabis Education and Awareness Fund Act* . All three bills received royal assent on March 16, 2018. The Cannabis Management Corporation Act will establish a Crown corporation to oversee and regulate the distribution and sale of cannabis in the province. Retail sales of recreational cannabis will be conducted through a subsidiary of the New Brunswick Liquor Corporation. The Cannabis Control Act will limit the consumption of cannabis to private dwellings, vacant land, or other places prescribed by regulation.

Nova Scotia

Following public consultation, on December 6, 2017, the Government of Nova Scotia announced its legislative framework for recreational cannabis in the province. Cannabis will be sold at government-owned retail locations through the Nova Scotia Liquor Corporation. The government has identified nine initial locations for retail stores. The province also plans to create an online retail sales platform that will include direct-to-home delivery. Under the legislative framework, cannabis consumption will be restricted to private residences and outdoor public spaces, with certain restrictions, and consumption will be prohibited in vehicles and other areas where tobacco smoking is already prohibited. The province will follow the federal legislation and allow possession of 30 grams of dried cannabis, and each household will be permitted to cultivate four cannabis plants. On April 3, 2018, the Government of Nova Scotia introduced Bill 108, the Cannabis Control Act (“**Bill 108**”), which is in line with the previously announced framework. Bill 108 received royal assent of April 18, 2018, although the majority of Bill 108 will come into force at a later date.

Newfoundland and Labrador

In November 2017, the Government of Newfoundland and Labrador announced that recreational cannabis will be sold through private stores, with the Crown-owned liquor corporation overseeing the distribution to private sellers who will sell it to consumers. Bill 23, *An Act to Amend the Liquor Corporation Act,* had its second reading on November 23, 2017 and will give the Newfoundland and Labrador Liquor Corporation the authority to license and regulate private retailers. The Government of Newfoundland and Labrador has stated that the Newfoundland and Labrador Liquor Corporation will control the possession, sale and delivery of cannabis, and set prices. It will also be the initial online retailer and will sell cannabis products in isolated communities. The Government of Newfoundland and Labrador has issued a request for proposals for private retailers. The Government of Newfoundland and Labrador has said that consumption of cannabis will be restricted to private residences, and it has not made any indication that it will deviate from the federal rules allowing for the growth of four cannabis plants per household.

Prince Edward Island

Following public consultation, on March 27, 2018 the Government of Prince Edward Island released a policy and legislative framework for cannabis in the province. Cannabis will be sold at dedicated government-owned retail locations through the PEI Cannabis Management Corporation. The government has identified four initial locations for retail stores based on population density, and based on the sales in those locations the government will plan future expansion. The province also plans to create an online retail sales platform that will include direct-to-home delivery. Under the legislative framework, cannabis consumption will be restricted to private residences, with certain communal

spaces being designated for cannabis consumption, and consumption will be prohibited in vehicles and other areas where tobacco smoking is already prohibited. The province will follow the federal legislation and allow possession of 30 grams of dried cannabis, and each household will be permitted to cultivate four cannabis plants, but lessees will only be permitted to cultivate cannabis if the landlord permits, in writing, the lessee to cultivate in the home or apartment. On April 10, 2018, the Government of Prince Edward Island introduced Bill 29, *An Act to Respond to the Legalization of Cannabis*, which is in line with the previously announced framework.

Yukon

The Government of Yukon tabled Bill 15, the *Cannabis Control and Regulation Act* ("**Bill 15**"), on March 8, 2018. Bill 15 received Royal Assent on April 24, 2018, although it is not yet in force. The proposed act would allow the government to designate the Yukon Liquor Corporation to distribute and regulate the sale of cannabis in the territory. Retail sales of recreational cannabis will be conducted by a combination of private stores and stores owned by the Yukon Liquor Corporation. Bill 15 would prohibit the consumption of cannabis outside of a private dwelling-house.

The Northwest Territories

The Government of the Northwest Territories has tabled Bill 6, the *Cannabis Legalization and Regulation Implementation Act*. It is proposed that the Northwest Territories Liquor Commission will be responsible for the distribution and sale of cannabis and that cannabis will initially be sold in existing liquor stores. Smoking cannabis will be prohibited in public places, subject to exceptions in the regulations. Communities in the Northwest Territories will be able to hold a plebiscite to prohibit cannabis, similar to the options currently available to restrict alcohol.

Nunavut

Although it has not yet tabled any cannabis bills, the Government of Nunavut has proposed that the sale of cannabis products will be overseen by the Nunavut Liquor Commission, but that the Commission will be allowed to outsource certain operations (including retail sales) to private third party "agents". The government is proposing to allow sales in physical stores and online. The government has also proposed that cannabis consumption should only be allowed in private homes and in some designated public spaces where tobacco smoking is allowed.

Licenses and Regulatory Framework in Australia

Legislation to permit the cultivation of cannabis for medical and related research purposes was passed by the Australian Parliament on February 29, 2016, with amendments related to licensed domestic cultivation coming into effect on October 30, 2016.

Access by patients to medical cannabis in Australia is highly regulated. The two principal governmental agencies which oversee the federal medical cannabis regime are the Therapeutic Goods Administration and the ODC, (although there is also a secondary level of permits issued by state level governments). Similar to the legislation in Canada, the legislation which governs the use of medical cannabis in Australia creates exemptions to existing narcotic control laws which permit patients to access cannabis through a prescribed process under the supervision of a treating physician, known as the "Special Access Scheme".

In order to cultivate, produce and manufacture medical cannabis and medical cannabis-related products in Australia, a license granted by the Australian federal government is required. There are three categories of licenses relating to the cultivation and manufacture of cannabis-derived medications – medical cannabis (cultivation and production), cannabis research (cultivation and production) and manufacturing. Cultivation and production permits regulate matters such as the types of cannabis plants that can be cultivated and the quantities of cannabis and cannabis resin

that can be produced. Manufacturing permits regulate the types and quantities of drugs that can be manufactured. The ODC grants such licenses to applications after an application and review process. The ODC also grants specific cannabis research licenses for research activities relating to cannabis.

In order to export cannabis from Canada to Australia for sale through licensed channels, an applicant is required to obtain permits in both Canada and Australia. In Australia, the ODC issues import licenses to an applicant which is capable of receiving and storing narcotics and issues import permits that authorize the import of specific shipments of cannabis or cannabis-derived medication into Australia. In Canada, Health Canada issues export licenses under the ACMPR. Assuming an applicant has obtained the necessary Australian import license, and is otherwise in compliance with applicable laws (including export laws of its local jurisdiction), it may import products into Australia for sale.

Cronos Australia Licenses

Cronos Australia was granted a medical cannabis cultivation license under Section 8F and a cannabis research license under Section 9J of the *Narcotic Drugs Act 1976* by the ODC (the "**Cronos Australia Licenses**"). Cronos Australia is awaiting the grant of the cannabis manufacturing license for the manufacturing and processing of cannabis-related products (e.g., cannabis resin and cannabis oil) and an import license from the ODC. The manufacturing and import licenses have been applied for and are awaiting approval from the ODC. The ODC has not provided a timeline for its review and approval process. Cronos Australia will not be able to commence sales or distributions of medical cannabis in Australia until it has received the cannabis manufacturing license.

The medical cannabis cultivation license has an effective term from January 31, 2018 to January 30, 2019 and authorizes Cronos Australia to cultivate cannabis plants, to produce cannabis and cannabis resin and to package, transport, store, possess, test and control cannabis plants, cannabis and cannabis resin.

The medical cannabis research license has an effective term from January 31, 2018 to January 30, 2019 and authorizes Cronos Australia to undertake, for the purposes of research, cultivation of cannabis plants, production of cannabis or cannabis resin and the packaging, transport, storage, possession and control of cannabis plants, cannabis and cannabis resin.

Under the *Narcotic Drugs Act 1967* and the *Narcotic Drugs Regulation 2016*, a medical cannabis cultivation and cannabis research license holder is required to comply with several conditions and requirements under the act and the regulations, including:

- Security: license holders are required to demonstrate experience and capabilities to ensure employee and community safety during the production of medical cannabis. This includes the physical security of the premises and facilities. License holders must provide a detailed security plan highlighting a sophisticated infrastructure to ensure compliance with state and federal security requirements. The license holder must also provide detailed evidence of established relationships and engagement with any third-party providers, including but not limited to security monitoring stations, waste management services, and transportation/distribution services.
- Personnel: license holders are required to detail their process for identifying and maintaining suitable staff for the period of their license, to mitigate potential risks and to ensure compliance at all times under *the Narcotic Drugs Act 1976*. This includes establishing a proven staffing policy with specific requirements for new employees and continuous checks of existing employees.
- Record-keeping: license holders are required to provide detailed processes and solutions for maintaining pertinent records for the reconciliation and oversight of all activities, produced batches, and cannabis sales. The license holder is required to demonstrate a thorough understanding of operational workflow with controlled substances, provide insight into the stages at which records are taken and the systems through which those records are taken and maintained.

- Quality assurance: license holders are required to demonstrate their commitment to quality control and quality assurance for the products being produced by providing detailed plans and standard operating procedures for facility design, workflow, sanitation, and control check-points. The license holder is also required to show established agreements with testing facilities, as well as detailed descriptions of the types of product testing being performed.
- Corporate control: individuals who will have control over the organization, including but not limited to directors, officers and majority shareholders, must complete national criminal record checks. The individual must show evidence of the contractual obligation to one another and to the organization. These individuals are required to complete ongoing record checks at regular intervals, and any changes to the structure must be submitted and approved by the ODC. Those issued a license have demonstrated that key stakeholders meet the strict requirements set forth by the ODC.
- Commitment to on-going research (in relation to the cannabis research license): license holders are required to provide a full and complete research proposal before they can be issued a cannabis research license. The research proposal is reviewed in its entirety, and identifies the third-parties and committees who will be involved in the research, and analyses of the results, to be undertaken at the premises. The ODC and delegates review these research proposals for efficacy and ensure that the research aligns with the objectives of advancing the Australian medical cannabis industry.

Licenses and Regulatory Framework in Israel

In March 2017, the Israeli Health Ministry announced a new cannabis licensing regime, under which new market entrants were encouraged to apply for various licenses which were no longer vertically integrated. Previously, in June 2016, alongside the growing use and demand for medical cannabis, the Israeli government published Resolution No. 1587, which established a new regulatory framework for the "medicalization" of cannabis. The competent regulatory authority in Israel is the Medical Cannabis Unit of the Israeli Ministry of Health (the "**Yakar**").

Since March 2017, the Yakar has issued a number of provisional cultivation licenses to applicants to develop production facilities. Final approvals for all stages of the cultivation, production, marketing and distribution of cannabis products are subject to compliance with all regulatory requirements. This process involves agricultural, security and production protocols and standards. Once applicants have completed construction of their production facilities and meet all required agricultural and security rules the Yakar will grant approval to commence and conduct actual cannabis operations.

In addition to servicing the domestic market, the Yakar has stated its intention to make Israeli cannabis products available for export. Regulations related to this particular issue are under consideration. Under the proposed regulations those who receive a permit to grow cannabis would be permitted to export cannabis products to countries that permit the use of medical cannabis.

In February 2018, Israeli Prime Minister Benjamin Netanyahu suspended the progress of reforms to allow the export of medical cannabis (the "**Export Amendment**") pending reviews by the Ministry of Health and the Chairman of the National Economic Council (the " **NEC**"). The NEC Chairman was instructed to conduct an economic feasibility report, while the Ministry of Health was to prepare an independent review to assess the risk of diversion of cannabis exports to recreational markets.

On March 7, 2018, a bill to decriminalize the recreational use of cannabis (the " **Recreational Bill**"), imposing fines rather than criminal penalties for first- and second-time possession offenses, unanimously passed its first reading at the Israeli Parliament (the "**Knesset**"). The preliminary reading of the Recreational Bill in early February 2018 included the Export Amendment, which unanimously passed the preliminary reading along with the remainder of the Recreational Bill. However, the Export Amendment will need to be passed by the Knesset Labor, Welfare and Health

Committee before it can continue to its first reading. On April 11, 2018, an agreement was reached between the Finance Ministry, Health Ministry and Interior Ministry regarding securing medical cannabis during export. Interior Minister Gilad Erdan issued a statement after an agreement was reached to permit Israel Police to receive adequate resources to monitor exports and prevent medical cannabis from falling into the hands of criminal groups. Exports will only include medical-use cannabis products and not raw cannabis to ensure purely medical use. Until exports are permitted under applicable Israeli law, products from Cronos Israel will be distributed domestically in the local Israeli market.

The Company does not anticipate that these developments will affect the Company's strategic objectives or anticipated timelines in relation to Cronos Israel.

Currently in Israel, medical cannabis is provided to patients on a "direct to patient" distribution model, whereby patients purchase medical cannabis directly from authorized medical cannabis suppliers.

Cronos Israel Licenses

In early 2017, the Yakar granted Gan Shmuel Israel Codes to establish four distinct cannabis commercial operations: (1) propagation and breeding, (2) commercial cannabis cultivation, (3) extraction, formulation and packaging and (4) patient care and distribution. These Israel Codes are preliminary licenses granted to successful applicants to construct facilities for cannabis operations. Applicants at this stage are not yet officially permitted to propagate, cultivate, process or distribute cannabis until the nursery, cultivation and manufacturing facilities are constructed and pass inspections by the Yakar, after which point, assuming the facilities pass inspections, the Yakar will issue the final cannabis licenses for each operation.

Gan Shmuel is in the process of obtaining approval from the Yakar to transfer the Israel Codes to Cronos Israel. After construction of the greenhouse (for nursery and cultivation operations) and the manufacturing facility (for extraction, production and packaging operations) is completed, the facilities will be inspected by the Yakar against various requirements and protocols set out in the directives promulgated under Resolution No. 1587 (including security standards, quality standards of cultivation, manufacturing and storage / delivery). Assuming the facilities pass the inspection, Cronos Israel expects to receive the final cannabis licenses for each of the operations from the Yakar.

Regulatory Framework in Germany for Imports

The current regulatory regime in Germany permits the import of cannabis plants and plant parts for medical purposes under state control subject to the requirements under the United Nations Single Convention on Narcotic Drugs of 1961 ("**UN Single Convention**"). Current German legislation does not set up quantitative restrictions on imports, but requires importers to be licensed under the Federal Narcotics Act (*Betäubungsmittelgesetz*, "**BtMG**"). Any person wishing to cultivate, produce or trade in narcotic drugs, or without engaging in their trade, to import, export, supply, sell, otherwise place on the market, or acquire narcotic drugs, requires a license issued by the Federal Institute for Drugs and Medical Devices (the "**BfArM**"). Permissions under such a license may be restricted in relation to:

(1) the kind of narcotic drugs and of the trade in narcotic drugs;

(2) the annual quantity and the stock of narcotic drugs;

(3) the location of the sites; and

(4) the production process and the starting, intermediate and finished products involved, even if they are not narcotic drugs.

In addition to a narcotics import license, an importer, in each case, is required to submit an application for import authorization to the BfArM. Applications for import permits must include the specifics of the contemplated shipment.

Import permits are issued on a shipment-specific basis and have a three-month validity period. The import permit, once granted, will specify, among other details, for each shipment:

(1) the importer;

(2) the exporter;

(3) for every narcotic to be imported:

a. the central pharmaceutical number (if available);

b. the number of package units;

c. the number of dosage units; and

d. the name of the narcotic and concentration of active substances.

Medical cannabis imported under the UN Single Convention subject to a license under the BtMG is placed on the market for the final consumer by pharmacists as individual preparation upon individual prescription. Typical preparations are for inhalation upon evaporation or as teas. Medical doctors may issue prescriptions of dried cannabis flowers of up to 100,000 mg, or 1,000 mg of cannabis extracts – the latter on a THC content basis – per patient each month.

Cannabis extracts stemming from production for medical purposes under the UN Single Convention may be lawfully manufactured in or imported to Germany, subject to a license under the BtMG. Prescriptions by medical doctors are limited to 1,000 mg on a THC content basis per patient and month. Cannabis oils for patient use may be prepared in pharmacies from oils delivered as starting materials.

Exports to Germany by Peace Naturals

Peace Naturals exports dried cannabis flower to Germany under Subdivision G of the ACMPR and pursuant to export permits issued by Health Canada for each shipment. Health Canada requires Licensed Producers to submit copies of valid import permits issued by a competent authority in the country of destination in each application for an export permit. Import permits for shipments are applied for and obtained by Pohl-Boskamp from the BfArM and once such import permits are received, Peace Naturals applies for and obtains export permits from Health Canada prior to export to Germany.

RISK FACTORS

An investment in the Company involves a number of risks. In addition to the other information contained in this AIF, investors should give careful consideration to the following risk factors. Any of the matters highlighted in these risk factors could adversely affect our business and financial condition, causing an investor to lose all, or part of, its, his or her investment. The risks and uncertainties described below are those we currently believe to be material, but they are not the only ones we face. If any of the following risks, or any other risks and uncertainties that we have not yet identified or that we currently consider not to be material, actually occur or become material risks, our business, prospects, financial condition, results of operations and cash flows and consequently the price of our securities could be materially and adversely affected. In addition, a discussion of the risks affecting the Company and our business appears under the heading "*Risks and Uncertainties*" in management's discussion and analysis for the fiscal year ended December 31, 2017.

Risks Related to the Industry and the Company's Business

We are reliant on our licenses for our ability to grow, store and sell medical cannabis and other products derived therefrom and such licenses are subject to ongoing compliance, reporting and renewal requirements.

Our ability to grow, store and sell medical cannabis in Canada is dependent on our licenses from Health Canada, and in particular the Peace Naturals Licenses and the OGBC ACMPR License. Failure to comply with the requirements of the licenses or failure to maintain the licenses would have a material adverse impact on our business, financial condition and results of operations. The Peace Naturals ACMPR License was renewed November 1, 2016 and expires November 1, 2019. The OGBC ACMPR License was renewed on February 28, 2017 and expires February 28, 2020. The Peace Naturals Dealer's License was issued on January 22, 2018 and expires December 31, 2018. Although Peace Naturals and OGBC believe they will meet the requirements of the ACMPR and NCR for extension of their respective licenses, there can be no guarantee that Health Canada will extend or renew the licenses or, if they are extended or renewed, that they will be extended or renewed on the same or similar terms or that Health Canada will not revoke the licenses. Should we fail to comply with requirements of the licenses or should Health Canada not extend or renew the licenses, or should we renew the licenses on different terms or not allow for anticipated capacity increases, or should we revoke the licenses, our business, financial condition and results of the operations will be materially adversely affected.

Our ability to cultivate medical cannabis and conduct research related to cannabis in Australia is dependent on our licenses from the ODC, and in particular the Cronos Australia Licenses. Failure to comply with the requirements of the licenses or failure to maintain the licenses would have a material adverse impact on our business, financial condition and results of operations. The Cronos Australia Licenses were granted January 31, 2018 and expire January 30, 2019. Although Cronos Australia believes it will meet the requirements for extension of their licenses, there can be no guarantee that the ODC will extend or renew the licenses or, if they are extended or renewed, that they will be extended or renewed on the same or similar terms or that the ODC will not revoke the licenses. Should we fail to comply with requirements of the licenses or should the ODC not extend or renew the licenses, or should we renew the licenses on different terms or not allow for anticipated capacity increases, or should we revoke the licenses, our business, financial condition and results of the operations will be materially adversely affected. In addition, our ability to manufacture, import and sell cannabis in Australia is dependent on being granted additional licenses from the ODC authorizing such activities; however, there is no assurance that we will be able to obtain such licenses on commercially reasonable terms, if at all.

Our ability to construct our cannabis facilities in Israel is dependent on Gan Schmuel's licenses from the Yakar, in particular the Israel Codes. Failure of Gan Schmuel to comply with the requirements of the licenses or failure to maintain the licenses would have a material adverse impact on our business, financial condition and results of operations. There can be no assurance that the Yakar will approve the transfer of the Israel Codes to Cronos Israel on commercially reasonable terms, if at all. In addition, our ability to propagate, cultivate, process and distribute cannabis in Israel is dependent on being granted additional licenses from the Yakar authorizing such activities once Cronos Israel's facilities pass inspections; however, there is no assurance that we will be able to obtain such licenses on commercially reasonable terms, if at all.

Additional government licenses are currently, and in the future, may be, required in connection with our operations, in addition to other unknown permits and approvals which may be required, including with respect to our Canadian and foreign operations. To the extent such permits and approvals are required and not obtained, we may be prevented from operating and/or expanding our business, which could have a material adverse effect on our business, financial condition and results of operations.

We operate in a highly regulated sector and may not always succeed in complying fully with applicable regulatory requirements in all jurisdictions where we carry on business.

Our business and activities are heavily regulated in all jurisdictions where we carry on business. Our operations are subject to various laws, regulations and guidelines by governmental authorities (including, in Canada, Health Canada) relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical marijuana and cannabis oil, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over our activities, including the power to limit or restrict business activities as well as impose additional disclosure requirements on our products and services.

Achievement of our business objectives is contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all necessary regulatory approvals for the production, storage, transportation, sale, import and export, as applicable, of our products. The commercial medical cannabis industry is still a new industry and, in Canada, in particular the ACMPR, is a new regime that has no close precedent in Canadian law. The effect of relevant governmental authorities' administration, application and enforcement of their respective regulatory regimes and delays in obtaining, or failure to obtain, applicable regulatory approvals which may be required may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on our business, financial condition and results of operations.

While we endeavor to comply with all relevant laws, regulations and guidelines and, to our knowledge, we are in compliance or are in the process of being assessed for compliance with all such laws, regulations and guidelines, any failure to comply with the regulatory requirements applicable to our operations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate our business; the suspension or expulsion from a particular market or jurisdiction or of our key personnel; the imposition of additional or more stringent inspection, testing and reporting requirements; and the imposition of fines and censures. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations, increase compliance costs or give rise to material liabilities or a revocation of our licenses and other permits, which could have a material adverse effect on our business, results of operations and financial condition. Furthermore, governmental authorities may change their administration, application or enforcement procedures at any time, which may adversely impact our ongoing costs relating to regulatory compliance.

Licensed Producers, including us, are constrained by law in our ability to market our products.

The development of our business and results of operations may be hindered by applicable regulatory restrictions on the sales and marketing activities. For example, the regulatory environment in Canada limits our ability to compete for market share in a manner similar to other industries. If we are unable to effectively market our products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for our products, our sales and results of operations could be adversely affected. See "*Description of the Business - Regulatory Framework in Canada – Recent Regulatory Developments – Federal Developments – Packaging and Labelling*".

The laws, regulations and guidelines generally applicable to the cannabis industry are changing and may change in ways currently unforeseen by us.

Our operations are subject to the ACMPR and various other laws, regulations and guidelines relating to the marketing, acquisition, manufacture, packaging/labelling, management, transportation, storage, sale and disposal of medical cannabis but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. To our knowledge, other than routine corrections that may be required by Health

Canada from time to time, we are currently in material compliance with all existing applicable laws, regulations and guidelines. If any changes to such laws, regulations and guidelines occur (and in Canada the laws and regulations are currently changing at a rapid pace), which are matters beyond our control, we may incur significant costs in complying with such changes or we may be unable to comply therewith, which in turn may result in a material adverse effect on our business, financial condition and results of operations.

Changes in the regulations governing medical cannabis outside of Canada may adversely impact our business.

Our growth strategy with respect to international operations continues to evolve as regulations governing the cannabis industry in the foreign jurisdictions in which we operate become more fully developed. Interpretation of these laws, rules and regulations and their application to our operations is ongoing. Although, to our knowledge, we are currently in material compliance with all applicable laws, regulations and guidelines in such international jurisdictions, no assurance can be given that new laws, regulations and guidelines will not be enacted or that existing laws, regulations and guidelines will not be interpreted or applied in a manner which could limit or curtail our operations in such countries. Amendments to current laws, regulations and guidelines, more stringent implementation or enforcement thereof or other unanticipated events, including changes in political regimes and attitudes toward cannabis, are beyond our control and could require extensive changes to our international operations, which in turn may result in a material adverse effect on our business, financial condition and results of operations.

Furthermore, additional countries continue to pass laws that allow for the production and distribution of cannabis for medical purposes in some form or another. We have some international strategic alliances in place, which may be affected if more countries legalize cannabis. Increased international competition and limitations placed on us by Canadian regulations might lower the demand for our products on a global scale. We also face competition in each international jurisdiction that we have international strategic alliances with from foreign companies that have more experience, more in-depth knowledge of local markets or applicable laws, regulations and guidelines or longer operating histories in such jurisdictions.

There can be no assurance that the legalization of recreational cannabis by the Government of Canada will occur and the legislative framework pertaining to the Canadian recreational cannabis market is uncertain.

On June 30, 2016, the Canadian Federal Government established the Task Force to seek input on the design of a new system to legalize, strictly regulate and restrict access to cannabis. On December 13, 2016, the Task Force published its report outlining its recommendations. On April 13, 2017, the Canadian Federal Government released Bill C-45, which proposes the enactment of the Cannabis Act to regulate the production, distribution and sale of cannabis for medical and unqualified adult use. On November 27, 2017, the House of Commons passed Bill C-45, and on December 20, 2017, the Prime Minister communicated that the Canadian Federal Government intends to legalize cannabis in the summer of 2018, despite previous reports of a July 1, 2018 deadline. Bill C-45 is currently before the Senate of Canada. On March 22, Bill C-45 passed second reading in the Senate. However, as of the date hereof, it is being studied by various committees of the Senate, and Bill C-45 must also pass a third reading in order for it to become law.

On February 6, 2018, Public Safety Minister, Ralph Goodale, announced that, while Bill C-45 was still on schedule to receive royal assent in July 2018, implementation of various aspects of the regime, including preparing markets for retail sales, could take another eight to twelve weeks from such date. The impact of such regulatory changes on Cronos' business is unknown, and the proposed regulatory changes may not be implemented at all. Several recommendations from the Task Force reflected in the Cannabis Act including, but not limited to, permitting home cultivation, potentially easing barriers to entry into the Canadian recreational cannabis market and restrictions on advertising and branding, could materially and adversely affect our business, financial condition and results of operations. Its advice will be considered by the Government of Canada as a new framework for recreational cannabis

continues to be developed and it is possible that such developments could significantly adversely affect our business, financial condition and results of operations.

On October 3, 2017, HESA proposed amendments to the Cannabis Act to provide, among other things, that edibles containing cannabis and cannabis concentrates would be added to the classes of cannabis an authorized person may sell. In addition, HESA's proposed amendments provide that a framework for the sale of edibles and cannabis concentrates would be implemented within a year of the Cannabis Act coming into force. HESA's proposed amendments were incorporated into Bill C-45.

The proposed Cannabis Act is not yet in force, and the regulations to the Cannabis Act have not yet been published, although Proposed Regulations were published for public comment on November 21, 2017 and, on March 19, 2018, Health Canada published a summary of the comments received on the Proposed Regulations as well as some proposed additions to the regulatory proposal. See "*Description of the Business – Regulatory Framework in Canada – Recent Regulatory Developments*". There can be no assurance that the legalization of recreational cannabis by the Government of Canada will occur on the terms in the proposed Cannabis Act or at all, and the legislative framework pertaining to the Canadian recreational cannabis market is uncertain.

The Governments of every Canadian province have, to varying degrees, announced proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. See "*Description of the Business – Regulatory Framework in Canada – Recent Regulatory Developments – Provincial and Territorial Developments*" for a description of the potential regimes in most provinces.

There is no guarantee that provincial legislation regulating the distribution and sale of cannabis for recreational purposes will be enacted according to all the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the growth opportunities that we currently anticipate. While the impact of any new legislative framework for the regulation of the Canadian recreational cannabis market is uncertain, any of the foregoing could result in a material adverse effect on our business, financial condition and results of operations.

On March 27, 2018, the Federal government introduced the *Budget Implementation Bill, 2018, No. 1*, (amendments to the *Excise Act, 2001* cannabis taxation), which proposed to implement a new framework for the taxation of cannabis, the majority of which had been previously published for consultation on November 10, 2017, with some modifications. The proposed rules would effectively place cannabis producers within the existing rules that currently apply excise duties on tobacco, wine and spirits producers under the *Excise Act, 2001* (Canada), with modifications as applicable. These rules include a new tax licensing regime for cannabis producers, stamping and marking rules, ongoing reporting requirements, and applicable excise duties payable by licensed cannabis producers on both recreational cannabis products, in addition to goods and services tax/harmonized sales tax. The cannabis excise duty framework is proposed to generally come into force on the date that legal cannabis for non-medical purposes becomes accessible for retail sale under the proposed Cannabis Act. The government has indicated that the implementation date may be postponed to the autumn of 2018. The rates of the excise duty for cannabis products delivered in each province and territory and relevant exemptions from the excise tax are still subject to some uncertainty, and will only become known with precision when the law and regulations come into force.

Future clinical research studies on the effects of medical cannabis may lead to conclusions that dispute or conflict with our understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis.

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). The statements made in this AIF concerning the potential medical benefits of cannabinoids are based on published articles

and reports. As a result, the statements made in this AIF are subject to the experimental parameters, qualifications and limitations in the studies that have been completed.

Although we believe that the articles, reports and studies support our beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis as set out in this AIF, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, undue reliance should not be placed on such articles and reports.

Future research studies and clinical trials may draw opposing conclusions to those stated in this AIF or reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could have a material adverse effect on the demand for our products with the potential to lead to a material adverse effect on our business, financial condition and results of operations.

Our expansion into jurisdictions outside of Canada is subject to risks.

There can be no assurance that any market for our products will develop in any jurisdiction outside of Canada. We may face new or unexpected risks or significantly increase our exposure to one or more existing risk factors, including economic instability, changes in laws and regulations and the effects of competition. These factors may limit our capability to successfully expand our operations into such jurisdictions and may have a material adverse effect on our business, financial condition and results of operations.

We may not receive the interests in Cronos Israel and may not realize the expected benefits of Cronos Israel.

We have entered into an agreement with Gan Shmuel whereby we will hold a 70% interest in each of the nursery and cultivation operations and a 90% interest in each of the manufacturing and distribution operations of Cronos Israel. Upon the Yakar approving the transfer of the Israel Codes to Cronos Israel, and subject to the terms and conditions of the agreement with Gan Shmuel, we will receive our interests in the Cronos Israel entities. There can be no assurance that the Yakar will approve the transfer of the Israel Codes to Cronos Israel, and whether or not the Yakar approves the transfer of the Israel Codes to Cronos Israel, there can be no assurance that we will receive our interest in Cronos Israel upon the terms and conditions originally agreed upon or at all**.** As a result, we may have limited control, if any, over Cronos Israel's operations, and we may not generate revenue through Cronos Israel.

Investments and joint ventures outside of Canada are subject to the risks normally associated with any conduct of business in foreign countries including varying degrees of political, legal and economic risk.

Our investments and joint ventures outside of Canada are subject to the risks normally associated with any conduct of business in foreign and/or emerging countries including political; civil disturbance risks; changes in laws or policies of particular countries, including those relating to royalties, duties, imports, exports and currency; the cancellation or renegotiation of contracts; the imposition of royalties, net profits payments, tax increases or other claims by government entities, including retroactive claims; a disregard for due process and the rule of law by local courts; the risk of expropriation and nationalization; delays in obtaining or the inability to obtain necessary governmental permits or the reimbursement of refundable tax from fiscal authorities.

Threats or instability in a country caused by political events including elections, change in government, changes in personnel or legislative bodies, foreign relations or military control present serious political and social risk and instability causing interruptions to the flow of business negotiations and influencing relationships with government officials. Changes in policy or law may have a material adverse effect on our business, financial conditions and results of operations. The risks include increased "unpaid" state participation, higher energy costs, higher taxation levels and potential expropriation.

Other risks include the potential for fraud and corruption by suppliers or personnel or government officials which may implicate us, compliance with applicable anti-corruption laws, including the U.S. *Foreign Corrupt Practices Act* and the *Corruption of Foreign Public Officials Act* (Canada) by virtue of our operating in jurisdictions that may be vulnerable to the possibility of bribery, collusion, kickbacks, theft, improper commissions, facilitation payments, conflicts of interest and related party transactions and our possible failure to identify, manage and mitigate instances of fraud, corruption, or violations of our code of conduct and applicable regulatory requirements.

There is also the risk of increased disclosure requirements; currency fluctuations; restrictions on the ability of local operating companies to hold Canadian dollars, U.S. dollars or other foreign currencies in offshore bank accounts; import and export regulations; increased regulatory requirements and restrictions; limitations on the repatriation of earnings or on our ability to assist in minimizing our expatriate workforce's exposure to double taxation in both the home and host jurisdictions; and increased financing costs.

These risks may limit or disrupt our joint ventures, strategic alliances or investments, restrict the movement of funds, cause us to have to expend more funds than previously expected or required, or result in the deprivation of contract rights or the taking of property by nationalization or expropriation without fair compensation, and may materially adversely affect our financial position and/or results of operations. In addition, the enforcement by us of our legal rights in foreign countries, including rights to exploit our properties or utilize our permits and licenses and contractual rights may not be recognized by the court systems in such foreign countries or enforced in accordance with the rule of law.

We may invest in companies, or engage in joint ventures, in countries with developing economies. It is difficult to predict the future political, social and economic direction of the countries in which we operate, and the impact government decisions may have on our business. Any political or economic instability in the countries in which we operate could have a material and adverse effect on our business, financial condition and results of operations.

If we choose to engage in R&D activities outside of Canada, controlled substance legislation may restrict or limit our ability to research, manufacture and develop a commercial market for our products.

Approximately 250 substances, including cannabis, are listed in the Schedules annexed to the UN Single Convention, the Convention on Psychotropic Substances (Vienna, 1971) and the Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (introducing control on precursors) (Vienna, 1988). The purpose of these listings is to control and limit the use of these drugs according to a classification of their therapeutic value, risk of abuse and health dangers, and to minimize the diversion of precursor chemicals to illegal drug manufacturers. The 1961 UN Single Convention on Narcotic Drugs, as amended in 1972 classifies cannabis as Schedule I ("substances with addictive properties, presenting a serious risk of abuse") and as Schedule IV ("the most dangerous substances, already listed in Schedule I, which are particularly harmful and of extremely limited medical or therapeutic value") narcotic drug. The 1971 UN Convention on Psychotropic Substances classifies THC – the principal psychoactive cannabinoid of cannabis – as a Schedule I psychotropic substance (substances presenting a high risk of abuse, posing a particularly, serious threat to public health which are of very little or no therapeutic value). Many countries are parties to these conventions, which govern international trade and domestic control of these substances, including cannabis. They may interpret and implement their obligations in a way that creates a legal obstacle to us obtaining manufacturing and/or marketing approval for our products in those countries. These countries may not be willing or able to amend or otherwise modify their laws and regulations to permit our products to be manufactured and/or marketed, or achieving such amendments to the laws and regulations may take a prolonged period of time.

Our use of joint ventures may expose us to risks associated with jointly owned investments.

We currently operate parts of our business through joint ventures with other companies, and we may enter into additional joint ventures and strategic alliances in the future. Joint venture investments may involve risks not

otherwise present for investments made solely by us, including: (i) we may not control the joint ventures; (ii) our joint venture partners may not agree to distributions that we believe are appropriate; (iii) where we do not have substantial decision-making authority, we may experience impasses or disputes with our joint venture partners on certain decisions, which could require us to expend additional resources to resolve such impasses or disputes, including litigation or arbitration; (iv) our joint venture partners may become insolvent or bankrupt, fail to fund their share of required capital contributions or fail to fulfil their obligations as a joint venture partner; (v) the arrangements governing our joint ventures may contain certain conditions or milestone events that may never be satisfied or achieved; (vi) our joint venture partners may have business or economic interests that are inconsistent with ours and may take actions contrary to our interests; (vii) we may suffer losses as a result of actions taken by our joint venture partners with respect to our joint venture investments; and (viii) it may be difficult for us to exit a joint venture if an impasse arises or if we desire to sell our interest for any reason. Any of the foregoing risks could have a material adverse effect on our business, financial condition and results of operations. In addition, we may, in certain circumstances, be liable for the actions of our joint venture partners.

There can be no assurance that our current and future strategic alliances or expansions of scope of existing relationships will have a beneficial impact on our business, financial condition and results of operations.

We currently have, and may in the future enter into, additional strategic alliances with third parties that we believe will complement or augment our existing business. Our ability to complete strategic alliances is dependent upon, and may be limited by, the availability of suitable candidates and capital. In addition, strategic alliances could present unforeseen integration obstacles or costs, may not enhance our business, and may involve risks that could adversely affect us, including significant amounts of management time that may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve, or that our existing strategic alliances will continue to achieve, the expected benefits to our business or that we will be able to consummate future strategic alliances on satisfactory terms, or at all. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We and certain of our subsidiaries have limited operating history and therefore we are subject to many of the risks common to early-stage enterprises.

We began carrying on business in 2013; Peace Naturals began operations in 2012 and generated its first revenues in 2013; OGBC began operations in 2014 and generated its first revenue in 2017 (inter-company bulk transfer). In addition, our strategic joint ventures are not yet operational and may not become operational for some time, if at all. We are therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that we will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations. See "*Description of the Business – Business of the Company – Joint Ventures and International Activities*."

Our consolidated financial statements contain a going concern qualification.

Our Annual Financial Statements contain a going concern qualification. We and certain of our subsidiaries have limited operating history and a history of negative cash flow from operating activities. Our ability to continue as a going concern is dependent upon our ability to raise additional capital, the ability of our subsidiaries to successfully renew their licenses to produce and sell medical cannabis, our ability to achieve sustainable revenues and profitable operations and, in the meantime, our ability to obtain the necessary financing to meet our obligations and repay our liabilities when they become due. No assurances can be given that we will be successful in achieving these goals. If we are unable to achieve these goals, our ability to carry out and implement our planned business objectives and strategies will be significantly delayed, limited or may not occur.

Our existing two production facilities in Canada are integral to our operations and any adverse changes or developments affecting either facility may impact our business, financial condition and results of operations.

Our activities and resources are focused on the Peace Naturals facility near Stayner, Ontario, which includes three fully operational cultivation buildings, and the OGBC facility in Armstrong, British Columbia, which includes one operational cultivation building. The Peace Naturals Licenses and the OGBC ACMPR License are specific to those facilities. Adverse changes or developments affecting either facility, including but not limited to a breach of security or a force majeure event, could have a material and adverse effect on our business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada, could also have an impact on our ability to continue operating under our licenses or the prospect of renewing our licenses or could result in a revocation of our licenses.

We own both of our facilities and bear the responsibility for all of the costs of maintenance and upkeep. Our operations and financial performance may be adversely affected if either Peace Naturals or OGBC are unable to keep up with maintenance requirements.

We may not successfully execute our production capacity expansion strategy.

We may not be successful in executing our strategy to expand production capacity at our facilities and joint ventures. We may not complete the build-out of Building 4 or the Greenhouse in its currently proposed form, if at all, or in a timely fashion. We may also not be successful in expanding production at Cronos Israel's facilities or completing construction of Cronos Australia's initial production campus. In addition, commencement of construction of proposed the production facilities of Cronos Australia and Indigenous Roots will be subject to obtaining the relevant building permits and other customary approvals, and the commencement of operations of Indigenous Roots will be subject to obtaining the appropriate licenses from Health Canada. Construction delays or cost over-runs in respect of such build-outs, howsoever caused, could have a material adverse effect on our business, financial condition and results of operations.

In addition, no assurance can be given that Health Canada will approve any amendment to the Peace Naturals Licenses to increase production volumes or permit sales of cannabis-based medical products under such license. We may also not be successful in obtaining the necessary approvals required to export or import our products to or from the jurisdictions in which we operate. If we are unable to secure necessary production licenses in respect of our facilities and joint ventures, the expectations of management with respect to the increased future cultivation and growing capacity may not be borne out, which could have a material adverse effect on our business, financial condition and results of operations.

The cannabis industry and markets are relatively new in Canada and in other jurisdictions, and this industry and market may not continue to exist or grow as anticipated or we may ultimately be unable to succeed in this industry and market.

We are operating our business in a relatively new industry and market. In addition to being subject to general business risks, a business involving an agricultural product and a regulated consumer product, we need to continue to build brand awareness in this industry and market through significant investments in our strategy, our production capacity, quality assurance and compliance with regulations. These activities may not promote our brand and products as effectively as intended, or at all. Competitive conditions, consumer tastes, patient requirements and spending patterns in this new industry and market are relatively unknown and may have unique circumstances that differ from existing industries and markets.

Accordingly, there are no assurances that this industry and market will continue to exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with management's expectations and assumptions. Any event or circumstance that affects the cannabis industry and market could have a material adverse effect on our business, financial condition and results of operations.

We are dependent on our senior management.

Our success is dependent upon the ability, expertise, judgment, discretion and good faith of our senior management. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of our senior management team. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. In addition, our lean management structure may be strained as we pursue growth opportunities in the future. The loss of the services of a member of senior management, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on our ability to execute on our business plan and strategy, and we may be unable to find adequate replacements on a timely basis, or at all. We do not maintain key-person insurance on the lives of any of our officers or employees.

We may be subject to product liability claims.

As a manufacturer and distributor of products designed to be ingested by humans, we face an inherent risk of exposure to product liability claims, regulatory action and litigation if our products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. We may be subject to various product liability claims, including, among others, that the products produced by Peace Naturals and OGBC caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against us could result in increased costs, could adversely affect our reputation with our clients and consumers generally, and could have a material adverse effect on our business, financial condition and results of operations.

There can be no assurances that we will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of products.

Our products may be subject to recalls.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If one or more of our products are recalled due to an alleged product defect or for any other reason, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. We may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin, or at all. In addition, a product recall may require significant management attention. Although we have detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one or more of our products were subject to recall, the image of that product and us could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for products produced by us and could have a material adverse effect on our business, financial condition and results of operations. Additionally, product recalls may lead to increased scrutiny of our operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses. Furthermore, any product recall affecting the cannabis industry more broadly could lead consumers to lose

confidence in the safety and security of the products sold by Licensed Producers generally, which could have a material adverse effect on our business, financial condition and results of operations. See "*General Development of the Business – Three Year History – Operations – Peace Naturals Voluntary Recall".*

We may be unable to attract or retain skilled labor and personnel with experience in the cannabis sector, and may be unable to attract, develop and retain additional employees required for our operations and future developments.

We may be unable to attract or retain employees with sufficient experience in the cannabis industry, and may prove unable to attract, develop and retain additional employees required for our development and future success.

Our success is currently largely dependent on the performance of our skilled employees. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them.

Further, certain employees are subject to a security clearance by Health Canada. Under the ACMPR, a security clearance cannot be valid for more than five years and must be renewed before the expiry of a current security clearance. There is no assurance that any of our existing personnel who presently or may in the future require a security clearance will be able to obtain or renew such clearances or that new personnel who require a security clearance will be able to obtain one. A failure by an employee to maintain or renew his or her security clearance would result in a material adverse effect on our business, financial condition and results of operations. In addition, if an employee with security clearance leaves and we are unable to find a suitable replacement that has a security clearance required by the ACMPR in a timely manner, or at all, there could occur a material adverse effect on our business, financial condition and results of operations.

We, or the cannabis industry more generally, may receive unfavorable publicity or become subject to negative consumer perception.

We believe the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception of our products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention, market rumours or speculation and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for our business, financial condition and results of operations. Our dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on our business, financial condition and results of operations, the demand for products, and our business, results of operations, financial condition and cash flows. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or our products specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regards to our operations and our activities, whether true or not, and the cannabis industry in general, whether true or not. Social media permits user generated content to be distributed to a broad audience who has the ability to response or react, in near real time, with comments that are often not filtered or checked for accuracy.

Accordingly, the speed with which negative publicity (whether true or not) can be disseminated has increased dramatically with the expansion of social media. The dissemination of negative or inaccurate posts, comments or other user-generated content about us on social media (including those published by third-parties) could damage our brand, image and reputation or how the cannabis industry is perceived generally, which could have a detrimental impact on the market for our products and thus on our business, financial condition and results of operations.

In addition, certain well-funded and significant businesses may have strong economic opposition to the cannabis industry. Lobbying by such groups, and any resulting inroads they might make in halting or rolling back the cannabis movement, could affect how the cannabis industry is perceived by others and could have a detrimental impact on the market for our products and thus on our business, financial condition and results of operations.

Although we believe that we operate in a manner that is respectful to all stakeholders and that we take care in protecting our image and reputation, we do not ultimately have direct control over how we or the cannabis industry is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to our overall ability to advance our business strategy and realize on our growth prospects, thereby having a material adverse impact on our business, financial condition and results of operations.

We may not be able to successfully develop new products or find a market for their sale.

The legal cannabis industry (including the medical cannabis industry) is in its early stages of development and it is likely that we, and our competitors, will seek to introduce new products in the future. In attempting to keep pace with any new market developments, we may need to spend significant amounts of capital in order to successfully develop and generate revenues from new products we introduce. As well, we may be required to obtain additional regulatory approvals from Health Canada and any other applicable regulatory authority, which may take significant amounts of time. We may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may have a material adverse effect on our business, financial condition and results of operations.

The technologies, process and formulations we use may face competition or become obsolete.

Rapidly changing markets, technology, emerging industry standards and frequent introduction of new products characterize our business. The introduction of new products embodying new technologies, including new manufacturing processes or formulations, and the emergence of new industry standards may render our products obsolete, less competitive or less marketable. The process of developing our products is complex and requires significant continuing costs, development efforts and third party commitments, including licensees, researchers, collaborators and lenders. Our failure to develop new technologies and products and the obsolescence of existing technologies or processes could adversely affect our business, financial condition and results of operations. We may be unable to anticipate changes in our potential customer requirements that could make our existing technology, processes or formulations obsolete. Our success will depend in part, on our ability to continue to enhance our existing technologies, develop new technology that addresses the increasing sophistication and varied news of the market, and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of our proprietary technology, processes and formulations entails significant technical and business risks. We may not be successful in using our new technologies or exploiting our niche markets effectively or adapting our business to evolving customer or medical requirements or preference or emerging industry standards.

Clinical trials of cannabis-based medical products and treatments are novel terrain with very limited or non-existing clinical trials history; we face a significant risk that any trials will not result in commercially viable products and treatments.

Clinical trials are expensive, time consuming and difficult to design and implement. Regulatory authorities, may suspend, delay or terminate any clinical trials we commence at any time, may require us, for various reasons, to conduct additional clinical trials, or may require a particular clinical trial to continue for a longer duration than originally planned. Clinical trials face many risks, including, among others:

- lack of effectiveness of any formulation or delivery system during clinical trials;
- discovery of serious or unexpected toxicities or side effects experienced by trial participants or other safety issues;
- slower than expected subject recruitment and enrollment rates in clinical trials;
- delays or inability in manufacturing or in obtaining sufficient quantities of materials for use in clinical trials due to regulatory and manufacturing constraints;
- delays in obtaining regulatory authorization to commence a trial, including licenses required for obtaining and using cannabis for research, either before or after a trial is commenced;
- unfavorable results from ongoing pre-clinical studies and clinical trials;
- patients or investigators failing to comply with study protocols;
- patients failing to return for post-treatment follow-up at the expected rate;
- sites participating in an ongoing clinical study withdraw, requiring us to engage new sites; and
- third-party clinical investigators decline to participate in our clinical studies, do not perform the clinical studies on the anticipated schedule, or act in ways inconsistent with the established investigator agreement, clinical study protocol or good clinical practices.

Any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

We may fail to retain existing patients as clients or acquire new patients as clients.

Our success depends on our ability to attract and retain clients. There are many factors which could affect our ability to attract and retain clients, including but not limited to our ability to continually produce desirable and effective product, the successful implementation of our client-acquisition plan and the continued growth in the aggregate number of patients selecting medical cannabis as a treatment option. Moreover, even if we are successful at attracting a new client, there is no guarantee that such client will continue to purchase product from us. For example, while Peace Naturals has over 4,100 registered patients, the number of patients purchasing products from Peace Naturals may vary from time to time. Our failure to acquire and retain patients as clients would have a material adverse effect on our business, financial condition and results of operations.

We may not be able to achieve or maintain profitability and may continue to incur losses in the future.

We have incurred losses in recent periods. We may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, we expect to continue to increase operating expenses as we implement initiatives to continue to grow our business. If our revenues do not increase to offset these expected

increases in costs and operating expenses, we will not be profitable. There is no assurance that future revenues will be sufficient to generate the funds required to continue operations without external funding.

We may not be able to secure adequate or reliable sources of funding required to operate our business.

There is no guarantee that we will be able to achieve our business objectives. Our continued development may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of our current business objectives or us going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to us. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of common shares. In addition, from time to time, we may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase our debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions or other strategic joint venture opportunities.

We had negative operating cash flow for the fiscal years ending December 31, 2017, December 31, 2016, December 31, 2015, December 31, 2014 and December 31, 2013. If we continue to have negative cash flow into the future, additional financing proceeds may need to be allocated to funding this negative cash flow in addition to our operational expenses. We may require additional financing to fund our operations to the point where we are generating positive cash flows. Continued negative cash flow may restrict our ability to pursue our business objectives.

We must rely largely on our own market research to forecast sales and market demand which may not materialize.

We must rely largely on our own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical cannabis industry domestically in Canada and in other international jurisdictions or recreational cannabis industry domestically in Canada. A failure in the demand for our products to materialize as a result of competition, technological change or other factors could have a material adverse effect on our business, financial condition and results of operations.

We may experience breaches of security at our facilities or fraudulent or unpermitted data access or other cyber-security or privacy breaches may cause our customers to lose confidence in our security and data protection measures and we may face risks related to breaches of applicable privacy laws.

Given the nature of our product and our lack of legal availability outside of channels approved by the Government of Canada, as well as the concentration of inventory in our facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of our facilities could expose us to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing our products.

In addition, we collect and store personal information about our patients and are responsible for protecting that information from privacy breaches. A privacy breach may occur through a variety of sources, including, without limitation procedural or process failure, information technology malfunction, deliberate unauthorized intrusions, computer viruses, cyber-attacks and other electronic security breaches. Theft of data for competitive purposes, such as patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on our business, financial condition and results of operations.

We are dependent upon information technology systems in the conduct of our operations and we collect, store and use certain sensitive data, intellectual property, our proprietary business information and certain personally identifiable information of our employees and customers on our networks. Any fraudulent, malicious or accidental breach of our data security could result in unintentional disclosure of, or unauthorized access to, third party, customer, vendor, employee other confidential or sensitive data or information, which could potentially result in additional costs to the Company to enhance security or to respond to occurrences, lost sales, violations of privacy or other laws, penalties, fines, regulatory action or litigation, in addition, media or other reports of perceived security vulnerabilities to our systems of those of our third party suppliers, even if no breach has been attempted or occurred, could adversely impact our brand and reputation and patients could lose confidence in our security measures and reliability, which would harm our ability to retain patients and gain new ones. If any of these were to occur, it could have a material adverse effect on our business and results of operations

In addition, there are a number of federal and provincial laws protecting the confidentiality of certain patient health information, including patient records, and restricting the use and disclosure of that protected information. The privacy rules under the *Personal Information Protection and Electronics Documents Act* (Canada) ("**PIPEDA**") protect medical records and other personal health information by limiting their use and disclosure of health information to the minimum level reasonably necessary to accomplish the intended purpose. If we were to be found to be in violation of the privacy or security rules under PIPEDA or other laws protecting the confidentiality of patient health information, we could be subject to sanctions and civil or criminal penalties, which could increase our liabilities, harm our reputation and have a material adverse effect on our business, results of operations and financial condition. International jurisdictions in which we expand our operations also have similar privacy and security laws to which we are subject, depending on the nature of our operations in such jurisdictions.

If we are not able to comply with all safety, health and environmental regulations applicable to our operations and industry, we may be held liable for any breaches thereof.

Our operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. We will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and employee health and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations or give rise to material liabilities, which could have a material adverse effect on our business, financial condition and results of operations.

We may become involved in regulatory or agency proceedings, investigations and audits.

Our business requires compliance with many laws and regulations. Failure to comply with these laws and regulations could subject us to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. We may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm our reputation, require us to take, or refrain from taking, actions that could harm our operations or require us to pay substantial amounts of money, harming our financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on our business, financial condition and results of operations.

We are subject to litigation in the ordinary course of business.

We are subject to litigation from time to time in the ordinary course of business some of which may adversely affect our business. Should any litigation in which we become involved be determined against us, such a decision could adversely affect our ability to continue operating, the market price for the common shares and could require the use of significant resources. Even if we are involved in litigation and win, litigation can redirect significant resources. Litigation may also create a negative perception of our brand.

We may not be able to successfully manage our growth.

We are currently in an early development stage and may be subject to growth-related risks, including capacity constraints and pressure on our internal systems and controls, which may place significant strain on our operational and managerial resources. Our ability to manage growth effectively will require us to continue to implement and improve our operational and financial systems and to expand, train and manage our employee base. There can be no assurances that we will be able to manage growth successfully. Any inability to manage growth successfully could have a material adverse effect on our business, financial condition and results of operations.

We may compete for market share with other companies, both domestically and internationally, which may have longer operating histories and more financial resources, manufacturing and marketing experience than us.

We do, and expect to continue to face, intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources, manufacturing and marketing experience than us. In addition, there is potential that the medical cannabis industry will undergo consolidation, creating larger companies with financial resources, manufacturing and marketing capabilities, and product offerings that are greater than ours. As a result of this competition, we may be unable to maintain our operations or develop them as currently proposed on terms we consider acceptable, or at all. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect our business, financial condition and results of operations.

On a domestic front, the number of licenses granted and the number of Licensed Producers ultimately authorized by Health Canada could also have an impact on our operations. We expect to face additional competition from new market entrants that are granted licenses under the ACMPR or existing license holders which are not yet active in the industry. If a significant number of new licenses are granted by Health Canada in the near term, we may experience increased competition for market share and may experience downward price pressure on our products as new entrants increase production. We also face competition from illegal dispensaries and the black market that are unlicensed and unregulated, and that are selling cannabis and cannabis products, including products with higher concentrations of active ingredients, and using delivery methods, including edibles and extract vaporizers, that we are prohibited from offering to individuals as they are not currently permitted by the ACMPR. Any inability or unwillingness of law enforcement authorities to enforce existing laws prohibiting the unlicensed cultivation and sale of cannabis and cannabis-based products could result in the perpetuation of the black market for cannabis and/or have a material adverse effect on the perception of cannabis use. Any or all of these events could have a material adverse effect on our business, financial condition and results of operations.

If the number of users of cannabis for medical purposes in Canada increases, the demand for products will increase and we expect that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, we will require a continued high level of investment in R&D, sales and patient support. We may not have sufficient resources to maintain R&D, sales and patient support efforts on a competitive basis which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, several recommendations of the Task Force including, but not limited to, permitting home cultivation and potentially easing barriers to entry into a Canadian recreational cannabis market, could materially and adversely affect our business, financial condition and results of operations. There is potential that we will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources, manufacturing and marketing experience than us. Increased competition by larger and better financed competitors could materially and adversely affect our business, financial condition and results of operations.

Third parties with whom we do business may perceive themselves as being exposed to reputational risk as a result of their relationship with us and may, as a result, refuse to do business with us.

The parties with which we do business may perceive that they are exposed to reputational risk as a result of our cannabis business activities. Failure to establish or maintain business relationships could have a material adverse effect on our business, financial condition and results of operations. Any third-party service provider could suspend or withdraw its services to us if it perceives that the potential risks exceed the potential benefits to such services. For example, we face challenges making U.S. dollar wire transfers. While we have other banking relationships and believe that the services can be procured from other institutions, we may in the future have difficulty maintaining existing, or securing new, bank accounts or clearing services.

Our cannabis cultivation operations are subject to risks inherent in an agricultural business.

Our business involves the growing of cannabis, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks that may create crop failures and supply interruptions for our customers. Although our current operational production facilities grow products indoors under climate controlled conditions and carefully monitor the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of our products.

Our cannabis cultivation operations are vulnerable to rising energy costs and dependent upon key inputs.

Our cannabis cultivation operations consume considerable energy, making us vulnerable to rising energy costs. Rising or volatile energy costs may have a material adverse effect our business, financial condition and results of operations.

In addition, our business is dependent on a number of key inputs and their related costs including raw materials and supplies related to our growing operations, as well as electricity, water and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact our financial condition and results of operations. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on our business, financial condition and results of operations.

We are vulnerable to third party transportation risks.

Due to our direct to client shipping model, we depend on fast and efficient courier services to distribute our product. Any prolonged disruption of this courier service may have a material adverse effect on our business, financial condition and results of operations. Rising costs associated with the courier services used by us to ship our products may also have a material adverse effect on our business, financial condition and results of operations.

Due to the nature of our products, security of the product during transportation to and from our facilities is of the utmost concern. A breach of security during transport or delivery could have a material adverse effect on our business, financial condition and results of operations. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of Health Canada, could also have an impact on our ability to continue operating under our licenses or the prospect of renewing our licenses.

We may become subject to liability arising from any fraudulent or illegal activity by our employees, contractors and consultants.

We are exposed to the risk that our employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to us that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for us to identify and deter misconduct by our employees and other third parties, and the precautions taken by us to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending our self or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could have a material adverse effect on our business, financial condition and results of operations.

We will seek to maintain adequate insurance coverage in respect of the risks faced by us, however, insurance premiums for such insurance may not continue to be commercially justifiable and there may be coverage limitations and other exclusions which may not be sufficient to cover potential liabilities faced by us.

We have insurance to protect our assets, operations and employees. While we believe our insurance coverage addresses all material risks to which we are exposed and is adequate and customary in our current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which we are exposed. In addition, no assurance can be given that such insurance will be adequate to cover our liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If we were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if we were to incur such liability at a time when we are not able to obtain liability insurance, there could be a material adverse effect on our business, financial condition and results of operations.

Our Loan imposes limitations on the type of transactions or financial arrangements in which we may engage.

We executed a commitment letter with Romspen for the Loan announced on August 21, 2017. The Loan is secured by all or substantially all of our assets and contains certain restrictive covenants including, subject to certain exceptions, restrictions on our subsidiaries' ability to incur indebtedness, grant liens, make corporate changes, dispose of assets, and our and our subsidiaries' ability to pay dividends. Events beyond our control, including changes in general economic and business conditions, may affect our ability to observe or satisfy these covenants, which could result in a default under the Loan. If an event of default under the Loan occurs, the lender could elect to declare all principal amounts outstanding under the Loan at such time, together with accrued interest, to be immediately due. In such an event, we may not have sufficient funds to repay amounts owing under the Loan. The Loan is also secured by mortgages over each of the properties owned by Peace Naturals and OGBC, all of our personal property and the personal property of Peace Naturals, OGBC and Hortican, Peace Naturals' and OGBC's interests in their respective ACMPR Licenses, as well as our shares in Hortican and the shares of Hortican in Peace Naturals and OGBC. In an event of default, we could lose those assets, which could have a material adverse effect on our business, financial condition and results of operations

We are subject to certain restrictions of the TSX-V which may constrain our ability to expand our business internationally.

The TSX-V required, as a condition to listing, that we deliver an undertaking (the " **Undertaking**") confirming that, while listed on the TSX-V, we will only conduct the business of production, acquisition, sale and distribution of medical cannabis in Canada as permitted under our licenses with Health Canada. The Undertaking could have an adverse effect on our ability to export cannabis from Canada and on our ability to expand our business into other areas including the provision of non-medical cannabis in the event that the laws were to change to permit such sales and we are still listed on the TSX-V and still subject to the Undertaking at the time. The Undertaking may prevent us from expanding into new areas of business when our competitors have no such restrictions. All such restrictions could materially and adversely affect our growth, business, financial condition and results of operations.

We may be subject to risks related to the protection and enforcement of our intellectual property rights, and may become subject to allegations that we are in violation of intellectual property rights of third parties.

The ownership and protection of our intellectual property rights is a significant aspect of our future success. Currently we rely on trade secrets, technical know-how and proprietary information that are not protected by patents to maintain our competitive position. We try to protect our intellectual property by seeking and obtaining registered protection where possible, developing and implementing standard operating procedures to protect trade secrets, technical know-how and proprietary information and entering into agreements with parties that have access to our inventions, trade secrets, technical know-how and proprietary information, such as our partners, collaborators, employees and consultants, to protect confidentiality and ownership. We also seek to preserve the integrity and confidentiality of our inventions, trade secrets, trademarks technical know-how and proprietary information by maintaining physical security of our premises and physical and electronic security of our information technology systems.

It is possible that we will fail to identify inventions, trade secrets, technical know-how, trademarks and proprietary information, will fail to protect such inventions and information, will inadvertently disclose such intellectual property or will fail to register rights in relation to such intellectual property.

In relation to our agreements with parties that have access to our intellectual property, any of these parties may breach these agreements and we may not have adequate remedies for any specific breach. In relation to our security measures, such security measures may be breached and we may not have adequate remedies for any such breach. In addition, our intellectual property which has not yet been applied for or registered may otherwise become known to or be independently developed by competitors, or may already be the subject of applications for intellectual property registrations filed by our competitors, which may have a material adverse effect on our business, financial condition and results of operations.

We cannot provide any assurances that our inventions, trade secrets, trademarks, technical know-how and other proprietary information will not be disclosed in violation of agreements or that competitors will not otherwise gain access to our intellectual property or independently develop and file applications for intellectual property rights that adversely impact our intellectual property rights. Unauthorized parties may attempt to replicate or otherwise obtain and use our inventions, trade secrets, trademarks, technical know-how and proprietary information. Policing the unauthorized use of our current or future intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as we may be unable to effectively monitor and evaluate the products being distributed by our competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. Additionally, if the steps taken to identify and protect our intellectual property rights are deemed inadequate, we may have insufficient recourse against third parties for enforcement of our intellectual property rights.

Furthermore, the laws and positions of intellectual property offices administering such laws regarding intellectual property rights relating to cannabis and cannabis-related products are constantly evolving and there is uncertainty regarding which countries' laws prohibit the filing, prosecution and issuance of applications for intellectual property registrations in relation to cannabis and cannabis-related products and which countries' laws prohibit the enforcement of rights under intellectual property registrations in relation to cannabis and cannabis-related products.

In addition, we have sought trademark protection in many countries, including Canada and others. Our ability to obtain registered trademark protection for cannabis-related goods and services, in particular for cannabis itself, may be limited in certain countries outside of Canada, including the U.S., where registered federal trademark protections is currently unavailable for trademarks covering the sale of cannabis products (a controlled substance); and including the European Union, where laws on the legality of cannabis use are not uniform, and trademarks cannot be obtained for products that are "contrary to public policy or accepted principles of morality". Accordingly, our ability to obtain intellectual property rights or enforce intellectual property rights against third party uses of similar trademarks may be limited in certain countries.

Moreover, in any infringement proceeding, some or all of our current or future trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for our benefit, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of our current or future trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect our business, financial condition and results of operations.

We cannot offer any assurances about which, if any, patent applications will issue, the breadth of any such patent or whether any issued patents will be found invalid or unenforceable or which of our products or processes will be found to infringe upon the patents or other proprietary rights of third parties. Any successful opposition to future issued patents could deprive us of rights necessary for the successful commercialization of any new products or processes that we may develop.

Also, there is no guarantee that any patent or other intellectual property applications that we file will result in registration or any enforceable intellectual property rights. Further, there is no assurance that we will find all potentially relevant prior art relating to any patent applications that we file, which may prevent a patent from issuing from a patent application or invalidate any patent that issues from such application. Even if patents do successfully issue, and cover our products and processes, third parties may challenge their validity, enforceability, or scope, which may result in such patents being narrowed, found unenforceable or invalidated. Furthermore, even if they are unchallenged, any patent applications and future patents may not adequately protect our intellectual property, provide exclusivity for our products or processes, or prevent others from designing around any issued patent claims. Any of these outcomes could impair our ability to prevent competition from third parties, which may have an adverse impact on our business.

In addition, other parties may claim that our products infringe on their proprietary and patent protected rights. There may be third party patents or patent applications with claims to products or processes related to the manufacture, use or sale of our products and processes. There may be currently pending patent applications, some of which may still be confidential, that may later result in issued patents that our products or processes may infringe. In addition, third parties may obtain patents in the future and claim that use of our inventions, trade secrets, technical know-how and proprietary information, or the manufacture, use or sale of our products infringes upon those patents. Third parties may also claim that our use of our trademarks infringes upon their trademark rights. Parties making claims against us may obtain injunctive or other equitable relief, which may have an adverse impact on our business. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. In addition, we may need

to obtain licenses from third parties who allege that we have infringed on their lawful rights. However, such licenses may not be available on terms acceptable to us or at all. In addition, we may not be able to obtain or utilize on terms that are favorable to us, or at all, licenses or other rights with respect to intellectual property that we do not own.

Germplasm, including seeds, clones and cuttings, is the genetic material used in new cannabis varieties and hybrids. We use advanced breeding technologies to produce cannabis germplasm (hybrids and varieties) with superior performance. We rely on parental varieties for the success of our breeding program. While we believe that the parental germplasm is proprietary to us, we may need to obtain licenses from third parties who allege that we have appropriated their germplasm or their rights to such germplasm. We seek to protect our parental germplasm as appropriate, relying on intellectual property rights, including rights related to inventions (patents and plant breeders' rights), trade secrets, technical know-how, trademarks and proprietary information. There is a risk that we will fail to protect such germplasm or that we will fail to register rights in relation to such germplasm.

We also seek to protect our parental germplasm, hybrids and varieties from pests and diseases and enhance plant productivity and fertility, and we research products to protect against crop pests and fungus. There are a number of reasons why new product concepts in these areas may be abandoned, including greater than anticipated development costs, technical difficulties, regulatory obstacles, competition, inability to prove the original concept, lack of demand and the need to divert focus, from time to time, to other initiatives with perceived opportunities for better returns. The processes of breeding, development and trait integration are lengthy, and the germplasm we test may not be selected for commercialization. The length of time and the risk associated with breeding may affect our business. Our sales depend on our germplasm. Commercial success frequently depends on being the first company to the market, and many of our competitors are also making considerable investments in similar new and improved cannabis germplasm products. Consequently, there is no assurance that we will develop and deliver new cannabis germplasm products to the markets we serve on a timely basis.

Finally, we seek to protect our germplasm, hybrids and varieties from accidental release, theft, misappropriation and sabotage by maintaining physical security of our premises. However, such security measures may be breached and we may not have adequate remedies in the case of any such breach.

Conflicts of interest may arise between us and our directors and officers.

We may be subject to various potential conflicts of interest because of the fact that some of our directors and officers may be engaged in a range of business activities. In addition, our executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to us. In some cases, our directors and executive officers may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to our business and affairs and that could adversely affect our operations. These business interests could require significant time and attention of our directors and executive officers.

In addition, we may also become involved in other transactions which conflict with the interests of our directors and officers who may from time to time deal with persons, firms, institutions or corporations with which we may be dealing, or which may be seeking investments similar to those desired by us. The interests of these persons could conflict with our interests. In addition, from time to time, these persons may be competing with us for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of our directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, our directors are required to act honestly, in good faith and in our best interests.

Tax and accounting requirements may change in ways that are unforeseen to us and we may face difficulty or be unable to implement and/or comply with any such changes.

We are subject to numerous tax and accounting requirements, and changes in existing accounting or taxation rules or practices, or varying interpretations of current rules or practices, could have a significant adverse effect on our financial results, the manner in which we conduct our business or the marketability of any of our products. In the future, the geographic scope of our business may expand, and such expansion will require us to comply with the tax laws and regulations of multiple jurisdictions. Requirements as to taxation vary substantially among jurisdictions. Complying with the tax laws of these jurisdictions can be time consuming and expensive and could potentially subject us to penalties and fees in the future if we were to inadvertently fail to comply. In the event that we were to inadvertently fail to comply with applicable tax laws, this could have a material adverse effect on our business, financial condition and results of operations.

Our financial performance is subject to risks of foreign exchange rate fluctuation which could result in foreign exchange losses.

We may be exposed to fluctuations of the Canadian dollar against certain other currencies because we publish our financial statements in Canadian dollars, while a portion of our assets, liabilities, revenues and costs are or will be denominated in other currencies. Exchange rates for currencies of the countries in which we operate may fluctuate in relation to the Canadian dollar, and such fluctuations may have a material adverse effect on our earnings or assets when translating foreign currency into Canadian dollars.

The inability for counterparties and customers to meet their financial obligations to us may result in financial losses.

Credit risk is the risk that the counterparty to a financial instrument fails to meet its contractual obligations, resulting in a financial loss to us. There are no assurances that our counterparties or customers will meet their contractual obligations to us.

Natural disasters, unusual weather, pandemic outbreaks, boycotts and geo-political events or acts of terrorism could adversely affect our operations and financial results.

The occurrence of one or more natural disasters, such as hurricanes, floods and earthquakes, unusually adverse weather, pandemic outbreaks, boycotts and geo-political events, such as civil unrest in countries in which our operations are located and acts of terrorism, or similar disruptions could adversely affect our business, financial condition and results of operations. These events could result in physical damage to one or more of our properties, increases in fuel or other energy prices, the temporary or permanent closure of one or more of our facilities, the temporary lack of an adequate workforce in a market, the temporary or long-term disruption in the supply of products from suppliers, the temporary disruption in the transport of goods, delay in the delivery of goods to our facilities, and disruption to our information systems. These factors could otherwise disrupt our operations and could have an adverse effect on our business, financial condition and results of operations.

Risks relating to our Common Shares

The market price for the common shares may be volatile and subject to fluctuation in response to numerous factors, many of which are beyond our control, including the following:

The market price for the common shares may be volatile and subject to wide fluctuations in response to many factors, including:

- actual or anticipated fluctuations in our results of operations;

- changes in estimates of our future results of operations by us or securities research analysts;
- changes in the economic performance or market valuations of other companies that investors deem comparable to us;
- addition or departure of our executive officers and other key personnel;
- release or other transfer restrictions on outstanding common shares;
- sales or perceived sales of additional common shares;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors;
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in our industry or target markets;
- investors' general perception of us and the public's reaction to our press releases, our other public announcements and our filings with the SEC and Canadian securities regulators; and
- the market's reaction to our reduced disclosure as a result of being an emerging growth company under the Jumpstart Our Business Startups (JOBS) Act (the "**JOBS Act**").

Financial markets continue to experience significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the common shares may decline even if our results of operations, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of our environmental, governance, diversity and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the common shares by those institutions, which could adversely affect the trading price of the common shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, our business and financial condition could be adversely impacted and the trading price of the common shares may be adversely affected.

The recent listing of our common shares on the NASDAQ in addition to the TSX-V may increase the trading price volatility on the TSX-V and also result in volatility of the trading price on the NASDAQ because trading will be split between the two markets, resulting in less liquidity on both exchanges. In addition, different liquidity levels, volume of trading, currencies and market conditions on the TSX-V and the NASDAQ may result in different prevailing trading prices.

Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources, which could adversely affect our business. Any adverse determination in litigation against us could also subject us to significant liabilities.

An exchange on which our common shares are listed may initiate a delisting review.

The listing of our common shares on a particular stock exchange is dependent on us complying with the listing requirements of the applicable exchange. As we operate in the cannabis industry, we may from time to time be subject to additional listing requirements that are not applicable to companies in other industries. For example, the TSX-V required us to provide the Undertaking as a condition to listing our common shares. If an exchange were to initiate a

delisting review in respect of the Company, there could be an adverse effect on the trading price of the Company's common shares.

In addition, the TSX-V released a bulletin, entitled "Business Activities Related to Marijuana in the U.S.", outlining its interpretations and ongoing treatment of public companies engaged in cross-border marijuana-related activities (the "**TSX-V Bulletin**"). The TSX-V Bulletin notes that issuers with ongoing business activities that violate U.S. federal law regarding marijuana are not in compliance with certain TSX-V requirements. Such business activities may include (i) direct or indirect ownership of, or investment in, entities engaging in activities related to the cultivation, distribution or possession of cannabis in the U.S., (ii) commercial interests or arrangements with such entities, (iii) providing services or products specifically targeted to such entities, or (iv) commercial interests or arrangements with entities engaging in providing services or products to U.S. cannabis companies. The TSX-V reminded issuers that, among other things, should the TSX-V find that a listed issuer is engaging in activities contrary to exchange requirements, the TSX-V has the discretion to initiate a delisting review. While the Company currently does not engage in any activities related to the cultivation, distribution or possession of cannabis in the U.S., other companies with which we have entered into agreements or in which we have invested may at some point in time, without our knowledge, initiate cross-border marijuana-related activities (see "*Description of the Business - No U.S. Cannabis-Related Activities*"). If any such other company was to initiate such activities, it may cause us to no longer be compliant with the listing requirements of the applicable exchange or cause us to terminate our existing relationships or divest of any such companies on terms that are not favourable to us, which could have a material adverse effect on our business, financial condition and results of operations.

We are eligible to be treated as an "emerging growth company," as defined in the JOBS Act, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common shares less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the U.S. Sarbanes-Oxley Act of 2002 (the "**Sarbanes-Oxley Act**").

We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the market value of the common shares held by non-affiliates exceeds US$700 million as of any June 30 before that time or if we have total annual gross revenue of US$1.0 billion or more during any fiscal year before that time, in which cases we would no longer be an emerging growth company as of the following December 31 or, if we issue more than US$1.0 billion in non-convertible debt during any three-year period before that time, we would cease to be an emerging growth company immediately. Even after we no longer qualify as an emerging growth company, we may still qualify as a "smaller reporting company" which would allow us to take advantage of many of the same exemptions from disclosure requirements, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. We cannot predict if investors will find the common shares less attractive because we may rely on these exemptions. If some investors find the common shares less attractive as a result, there may be a less active trading market for the common shares and the trading price of the common shares may be more volatile.

We expect to incur increased costs as a result of being a public company in the U.S., and our management will be required to devote substantial time to U.S. public company compliance programs.

As a public company in the U.S., we expect to incur significant additional legal, insurance, accounting and other expenses. In addition, our administrative staff will be required to perform additional tasks. For example, as a result of becoming a public company in the U.S., we are in the process of adopting additional internal controls and disclosure controls and procedures, have retained a U.S. transfer agent, adopted a U.S. compliant insider trading policy and other corporate governance programs and charters and bear all of the internal and external costs of preparing and distributing

periodic public reports in compliance with our obligations under U.S. securities laws. We intend to invest resources to comply with evolving U.S. laws, regulations and standards, and this investment will result in increased general and administrative expenses. Our management team may not successfully or efficiently manage our transition to being a U.S. public company subject to significant regulatory oversight and reporting obligations under U.S. securities laws. In particular, these new obligations will require substantial attention from our senior management and could divert their attention away from the day-to-day management of our business. If our efforts to comply with new U.S. laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities or third-parties may initiate legal proceedings against us and our business may be harmed. In connection with becoming a public company in the U.S., we have increased our directors' and officers' insurance coverage, which will increase our insurance cost. In the future, it will be more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members to our Board of Directors in the future, particularly to serve on our audit committee, and qualified executive officers.

In addition, in order to comply with the requirements of being a U.S. public company, we may need to undertake various actions, including relating to implementing new internal controls and procedures and hiring new accounting or internal audit staff. The Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that information required to be disclosed in reports under the *Securities Exchange Act of 1934* (the "**Exchange Act**"), is accumulated and communicated to our principal executive and financial officers. Any failure to develop or maintain effective controls could adversely affect the results of periodic management evaluations. In the event that we are not able to demonstrate compliance with the Sarbanes-Oxley Act, that our internal control over financial reporting is perceived as inadequate, or that we are unable to produce timely or accurate financial statements, investors may lose confidence in our results of operations and the trading price of our common shares could decline. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NASDAQ.

We are not currently required to comply with the SEC's rules that implement Section 404 of the Sarbanes-Oxley Act, and are therefore not yet required to make a formal assessment of the effectiveness of our internal control over financial reporting under U.S. rules. We are required to comply with certain of the SEC's rules implementing the Sarbanes-Oxley Act, which require management to certify financial and other information in our annual reports and provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our second annual report filed with the SEC. This assessment will need to include the disclosure of any material weaknesses in our internal control over financial reporting identified by our management or our independent registered public accounting firm. We have commenced the costly and challenging process of implementing the system and processing documentation needed to comply with such requirements. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion.

Our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting until the later of our second annual report or the first annual report required to be filed with the SEC following the date we are no longer an "emerging growth company" as defined in the JOBS Act. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal controls in the future.

As a foreign private issuer, we are subject to different U.S. securities laws and rules than a domestic U.S. issuer, which may limit the information publicly available to our shareholders.

We are a "foreign private issuer," as such term is defined in Rule 405 under the U.S. Securities Act, and are not subject to the same requirements that are imposed upon U.S. domestic issuers by the SEC. Under the Exchange Act, we will be subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. As a result, we will not file the same reports that a U.S. domestic issuer would file with the SEC, although we will be required to file or furnish to the SEC the continuous disclosure documents that we are required to file in Canada under Canadian securities laws. In addition, our officers, directors, and principal shareholders are exempt from the reporting and "short swing" profit recovery provisions of Section 16 of the Exchange Act. Therefore, our shareholders may not know on as timely a basis when our officers, directors and principal shareholders purchase or sell shares, as the reporting deadlines under the corresponding Canadian insider reporting requirements are longer.

As a foreign private issuer, we will be exempt from the rules and regulations under the Exchange Act related to the furnishing and content of proxy statements. We will also be exempt from Regulation FD, which prohibits issuers from making selective disclosures of material non-public information. While we will comply with the corresponding requirements relating to proxy statements and disclosure of material non-public information under Canadian securities laws, these requirements differ from those under the Exchange Act and Regulation FD and shareholders should not expect to receive the same information at the same time as such information is provided by U.S. domestic companies. In addition, we will have four months after the end of each fiscal year to file our annual report with the SEC and will not be required under the Exchange Act to file quarterly reports with the SEC as promptly as U.S. domestic companies whose securities are registered under the Exchange Act.

In addition, as a foreign private issuer, we have the option to follow certain Canadian corporate governance practices, except to the extent that such laws would be contrary to U.S. securities laws, and provided that we disclose the requirements we are not following and describe the Canadian practices we follow instead. We may in the future elect to follow home country practices in Canada with regard to certain corporate governance matters. As a result, our shareholders may not have the same protections afforded to shareholders of U.S. domestic companies that are subject to all corporate governance requirements.

We may lose foreign private issuer status in the future, which could result in significant additional costs and expenses to us.

We may in the future lose our foreign private issuer status if a majority of our shares are held in the U.S. and we fail to meet the additional requirements necessary to avoid loss of foreign private issuer status, such as if: (1) a majority of our directors or executive officers are U.S. citizens or residents; (2) a majority of our assets are located in the U.S.; or (3) our business is administered principally in the U.S.. Although we have elected to comply with certain U.S. regulatory provisions, our loss of foreign private issuer status would make such provisions mandatory. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer will be significantly more than the costs incurred as a Canadian foreign private issuer. If we are not a foreign private issuer, we would not be eligible to use foreign issuer forms and would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the SEC, which are generally more detailed and extensive than the forms available to a foreign private issuer. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements on the NASDAQ that are available to foreign private issuers.

We may require additional capital in the future and we cannot give any assurance that such capital will be available at all or available on terms acceptable to us and, if it is available, additional capital raised by us may dilute holders of common shares.

We may need to raise additional funds through public or private debt or equity financings in order to:

- fund ongoing operations;
- take advantage of opportunities, including more rapid expansion of our business or the acquisition of complementary products, technologies or businesses;
- develop new products; or
- respond to competitive pressures.

Holders of common shares will have no pre-emptive rights in connection with such further issues. The Board of Directors has the discretion to determine if an issuance of common shares is warranted, the price at which such issuance is effected and the other terms of issue of common shares. Any additional capital raised through the sale of equity will dilute the percentage ownership of holders of our common shares. Capital raised through debt financing would require us to make periodic interest payments and may impose restrictive covenants on the conduct of our business.

A substantial number of common shares are owned by a limited number of existing shareholders.

Our management, directors and employees own a substantial number of the outstanding common shares (on a fully diluted basis). As such, our management, directors and employees, as a group, each are in a position to exercise significant influence over matters requiring shareholder approval, including the election of directors and the determination of significant corporate actions. In addition, these shareholders could delay or prevent a change in control that could otherwise be beneficial to holders of common shares.

It is not anticipated that any dividend will be paid to holders of common shares for the foreseeable future.

No dividends on the common shares have been paid to date. We currently intend to retain future earnings, if any, for future operation, expansion and debt repayment. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that our Board of Directors may deem relevant. As a result, investors may not receive any return on an investment in the common shares unless they sell their shares for a price greater than that which such investors paid for them.

Investors in the U.S. may have difficulty bringing actions and enforcing judgments against us and others based on securities law civil liability provisions.

We are incorporated under the laws of the Province of Ontario and our head office is located in the Province of Ontario. Some of our directors and officers and some of the experts named in this AIF are residents of Canada or otherwise reside outside of the U.S., and a substantial portion of their assets and our assets are located outside the U.S. Consequently, it may be difficult for investors in the U.S. to bring an action against such directors, officers or experts or to enforce against those persons or us a judgment obtained in a U.S. court predicated upon the civil liability provisions of U.S. federal securities laws or other laws of the U.S.

If we are a passive foreign investment company for U.S. federal income tax purposes in any year, certain adverse tax rules could apply to U.S. Holders of Shares.

Based on current business plans and financial expectations, the Company may be a passive foreign investment company (" **PFIC**") for the current taxable year ending December 31, 2018 and may be a PFIC for the foreseeable future.

The Company will be classified as a PFIC for any taxable year for U.S. federal income tax purposes if for a taxable year, (a) 75% or more of the gross income of the Company is passive income or (b) 50% or more of the value of the Company's assets either produce passive income or are held for the production of passive income, based on the quarterly average of the fair market value of such assets.

PFIC status is determined annually and depends upon the composition of a company's income and assets and the market value of its stock from time to time. Therefore, there can be no assurance as to our PFIC status for future taxable years. The value of our assets will be based, in part, on the then market value of common shares, which is subject to change.

If we are a PFIC for any taxable year during which a U.S. Holder (as defined below) holds Shares, such U.S. Holders could be subject to adverse U.S. federal income tax consequences (whether or not we continue to be a PFIC). For example, U.S. Holders may become subject to increased tax liabilities under U.S. federal income tax laws and regulations, and will become subject to burdensome reporting requirements. If we are a PFIC during a taxable year in which a U.S. Holder holds Shares, such U.S. Holder may be able to make a "qualified electing fund" election (a "**QEF Election**") or, alternatively, a "mark-to-market" election that could mitigate the adverse U.S. federal income tax consequences that would otherwise apply to such U.S. Holder. Upon request of a U.S. Holder, we intend to provide the information necessary for a U.S. Holder to make applicable QEF Elections. In addition, under certain attribution rules, if the Company is a PFIC, U.S. Holders will generally be deemed to own their proportionate share of the Company's direct or indirect equity interest in any company that is also a PFIC (a "**Subsidiary PFIC**"). U.S. Holders may need to make one or more elections with respect to any Subsidiary PFIC in order to mitigate the adverse U.S. federal income tax consequences.

As used herein, "**U.S. Holder**" means a beneficial owner of the Shares that is (i) an individual who is a citizen or resident of the U.S. for U.S. federal income tax purposes, (ii) a corporation (or other entity taxable as a corporation for U.S. federal tax purposes) created or organized under the laws of the U.S. or any political subdivision thereof, including the States and the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source, or (iv) a trust that (a) is subject to the primary supervision of a court within the U.S. and for which one or more U.S. persons have authority to control all substantial decisions or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person. U.S. Holders are urged to consult their own tax advisers as to whether we may be treated as a PFIC and the tax consequences thereof.

If securities or industry analysts do not publish research, or publish inaccurate or unfavorable research about our business, our share price and trading volume could decline.

The trading market for our common shares depends, in part, on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our common shares or publish inaccurate or unfavorable research about our business, the trading price of the common shares would likely decline. In addition, if our results of operations fail to meet the forecast of analysts, the trading price of the common shares would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common shares could decrease, which might cause our trading price and trading volume to decline.

DIVIDENDS AND DISTRIBUTIONS

As of the date of this AIF, the Company has declared no dividends or made any distributions. Furthermore, the Company has no current intention to declare dividends on its common shares in the foreseeable future. Any decision to pay dividends on its common shares in the future will be at the discretion of the Board of Directors and will depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, any future contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board of Directors may deem relevant.

CAPITAL STRUCTURE

The Company is authorized to issue an unlimited number of common shares. As of the date of this AIF, there are 176,203,797 common shares issued and outstanding. The holders of the common shares are entitled to one vote per share at all meetings of the shareholders of the Company. The holders of common shares are also entitled to dividends, if and when declared by the directors of the Company and the distribution of the residual assets of the Company in the event of a liquidation, dissolution or winding up of the Company.

The Company is authorized to issue an unlimited number of special shares, issuable in series. The special shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, right, privileges, restrictions and conditions attached to the shares in each series. No special shares have been issued since the Company's inception.

The stock option plan (the "**Option Plan**") of the Company is administered by the Board of Directors, which is responsible for establishing the exercise price (at not less than the Discounted Market Price as defined in the policies of the TSX-V) and the vesting and expiry provisions. Pursuant to the Option Plan the Company may reserve and set aside for issue up to 10% of the total number of common shares issued and outstanding at the date of any grant. This is a "rolling" plan ceiling as the number of options which may be reserved and set aside for issue pursuant to the Option Plan will increase as the number of issued and outstanding common shares increases. As of the date of this AIF, options to purchase up to an aggregate of 11,691,495 common shares pursuant to the Option Plan are granted and outstanding.

MARKET FOR SECURITIES

Common Shares are listed and traded on the TSX-V and on the NASDAQ under the trading symbol "CRON". The following table sets forth the reported intraday high and low and monthly trading volumes of the common shares on the TSX-V for the period between January 1, 2017 and the date hereof:

Period	High Trading Price ($)	Low Trading Price ($)	Total Volume for Period
April 1 to April 27, 2018	9.94	6.57	14,764,650
March 2018	13.39	8.20	25,756,350
February 2018	11.79	5.96	29,666,046
January 2018	14.83	8.01	50,873,693
December 2017	10.43	4.03	23,194,128
November 2017	4.78	3.12	18,706,069
October 2017	3.53	2.60	8,876,315
September 2017	2.72	2.20	4,279,996
August 2017	2.47	2.01	2,805,334
July 2017	2.42	1.70	3,897,077
June 2017	2.30	1.58	5,983,393
May 2017	2.87	2.15	6,169,779
April 2017	3.54	2.45	12,012,833
March 2017	3.46	2.39	13,904,953
February 2017	3.43	1.76	19,980,431
January 2017	1.92	1.49	6,844,170

(Source: TMX Datalinx)

The following table sets forth the reported intraday high and low prices and monthly trading volumes of the common shares on the NASDAQ for the period between February 27, 2018, the first trading day of the common shares on the NASDAQ, and the date hereof:

Period	High Trading Price (US$)	Low Trading Price (US$)	Total Volume for Period
April 1 to April 27, 2018	7.92	5.13	8,146,606
March 2018	10.38	6.36	12,029,187
February 27 to February 28, 2018	9.17	7.17	2,132,235

(Source: Bloomberg)

PRIOR SALES

The following table summarizes details of the following securities that are not listed or quoted on a marketplace issued by the Company during the period between January 1, 2017 and the date hereof:

Date of Issuance	Security	Issuance/Exercise Price Per Security ($)	Number of Securities
April 12, 2017	Options	3.14	3,299,000
August 24, 2017	Options	2.42	2,903,000
November 9, 2017	Options	3.32	200,000
January 31, 2018	Options	8.40	280,000
January 31, 2018	Options	9.00	150,000

ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER

As of the date of this AIF, to the knowledge of the Company, other than certain contractual restrictions on the transfer of the Company's warrants and options no securities of the Company are held in escrow or are subject to a contractual restriction on transfer. Pursuant to a CPC Escrow Agreement executed in connection with the Company's initial public offering and dated June 19, 2014, a final tranche of 88,685 common shares were released from escrow on December 16, 2017. Pursuant to a 5D Value Escrow Agreement executed in connection with the Company's Qualifying Transaction and dated December 10, 2014, a final tranche of 841,940 common shares were released from escrow on December 16, 2017. Finally, pursuant to a 5D Surplus Escrow Agreement executed in connection with the Company's Qualifying Transaction and dated December 10, 2014, a final tranche of 998,359 common shares were released from escrow on December 16, 2017.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

Below are the names, province or state and country of residence, principal occupation and periods of service of the directors and executive officers of the Company.

Name and Municipality Residence	Principal Occupation for Last Five Years	Director/Officer of Cronos Since	Position Held with Cronos	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly[3]
Michael Gorenstein New York, NY, USA	May 2016 to Present CEO of Cronos June 2017 to Present Member of Gotham Green Partners GP June 2015 to June 2017 Partner at Alphabet Ventures, LLC January 2015 to June 2015 Principal & General Counsel at Saiers Capital, LLC (f/k/a Alphabet Management, LLC) October 2011 to December 2015 Associate at Sullivan & Cromwell, LLP	November 6, 2015	Chairman, Chief Executive Officer, President	1,739,915[4] (0.99%)

Name and Municipality Residence	Principal Occupation for Last Five Years	Director/Officer of Cronos Since	Position Held with Cronos	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly(3)
Michael Krestell(1)(2) Thornhill, Ontario, Canada	March 2013 to June 2016 President at M Partners, Inc.	December 10, 2014	Director	940,823 (0.53%)
Jason Adler New York, NY, USA	June 2017 to Present Managing Member of Gotham Green Partners GP June 2015 to June 2017 Managing Partner of Alphabet Ventures, LLC October 2007 to June 2015 Managing Member / CEO of Saiers Capital, LLC (f/k/a Alphabet Management, LLC)	July 12, 2016	Director	7,129,557(4) (4.05%)
Alan Friedman(1)(2) Toronto, ON, Canada	November 2014 to Present Managing Director at Tembo Financial Inc. September 2006 to Present President & CEO of Rivonia Capital Inc. December 2011 to Present Executive Vice-President and Director of Eco (Atlantic) Oil & Gas Ltd.	August 21, 2012	Director	294,878 (0.17%)
James Rudyk(1)(2) Toronto, ON, Canada	January 2016 to Present CFO at Roots Corporation October 2009 to December 2015 CFO and Executive Vice President at Shred-it International Inc.	January 31, 2018	Director	0 (0.0%)

Name and Municipality Residence	Principal Occupation for Last Five Years	Director/Officer of Cronos Since	Position Held with Cronos	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly(3)
William Hilson Toronto, ON, Canada	October 2015 to October 2016 President at Hillhurst Management March 2015 to October 2015 President at Hillhurst Capital June 2013 to March 2014 CFO at TravelEdge June 2003 to June 2013 CFO at EMD Inc.	October 10, 2016	Chief Financial Officer	956,510 (0.54%)
Xiuming Shum Singapore, Singapore	October 2017 to Present General Counsel of Cronos January 2016 to August 2017 Corporate & Institutional Banking Legal – European & Regulatory Advisory at BNP Paribas May 2013 to December 2015 Vice President at BNP Paribas	November 14, 2017	General Counsel and Corporate Secretary	0 (0.0%)

(1) Member of the Compensation Committee

(2) Member of the Audit Committee

(3) Percentage ownership based on the issued and outstanding common shares of the Company as of the date of this AIF.

(4) 450,465 of these common shares are held by Gotham Green Fund 1, LP a corporation affiliated with Jason Adler and Michael Gorenstein.

As of the date of the date of this AIF, in aggregate, the directors and officers beneficially own, directly or indirectly, 10,611,218 or 6.02% of the issued and outstanding common shares of the Company.

Each director is elected at the annual meeting of shareholders or appointed pursuant to the provisions of the Corporation's by-laws and applicable laws to serve until the next annual meeting or until a successor is elected or appointed, subject to earlier resignation by the director.

The following is a summary biography of each of the directors and executive officers of the Company:

Michael Gorenstein
Chairman, CEO, President

Mr. Michael Gorenstein is the Chief Executive Officer, President and Chairman of Cronos. Michael is also a member of Gotham Green Partners GP, the general partner to Gotham Green Fund 1, LP, a private equity firm focused primarily on early-stage investing in companies in the cannabis industry. Before joining the Company, Michael was a partner at Alphabet Ventures LLC, a multi-strategy investment management firm located in New York City. Prior to Alphabet Ventures, Michael was the VP and General Counsel of Saiers Capital LLC and a corporate attorney at Sullivan & Cromwell where he focused on mergers and acquisitions and capital market transactions. Michael graduated from the University of Pennsylvania Law School with a JD, the Wharton School at University of Pennsylvania with a certificate in BEPP and the Kelley School of Business at Indiana University with a BSB in Finance.

Michael Krestell
Director

Mr. Michael Krestell was President of M Partners Inc., a Canadian investment dealer, from 2013 to 2017. Prior thereto, Michael was MD Research at M Partners Inc. from 2007 and an analyst at M Partners Inc. covering the merchandising and consumer products sector from 2005 to 2007. In 2009, Michael received a Starmine award by being the number four (4) ranked stock picker in Canada. Michael received an MBA with distinction from the Schulich School of Business specializing in Finance and Strategic Management and he is a CFA charterholder.

Alan Friedman
Director

Mr. Alan Friedman has been the President and Chief Executive Officer of Rivonia Capital Inc., a Canadian corporation providing market, structuring, and capital advising services to private and public companies, since September 2006. Alan has also been Executive Vice-President and a director of Adira Energy Ltd. since August 2009 and Executive Vice-President and a director of Eco (Atlantic) Oil & Gas Ltd. since December 2011. Alan is also a director of Aim1 Ventures Inc. and Tova Ventures II Inc., Capital Pool Corporations listed on the TSX-V. Alan is an attorney and has played an integral role in the acquisition of various assets, financings and go-public transactions onto the Toronto Stock Exchange. He was a co-founder and previous director of Auryx Gold Corp., a Toronto Stock Exchange listed Namibian gold exploration company, before it was sold to Building 2Gold Corp. for approximately $160 million in 2011.

Jason Adler
Director

Mr. Jason Adler is the Founder and Managing Partner of Gotham Green Partners GP (“ **Gotham Green**”), the General Partner of Gotham Green Fund 1, LP, a private equity firm focused primarily on early-stage investing in companies in the cannabis industry. Prior to founding Gotham Green, Jason was the co-founder and Chief Executive Officer of Alphabet Management, LLC, a New York based volatility fund, that focused on identifying mispriced assets across various industries, asset classes and geographies. Jason also founded Geronimo, LLC, an AMEX member broker dealer that made markets in equity options, and he began his career as a market maker at G&D Trading, an AMEX member market maker. Mr. Adler received his B.A. from the University of Rhode Island.

James Rudyk
Director

Mr. James Rudyk is currently the Chief Financial Officer of Roots Corporation (" **Roots**"), a position he has held since January 2016. James is an experienced and proven financial executive with more than 25 years of financial and operational experience and a track record of supporting ambitious growth plans. Prior to joining Roots, James served as the Chief Financial Officer of Shred-it International Inc. from 2009 to 2015, where he was instrumental in helping the company grow from approximately $200 million in revenue to more than $700 million in revenue and expand to more than 17 countries around the world. He also served as Chief Financial Officer and Chief Operating Officer of Canada Cartage Systems Ltd. from 2004 to 2009. Since 2004, James has participated in over 100 board meetings as a board member or senior company officer. James received his BA and Masters of Accounting degrees from the University of Waterloo. James is a Certified Public Accountant and holds an ICD.D designation from the Institute of Corporate Directors.

William Hilson
Chief Financial Officer

Mr. William Hilson is the Chief Executive Officer of Cronos. William is a Certified Public Accountant and has spent over 15 years as regional Chief Financial Officer of two publicly listed multinational pharmaceutical companies – Merck KGaA and Serono S.A. His experience includes financial operations, strategy, performance management, sales & marketing, clinical trial management, international tax and debt and equity financing. Prior to joining Cronos, William was also involved in a number of mergers and acquisitions and licensing deals in the pharmaceutical sector.

Xiuming Shum
General Counsel and Corporate Secretary

Ms. Xiuming Shum is the General Counsel and Corporate Secretary of Cronos. Prior to joining the Company, Xiuming served as in-house counsel at BNP Paribas' Corporate and Institutional Banking division in New York and London, providing advice to senior management on disruptive and transformative legislative changes, such as the BASEL banking reforms, Brexit, and the Dodd-Frank Act. Previously, she was a corporate attorney at Sullivan & Cromwell LLP in New York, where she focused on M&A in large, complex cross-border transactions in diverse industries, including alcohol and spirits, insurance, banking, private equity, and hedge funds. Xiuming is a New York-qualified attorney, holding a J.D. from Columbia Law School (Harlan Fiske Stone Scholar) and a first-class Bachelor of Laws degree from University College London in the U.K.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as disclosed below, to the knowledge of the directors and officers of the Company, no director or officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

1) is, as at the date of the AIF or has been, within the 10 years before the date of the AIF, a director or executive officer of any company that while that person was acting in that capacity,

2) was the subject of a cease trade or similar order or an order that denied the relevant companies access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

3) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or

4) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

5) has, within the 10 years before the date of the AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets.

No director or executive officer of the Company, (i) has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority, or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

No director or executive officer of the Company or, to the knowledge of the Company, shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

The Company may from time to time become involved in transactions which conflict with the interests of our directors and the officers. The interests of these persons could conflict with those of the Company. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of our directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

PROMOTERS

Alan Friedman, a director of the Company, may be considered a “promoter” of the Company under applicable Canadian securities laws because he was a director at the time of the Qualifying Transaction. As of the date of this AIF, Mr. Friedman beneficially owns, controls, or directs, directly or indirectly, 294,878 common shares, comprising 0.17% of the issued and outstanding common shares. Mr. Friedman has served as a Director of the Company since August 21, 2012.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Other than those disclosed below, we are not aware of: (a) any legal proceedings to which we are a party, or by which any of our property is subject, which would be material to us and are not aware of any such proceedings being

contemplated, (b) any penalties or sanctions imposed by a court relating to securities legislation, or other penalties or sanctions imposed by a court or regulatory body against us that would likely be considered important to a reasonable investor making an investment decision and (c) any settlement agreements that we have entered into before a court relating to securities legislation or with a securities regulatory authority.

The following is a brief summary of certain ongoing litigation matters of which the Company is aware:

MedCann Access Acquisition Litigation

On July 31, 2015, 8437718 Canada Inc., 8437726 Canada Inc., Michael Blaine Dowdle, Rade Kovacevic, Kevin Furet and 9388036 Canada Inc. ("**938**") (collectively, the "**Plaintiffs**") commenced a claim against Peace Naturals and a number of other parties, for $15 million in damages as a result of an alleged breach of obligations to them by terminating a share purchase transaction for the acquisition of the Plaintiffs' company, Medcann Access. The Company believes that the allegations contained in the statement of claim are without merit and plans to vigorously defend itself. On February 21, 2018, the parties began the discovery phase of proceedings.

Tweed Inc. Plants Claim

On November 26, 2015, Tweed Inc. (" **Tweed**") and 938 commenced a claim against Peace Naturals (the " **Plants Claim**"), before the Ontario Superior Court of Justice, for $12 million in damages in relation to the destruction of twelve mother plants. Peace Naturals defended the action. On November 21, 2017, the plaintiffs (Tweed, the successor in interest of 8437726 Canada Inc., operating as MedCann Access, and 938) filed a notice with the Ontario Superior Court of Justice to wholly discontinue the Plants Claim against Peace Naturals.

Wrongful Termination Claims

On October 31, 2017, a former Peace Naturals employee (Ms. Jennifer Caldwell) commenced a wrongful termination claim against Peace Naturals, Cronos and certain directors before the Ontario Superior Court of Justice, for $580,000 and 30,000 options in Cronos. It is the opinion of the Company that the claim is without merit, and the Company intends to vigorously defend this claim.

On December 12, 2017, Mark Gobuty, the former CEO of Peace Naturals, commenced a claim against Peace Naturals, Cronos and certain directors before the Ontario Superior Court of Justice, for $12,681,686.38 and a 10% equity interest in Peace Naturals in damages in relation to Mark Gobuty's departure from the Company. It is the opinion of the Company that the claim is without merit, and the Company intends to vigorously defend this claim.

Evergreen Equity Litigation

On April 21, 2017, Cronos filed a claim in the Supreme Court of British Columbia against Evergreen and its directors, seeking, among other things, declarations that the Company holds equity of Evergreen and that the agreement between the parties in respect of its equity is a valid and binding contract. The Company continues to actively pursue this claim.

On March 9, 2018, Philip Illingworth filed a claim in the Supreme Court of British Columbia against Evergreen, its directors, Welton Construction Limited, 0611389 B.C. Ltd. and Hortican, claiming among other things, declarations and an order for specific performance that the plaintiff is the owner of 50% of the shares of Evergreen. It is the opinion of the Company that the plaintiff has not stated a valid claim against Hortican and intends to vigorously defend this claim.

Peace Naturals Warrants Claim

Jeffrey Gobuty, brother to Mark Gobuty, former CEO of Peace Naturals, brought a claim against Peace Naturals for warrants valued at $250,000 that were purportedly issued by Mark Gobuty, on behalf of Peace Naturals. The Company believes that the allegations contained in the statement of claim are without merit and plans to vigorously this claim. The plaintiff has not actively pursued this claim in over a year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Company considers its related parties to consist of key members or former members of its Board of Directors and senior officers, including their close family members, and companies controlled or significantly influences by such individuals; and reporting shareholders and their affiliates that may exert significant influence over the Company's activities (each, "**Related Parties**"). During the three most recently completed financial years of the Company or during the current financial year of the Company, no Related Parties have had a material interest in any transaction that has had a material effect on the Company or is reasonably expected to materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the Company's common shares is TSX Trust Company at 100 Adelaide Street West, Suite 301, Toronto, Ontario M5H 4H1.

MATERIAL CONTRACTS

The Company has entered into the following material contracts, the particulars of which may also be described elsewhere in this AIF:

1) Distribution Agreement dated October 12, 2017, by and between Peace Naturals and Pohl-Boskamp. Under the five-year exclusive distribution agreement, the Company's global subsidiaries will supply Peace Naturals branded cannabis products for distribution within Germany.

2) Commitment Letter, dated August 23, 2017, by and between Peace Naturals (the " **Borrower**") and Romspen (the "**Lender**") and each of Cronos Group Inc., Hortican, OGBC and each responsible person in charge and senior person in charge of the Borrower and OGBC as covenantors in relation to the Loan, and all loan and security agreements contemplated thereby. Under the terms of the Loan, the Lender provided a $40,000,000 senior secured debt facility. The Loan is secured by, among other things: first ranking senior mortgages over each of the properties owned by Peace Naturals and OGBC, a pledge of the shares of Peace Naturals and OGBC owned by Hortican and the shares of Hortican owned by Cronos. The Loan and loan and security agreements contemplated thereby contain customary covenants and undertakings such as ability to incur indebtedness, grant liens, make corporate changes, dispose of assets and ability to pay dividends. Under the Loan, Peace Naturals, OGBC, Hortican and Cronos retain the ability to enter into equipment financing arrangements and Cronos retains the ability to raise capital by issuing common shares. The Loan is available in multiple advances, with each advance subject to certain conditions, including among other things, Romspen's approval of construction progress. Each advance bears interest at a rate of 12% per annum and interest will only accrue once the advance is made. The Loan has a maturity of two (2) years with a one-year extension option and is pre-payable on one-month's notice. The Loan closed on September 21, 2017 and a $5,000,000 advance for working capital purposes was drawn simultaneously on the date of closing.

3) Shareholders Agreement as of August 6, 2014, by and between Hortican and Whistler, amongst others. This agreement sets forth the rights and obligations of the shareholders and Whistler with respect to the shares of Whistler.

Copies of these material contracts are available under our profile on the SEDAR website at www.sedar.com. The above summaries are qualified in their entirety by reference to the terms of the material contract.

AUDIT COMMITTEE INFORMATION

The Company's Audit Committee Charter is attached hereto as Schedule "A" to this AIF.

As of date of this AIF, the Audit Committee of the Company was composed of three members. The members of the Audit Committee are Michael Krestell, Alan Friedman and James Rudyk. The Board of Directors believes that the each of the members of the Audit Committee is financially literate and has the requisite expertise. Currently, the three members have been determined by the Board of Directors to be "independent" and "financially literate" as such terms are defined under *National Instrument 52-110 – Audit Committees* ("**NI 52-110**"). The Board of Directors has made these determinations based on the education as well as breadth and depth of experience of each member of the Committee. The following is a brief summary of the education and experience of each member of the Committee that is relevant to the performance of his or her responsibilities as an Audit Committee member:

Mr. Krestell was President of M Partners Inc., a Canadian investment dealer, from 2013 to 2017. Prior thereto, Michael was MD Research at M Partners Inc. from 2007 and an analyst at M Partners Inc. covering the merchandising and consumer products sector from 2005 to 2007. In 2009, Michael received a Starmine award by being the number four (4) ranked stock picker in Canada. Michael received an MBA with distinction from the Schulich School of Business specializing in Finance and Strategic Management and he is a CFA charter holder.

Mr. Friedman has been the President and Chief Executive Officer of Rivonia Capital Inc., a Canadian corporation providing market, structuring, and capital advising services to private and public companies, since September 2006. Alan has also been Executive Vice-President and a director of Adira Energy Ltd. since August 2009 and Executive Vice-President and a director of Eco (Atlantic) Oil & Gas Ltd. since December 2011. Alan is also a director of Aim1 Ventures Inc. and Tova Ventures II Inc., Capital Pool Corporations listed on the TSX-V. Alan is an attorney and has played an integral role in the acquisition of various assets, financings and go-public transactions onto the Toronto Stock Exchange. He was a co-founder and previous director of Auryx Gold Corp., a Toronto Stock Exchange listed Namibian gold exploration company, before it was sold to Building 2Gold Corp. for approximately $160 million in 2011.

Mr. Rudyk is currently the Chief Financial Officer of Roots, a position he has held since January 2016. James is an experienced and proven financial executive with more than 25 years of financial and operational experience and a track record of supporting ambitious growth plans. Prior to joining Roots, James served as the Chief Financial Officer of Shred-it International Inc. from 2009 to 2015, where he was instrumental in helping the company grow from approximately $200 million in revenue to more than $700 million in revenue and expand to more than 17 countries around the world. He also served as Chief Financial Officer and Chief Operating Officer of Canada Cartage Systems Ltd. from 2004 to 2009. Since 2004, James has participated in over 100 board meetings as a board member or senior company officer. James received his BA and Masters of Accounting degrees from the University of Waterloo. James is a Certified Public Accountant and holds an ICD.D designation from the Institute of Corporate Directors.

Subject to the requirements of NI 52-110 and section 10A(i) of the Exchange Act, the provision of non-audit services by the independent auditor requires pre-approval of the Audit Committee and the Company has adopted policies and procedures to this effect.

The following table provides detail in respect of audit, audit related, tax and other fees billed by the Company to the external auditors for professional services provided to the Company and its subsidiaries:

	2017 ($)	2016 ($)
Audit Fees(1)	130,000	95,000
Tax Fees(2)	20,000	13,815
Audit-Related Fees(3)	63,800	29,550
Other Fees(4)	Nil	4,595
Total	213,800	142,960

Notes:

(1) Audit fees were higher in 2017 due to increased areas of scope of key audit areas driven by organic business growth.
(2) Tax fees are related to Scientific Research and Development Credits input tax credit work. For 2016, tax fees are related to tax compliance, tax planning and tax advice services for the preparation of corporate tax returns.
(3) Audit-related fees for 2017 include review of prospectuses in relation to the Company's common share offerings, quarterly review of financial statements and review of the Company's registration statement on Form F-10 filed with the SEC in connection with its April 2018 Bought Deal.
(4) All other fees relate to tax opinions related to the Company's tax status under U.S. tax laws.

INTERESTS OF EXPERTS

MNP LLP is the independent auditor of the Company and is independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario and within the meaning of the Exchange Act and the applicable rules and regulations adopted by the SEC and the Public Company Accounting Oversight Board (U.S.).

ADDITIONAL INFORMATION

Additional information regarding the Company can be found on SEDAR at www.sedar.com.

Additional financial information is provided in our comparative financial statements and management's discussion and analysis for the most recent completed financial year.

The foregoing documents may be obtained by contacting our Chief Financial Officer at our head office located at 720 King Street West, Suite 320, Toronto, Ontario M5V 2T3.

SCHEDULE "A"

AUDIT COMMITTEE CHARTER

[*see attached*]

AUDIT COMMITTEE CHARTER
OF
CRONOS GROUP INC.
(the "Corporation")

As approved by the Board of Directors on January 31, 2018

ARTICLE 1
PURPOSE AND SCOPE

1.1 Functions of the Audit Committee

The primary functions of the Audit Committee (the "**Committee**") of the Board of Directors of the Corporation (the " **Board**") are to exercise the responsibilities and duties set forth below, including but not limited to:

(a) assist the Board in fulfilling its responsibilities by reviewing:

(i) the financial reports prepared by management of the Corporation for filing with the Canadian and U.S. securities regulatory authorities, including the Ontario Securities Commission and the U.S. Securities and Exchange Commission, any stock exchange and any other governmental or regulatory authority exercising authority over the Corporation (each a "**Regulatory Authority**");

(ii) the Corporation's financial statements, management's discussion and analysis of the Corporation's financial condition and results of operations (the "**MD&A**"), and annual and interim profit or loss press releases before the Corporation discloses the information to the Corporation's shareholders and to the general public; and

(iii) the Corporation's internal financial and accounting controls established by management of the Corporation;

(b) recommend to the Board the external auditor to be nominated for appointment by the shareholders of the Corporation for the purpose of preparing or issuing an auditor's report;

(c) recommend to the Board the external auditor performing other audit, review or attest services for the issuer;

(d) recommend to the Board the compensation of the external auditor to be fixed by the Board as authorized by the Shareholders of the Corporation;

(e) oversee the work performed by any independent external audit firm, including their conduct of the annual audit and engagement for any other services, and review their qualifications and independence,

(f) oversee the accounting and financial reporting processes of the Corporation as established by the Corporation's management and the audits of the financial statements of the Corporation conducted by the Corporation's independent audit firm,

(g) recommend, establish and monitor procedures, including without limitation those relating to financial reporting risk management and those designed to improve the quality and reliability of the disclosure of the Corporation's financial condition and results of operations,

(h) establish and monitor procedures designed to facilitate:

(i) the receipt, retention and treatment of complaints relating to accounting, internal accounting controls or auditing matters, and

(ii) the receipt of confidential or anonymous submissions by employees of concerns regarding questionable accounting or auditing matters,

(i) assist the Board with respect to the Corporation's compliance with legal and regulatory requirements;

(j) engage advisors as necessary, and

(k) determine the relevant funding required by the Corporation for the payment of the independent audit firm, any advisors engaged by the Committee and ordinary administrative expenses of the Committee.

ARTICLE 2
COMPOSITION AND MEETINGS

2.1 Composition

(a) The Committee shall be comprised of a minimum of three directors of the Board as appointed by the Board, each of whom:

(i) meets the applicable independence and/or audit committee composition requirements set forth in:

(A) National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators;

(B) Section 10A-3 of, and Rule 10A-3(b)(1) under, the Securities Exchange Act of 1934, as amended (the " **U.S. Exchange Act**"),

(C) the NASDAQ Listing Standards, the TSX-V or TSX Company Manual, as applicable, or the rules of any other applicable stock exchange;

(D) the *Business Corporations Act* (Ontario); and

(E) any other applicable rule, policy or law of any Regulatory Authority,

as in effect from time to time (collectively, the " **Applicable Requirements**"); and

(ii) has not participated in the preparation of financial statements of the Corporation or any current subsidiary of the Corporation at any time during the past three years.

(b) All members of the Committee shall be "financially literate", which is defined as having a basic understanding of finance and accounting and having the ability to read and understand fundamental financial statements, including a balance sheet, cash flow statement and income statement, that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

(c) At least one member of the Committee shall have employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. Further, at least one member of the Committee shall qualify as an "audit committee financial expert" (as such term is defined in paragraph 8(b) of General Instruction B of Form 40-F under the U.S. Exchange Act).

(d) The Committee shall ensure that all necessary and proper disclosures shall be made in all applicable filings with the Regulatory Authorities as to composition of the Committee.

(e) Committee members may enhance their familiarity with finance and accounting by participating in education programs conducted by the Corporation or an outside consultant at the Corporation's expense.

(f) Independence and financial literacy are to be determined by the Board of Directors in accordance with applicable laws, rules and regulations of the Regulatory Authorities.

2.2 Appointment

(a) The members of the Committee shall be appointed by the Board at the meeting of the Board following each annual meeting of shareholders and shall serve until their successors shall be duly elected and qualified or until their earlier death, resignation or removal.

(b) The Board may fill a vacancy in the membership of the Committee and remove a member of the Committee at any time for any reason.

(c) Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership. In the absence of the Chair at a duly convened meeting, the Committee shall select a temporary substitute from among its members.

2.3 Meetings

(a) The Committee shall meet on a regularly-scheduled basis at least four times per year or more frequently as circumstances dictate.

(b) At the invitation of the Committee, members of the Corporation's management, senior personnel of the Corporation's internal audit function and others may attend Committee meetings as the Committee considers necessary or desirable.

(c) Representatives of the Corporation's independent external audit firm are entitled to attend and be heard at each Committee meeting.

(d) The Committee shall hold executive sessions without management present at each Committee meeting.

(e) All independent directors may attend Committee meetings, provided that directors who are not members of the Committee shall not be entitled to vote, nor shall their attendance be counted as part of the quorum of the Committee.

(f) The Chair of the Committee or any member of the Committee may call a meeting by notifying the members of the Committee. Ordinarily, meetings of the Committee should be convened with no less than 48 hours' notice having been given. The requirement for notice to a Committee member can be waived in writing by that Committee member or with the consent of no less than the number of Committee members that constitutes a quorum of the Committee, whether before or after such notice is required. Attendance by a Committee member constitutes waiver of notice to such Committee member of such meeting.

(g) The Committee shall report its actions to the members of the Board and the Corporate Secretary of the Corporation and keep written minutes of its meetings which shall be recorded and filed with the books and records of the Corporation. Minutes of each meeting will be made available to the members of the Board and the Secretary of the Corporation.

2.4 Quorum

A majority of the members of the Committee shall constitute a quorum at any meeting of the Committee, but in no case shall a quorum be comprised of less than two members of the Committee, and the action of a majority of those present, after determining a quorum, shall be the act of the Committee.

ARTICLE 3
RESPONSIBILITIES AND DUTIES

3.1 Document Review

(a) The Committee shall review and assess the adequacy of this Charter periodically as conditions dictate, but at least annually (and recommend changes to the Board for its approval, if and when appropriate).

(b) The Committee shall review the Corporation's audited annual financial statements, the auditors' report thereon and the related financial disclosures, including the MD&A, prior to their filing with any Regulatory Authority, including:

(i) the audit reports of the Corporation's financial statements and management's assessment of internal control over financial reporting, any memorandum prepared by the Corporation's independent external audit firm with respect to assessment of internal control over financial reporting, any other pertinent reports and management's responses concerning such memorandum;

(ii) the qualitative judgments of the independent external audit firm about the appropriateness of accounting principles and financial disclosure practices used or proposed to be adopted by the Corporation;

(iii) the selection and application of the Corporation's critical accounting policies;

(iv) the methods used to account for significant unusual transactions;

(v) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;

(vi) management's process for formulating sensitive accounting estimates and the reasonableness of these estimates;

(vii) significant recorded and unrecorded audit adjustments;

(viii) any material accounting issues among management and the independent external audit firm; and

(ix) other matters required to be communicated to the Committee under applicable auditing standards by independent auditors.

After such review, the Committee shall recommend to the Board whether such audited annual financial statements and related MD&A should be filed with the applicable Regulatory Authorities.

(c) The Committee shall review the Corporation's quarterly financial statements and the related MD&A. After such review, the Committee shall recommend to the Board whether such financial statements and related MD&A should be filed with the applicable Regulatory Authorities. If any Regulatory Authority requires that the independent external audit firm review the Corporation's interim financial statements prior to their filing with the Regulatory Authority, the Committee shall take steps designed to ensure that such review has been completed.

(d) The Committee shall review any other financial reports and filings as may be deemed appropriate by the Committee or required by any other Regulatory Authority (including financial disclosure in a registration statement, prospectus or other securities offering document of the Corporation, press releases disclosing, or based upon, financial results of the Corporation

including earnings releases and any other material financial disclosure, including financial guidance provided to analysts, rating agencies or otherwise publicly disseminated) and shall recommend to the Board whether such other financial reports or filings should be included in any external filing.

(e) The Committee shall review any forward-looking financial information prepared by management of the Corporation that is proposed to be publicly disseminated.

3.2 Independent Audit Firm

(a) Subject to the approval of the Board and the shareholders of the Corporation as may be required under the *Business Corporations Act* (Ontario), the Committee shall have the sole authority and direct responsibility for the appointment, compensation and oversight of any independent external audit firm engaged for the purpose of preparing or issuing an external audit report or performing other audit, review or attest services for the Corporation, and each such independent audit firm must report directly to the Committee. The authority of the Committee shall include ultimate authority to approve all audit engagement fees and terms.

(b) The Committee shall approve in advance any and all audit services and permissible non-audit services to be performed by the independent external audit firm in accordance with Applicable Requirements (as defined below) and adopt and implement policies for such pre-approval.

(c) The Committee shall determine funding necessary for compensation of any independent external audit firm and notify the Corporation of anticipated funding needs of the Committee.

(d) The Committee shall resolve any disagreements between management and the independent external audit firm as to financial reporting matters.

(e) The Committee shall instruct the independent external audit firm that it should report directly to the Committee on matters pertaining to the work performed during its engagement and on matters required by the Applicable Requirements.

(f) On at least an annual basis, the Committee shall receive from the independent external audit firm a formal written statement identifying all relationships between the independent external audit firm and the Corporation consistent with the applicable requirements of the Public Corporation Accounting Oversight Board (the "**PCAOB**"), the Canadian Auditing and Assurance Standards Board and/or the applicable Rules of Professional Conduct/Code of Ethics adopted by the order of chartered accountants to which it belongs and the Applicable Requirements. The Committee shall actively engage in a dialogue with the independent external audit firm as to any disclosed relationships or services that may impact its objectivity and independence and take any other action considered appropriate to satisfy the Committee of the independence of the independent external audit firm. The Committee shall establish policies for ensuring receipt from the independent external audit firm of a formal written statement of independence prior to engagement, and then on at least an annual basis, and take appropriate action to oversee the independence of the independent external audit firm.

(g) On an annual basis, the Committee shall discuss with representatives of the independent external audit firm the matters required to be discussed by PCAOB Auditing Standard No. 16 Communications with Audit Committee, as it may be modified or supplemented, or any other applicable standards of the PCAOB.

(h) The Committee shall evaluate the qualifications and performance of the independent external audit firm and shall, at least annually, review the qualifications and performance of the lead partner(s) of the independent external audit firm.

(i) The Committee shall obtain a report from the independent external audit firm annually verifying that the lead partner has served in that capacity for no more than five fiscal years of the Corporation and that the engagement team collectively possesses the experience and competence to perform an appropriate audit.

(j) The Committee shall review and approve policies for the Corporation's hiring of partners and employees or former partners and employees of the independent audit firm.

(k) When a change of independent external audit firm is proposed, the Committee shall review all issues related to the change, including the information required to be disclosed by any Regulatory Authority.

(l) The Committee shall review all reportable events, including disagreements, unresolved issues and consultations with the Corporation's independent external audit firm, whether or not there is to be a change of independent audit firm, and receive and review all reports prepared by the independent audit firm.

3.3 Financial Reporting Processes

(a) In consultation with the Corporation's management and the independent external audit firm, the Committee shall review annually the adequacy of the Corporation's internal control over financial reporting and consider, in particular:

(i) the effectiveness of, or weakness or deficiencies in: the design or operation of the Corporation's internal controls (including computerized information system controls and security), the overall control environment for managing business risks, and accounting, financial and disclosure controls (including, without limitation, controls over financial reporting), non-financial controls, and legal and regulatory controls and the impact of any identified weaknesses in internal controls on management's conclusions;

(ii) any significant changes in internal control over financial reporting that are disclosed, or considered for disclosure, including those in the Corporation's periodic regulatory filings;

(iii) any issues raised by any inquiry or investigation by any Regulatory Authority;

(iv) the Corporation's fraud prevention and detection program, including deficiencies in internal controls that may impact the integrity of financial information, or may expose the Corporation to other significant internal or external fraud losses and the extent of those losses and any disciplinary action in respect of fraud taken against management or other senior employees who have a significant role in financial reporting; and

(v) any related significant issues and recommendations of the independent external audit firm together with management's responses thereto, including the timetable for implementation of recommendations to correct weaknesses in internal controls over financial reporting and disclosure controls.

(b) The Committee shall require the Corporation's Chief Executive Officer and Chief Financial Officer to submit a report to the Committee prior to the filing of the Corporation's annual audited financial statements and quarterly unaudited interim financial statements, which is based on their evaluation of internal control over financial reporting, and which discloses:

(i) any and all significant deficiencies and material weaknesses in the design and operation of the internal controls over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize, and report financial data;

(ii) any significant changes in internal control over financial reporting; and

(iii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal control over financial reporting,

(c) The Committee shall direct the actions to be taken and/or make recommendations to the Board of actions to be taken, to the extent such report indicates the finding of any significant deficiencies in internal control over financial reporting or fraud.

(d) In consultation with the Corporate Secretary, the General Counsel or other management members as appropriate, the Committee shall review legal compliance matters that may have a material impact on the Corporation, the effectiveness of the Corporation's compliance policies, and any material communications from regulators, as well as management's plans to remediate any deficiencies identified.

(e) The Committee shall:

(i) regularly review the Corporation's critical accounting policies and accounting estimates resulting from the application of these policies;

(ii) inquire at least annually of both the Corporation's management, accounting group and the independent external audit firm as to whether either has any concerns relative to the quality or aggressiveness of management's accounting policies;

(iii) review with the independent external audit firm alternative accounting treatments that have been discussed with management;

(iv) review with management any significant changes in IFRS as issued by the IASB, as well as emerging accounting and auditing issues, and their potential effects; and

(v) review with management matters that may have a material effect on the financial statements.

3.4 Compliance

(a) The Committee shall establish procedures in compliance with applicable law for:

(i) the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

(ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

(b) The Committee shall investigate any allegations that any officer or director of the Corporation, or any other person acting under the direction of any such person, took any action to fraudulently influence, coerce, manipulate, or mislead any firm (including the Corporation's independent external audit firm) engaged in the performance of an audit of the financial statements of the Corporation for the purpose of rendering such financial statements materially misleading and, if such allegations prove to be correct, take or recommend to the Board of Directors appropriate disciplinary action.

3.5 Reporting

The Committee shall advise the Corporation's management of the need to disclose in its filings with Regulatory Authorities the approval by the Committee of any non-audit services performed by the independent external audit firm, and review the substance of any such disclosure and the considerations relating to the compatibility of such services with maintaining the independence of the independent external audit firm.

3.6 Conflicts of Interest

The Committee shall review the Corporation's policies relating to the avoidance of conflicts of interest and review and approve all payments to be made pursuant to any related party transactions involving executive officers and members of the Board, as required by any Regulatory Authority. The Committee shall consider the results of any review of these policies and procedures by the Corporation's independent external audit firm.

3.7 Access to Management and Independent Advice

(a) The Committee shall have unrestricted access to the Corporation's management and employees and the books and records of the Corporation and, from time to time may hold unscheduled or regularly scheduled meetings or portions of meetings in executive session or otherwise with the Corporation's independent external audit firm, the Chief Financial Officer, the Chief Executive Officer or the Corporate Secretary.

(b) The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities and duties as described above, and may seek, retain and terminate accounting, legal, consulting or other expert advice from a source independent of management, at the expense of the Corporation, with notice to either the Chair of the Board or the Chief Executive Officer of the Corporation, as deemed appropriate by the Committee. In furtherance of the foregoing, the Committee shall have the sole authority to retain and terminate any such consultant or advisor to be used to assist in the evaluation of such matters and shall have the sole authority to approve the consultant or advisor's fees and other retention terms.

3.8 Duty of the Committee

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits, to establish the Corporation's accounting and financial reporting systems, or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles.

ARTICLE 4
NO RIGHTS CREATED

This Charter is a broad policy statement and is intended to be part of the Board's flexible governance framework. While this Charter should comply with all Applicable Requirements and the Corporation's constating documents, including articles and by-laws, this Charter does not create any legally binding obligations on the Board, the Committee or any other committee of the Board or any director or the Corporation.

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Exhibit 99.2

CRONOS GROUP INC.



CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and December 31, 2016

(in thousands of Canadian dollars)

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Cronos Group Inc.
Consolidated Financial Statements
For the Years Ended December 31, 2017 and December 31, 2016

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Independent Auditors' Report

To the Shareholders of Cronos Group Inc.:

We have audited the accompanying consolidated financial statements of Cronos Group Inc., which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, and the consolidated statements of operations and comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Cronos Group Inc. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2(b) to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on Cronos Group Inc.'s ability to continue as a going concern.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

April 27, 2018 — Licensed Public Accountants

MNP

Cronos Group Inc.
Consolidated Statements of Financial Position
As at December 31, 2017 and December 31, 2016
(in thousands of CDN $)

	Notes	2017	2016
Assets			
Current			
Cash		**$ 9,208**	$ 3,464
Accounts receivable	22(i)	**1,140**	107
Sales tax receivable		**3,114**	—
Prepaids and other receivables		**790**	503
Biological assets	7	**3,722**	1,795
Inventory	7	**8,416**	1,908
Loans receivable	8	**314**	309
		26,704	8,086
Investment in Whistler	9	**3,807**	2,566
Other investments	10	**1,347**	5,127
Property, plant and equipment	11	**56,172**	14,122
Intangible assets	12	**11,207**	11,207
Goodwill	12	**1,792**	1,792
		$101,029	$42,900
Liabilities			
Current			
Accounts payable and other liabilities	22(ii)	**$ 7,878**	$ 1,176
Purchase price liability	6	**—**	2,590
Mortgage payable	13	**—**	4,000
		7,878	7,766
Construction loan payable	14	**5,367**	—
Deferred income tax liability	20	**1,416**	1,457
		14,661	9,223
Shareholders' Equity			
Share capital	15(a)	**83,559**	33,590
Warrants	15(b)	**3,364**	3,983
Share-based reserve	16	**2,289**	735
Accumulated deficit		**(3,724)**	(6,215)
Accumulated other comprehensive income		**880**	1,584
		86,368	33,677
		$101,029	$42,900
Going concern	2(b)		
Commitments and contingencies	19		
Subsequent events	25		

The accompanying notes are an integral part of these consolidated financial statements

Approved on behalf of the Board of Directors:

"Michael Gorenstein"	*"Jim Rudyk"*
Director	Director

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Cronos Group Inc.
Consolidated Statements of Operations and Comprehensive Income
For the years ended December 31, 2017 and December 31, 2016
(in thousands of CDN $, except share amounts)

	Notes	2017	2016
Product sales		**$ 4,082**	$ 554
Cost of sales			
Inventory expensed to cost of sales		**4,489**	384
Production costs		**3,983**	356
Unrealized gain on revaluation of biological assets	7	**(11,620)**	(2,179)
Total recovery of cost of sales		**(3,148)**	(1,439)
Gross profit		**7,230**	1,993
Operating expenses			
General and administration		**6,935**	3,435
Stock-based payments	16,18	**1,862**	307
Depreciation	11	**541**	382
Total operating expenses		**9,338**	4,124
Operating loss		**(2,108)**	(2,131)
Other income (expense)			
Interest expense		**(126)**	(232)
Share of income from Whistler investment	9	**165**	163
Gain (loss) on other investments	10	**4,858**	(310)
Reversal of impairment loss on loan receivable	8	**—**	725
Other income		**—**	27
Total other income		**4,897**	373
Income (loss) before income taxes		**2,789**	(1,758)
Income tax expense (recovery)	20	**298**	(568)
Net income (loss)		**$ 2,491**	$ (1,190)
Other comprehensive income			
Gain on revaluation of other investments, net of tax	10,20	**947**	1,584
Unrealized gains reclassified to net income		**(1,651)**	—
Comprehensive income		**$ 1,787**	$ 394
Net income (loss) per share			
Basic	17	**$ 0.02**	$ (0.02)
Diluted	17	**$ 0.01**	$ (0.02)
Weighted average number of outstanding shares			
Basic	17	**134,803,542**	78,248,192
Diluted	17	**176,789,161**	78,248,192

The accompanying notes are an integral part of these consolidated financial statements

Cronos Group Inc.
Consolidated Statements of Changes in Equity
For the years ended December 31, 2017 and December 31, 2016
(in thousands of CDN $, except share amounts)

	Notes	Number of shares	Share capital	Warrants	Share-based reserve	Accumulated deficit	Accumulated other comprehensive income	Total
Balance at January 1, 2016		42,618,971	$ 14,800	$ 1,329	$ 599	$ (5,025)	$ —	$11,703
Shares issued	15(a,b)	75,289,565	18,096	2,832	—	—	—	20,928
Share issuance costs		—	(162)	—	—	—	—	(162)
Vesting of options	16	—	—	—	178	—	—	178
Options exercised	16	402,788	145	—	(42)	—	—	103
Warrants exercised	15(b)	2,264,424	596	(178)	—	—	—	418
Conversion of convertible loans payable	15(a)	1,150,000	115	—	—	—	—	115
Net loss		—	—	—	—	(1,190)	—	(1,190)
Other comprehensive income	10	—	—	—	—	—	1,584	1,584
Balance at December 31, 2016		121,725,748	$ 33,590	$ 3,983	$ 735	$ (6,215)	$ 1,584	$33,677
Shares issued	15(a)	19,852,301	49,594	—	—	—	—	49,594
Share issuance costs		—	(2,767)	—	—	—	—	(2,767)
Vesting of options	16	—	—	—	1,862	—	—	1,862
Options exercised	16	571,246	899	—	(308)	—	—	591
Warrants exercised	15(b)	7,211,308	2,243	(619)	—	—	—	1,624
Unrealized gains reclassified to net income	10	—	—	—	—	—	(1,651)	(1,651)
Net income		—	—	—	—	2,491	—	2,491
Other comprehensive income	10	—	—	—	—	—	947	947
Balance at December 31, 2017		**149,360,603**	**$ 83,559**	**$ 3,364**	**$ 2,289**	**$ (3,724)**	**$ 880**	**$86,368**

The accompanying notes are an integral part of these consolidated financial statements

Cronos Group Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and December 31, 2016
(in thousands of CDN $)

	Notes	2017	2016
Operating activities			
Net income (loss)		**$ 2,491**	$ (1,190)
Items not affecting cash:			
Stock-based payments	16,18	**1,862**	307
Depreciation	11	**996**	382
Share of income from investment in Whistler	9	**(165)**	(163)
Loss (gain) on other investments	10	**(4,858)**	310
Reversal of impairment loss on loan receivable	8	**—**	(725)
Deferred income tax expense (recovery)	20	**298**	(568)
		624	(1,647)
Net changes in non-cash working capital:			
Increase in accounts receivable		**(1,033)**	(57)
Increase in sales tax receivable		**(3,114)**	—
Increase in prepaids and other receivables		**(287)**	(376)
Increase in biological assets		**(1,927)**	(714)
Increase in inventory		**(6,508)**	(929)
Increase in accrued interest on loan receivable		**(5)**	(7)
Increase (decrease) in accounts payable and other liabilities		**6,702**	(2,746)
Cash flows used in operating activities		**(5,548)**	(6,476)
Investing activities			
Cash acquired from Peace Naturals	6	**—**	109
Advances of loans receivable to Peace Naturals prior to acquisition	6	**—**	(771)
Receipts of loans receivable	6	**—**	423
Acquisition of Peace Naturals	6	**—**	(6,248)
Repayment of purchase price liability	6	**(2,590)**	—
Investment in Whistler	9	**(1,076)**	—
Dividends received from Whistler investment	9	**—**	2
Proceeds from sale of other investments		**10,879**	—
Acquisition of additional shares in AbCann		**(1,016)**	—
Payment to exercise AbCann warrants		**(2,268)**	—
Purchase of property, plant and equipment	11	**(42,701)**	(1,523)
Cash flows used in investing activities		**(38,772)**	(8,008)
Financing activities			
Repayment of deposit payable		**—**	(200)
Repayment of promissory note payable		**—**	(950)
Repayment of loans		**—**	(2,689)
Repayment of mortgage payable		**(4,000)**	(500)
Proceeds from construction loan payable		**6,304**	—
Transaction costs paid on construction loan payable		**(1,282)**	—
Proceeds from exercise of warrants	15(b)	**1,624**	418
Proceeds from issuance of warrants		**—**	2,832
Proceeds from exercise of options	16	**591**	104
Proceeds from issuance of shares	15(a)	**49,594**	17,968
Share issuance costs		**(2,767)**	(162)
Cash flows provided by financing activities		**50,064**	16,821
Net change in cash		**5,744**	2,337
Cash - beginning of year		**3,464**	1,127
Cash - end of year		**$ 9,208**	$ 3,464
Supplemental cash flow information			
Interest received		**$ 22**	$ 48
Interest paid		**200**	294

The accompanying notes are an integral part of these consolidated financial statements

Cronos Group Inc.
Notes to Consolidated Financial Statements
For the years ended December 31, 2017 and December 31, 2016
(in thousands of CDN $, except per gram and per share amounts)

1. Nature of business

Cronos Group Inc. ("**Cronos**" or the "**Company**"), was incorporated under the *Business Corporations Act (Ontario)* . Cronos is a publicly traded corporation, with its head office located at 720 King Street West, Suite 320, Toronto, Ontario, M5V 2T3. The Company's common shares are currently listed on the TSX Venture Exchange (**"TSX-V"**) and Nasdaq Global Market under the trading symbol "CRON".

Hortican Inc. ("**Hortican**"), is a wholly owned subsidiary of Cronos, incorporated under the *Canada Business Corporations Act* (**"*CBCA* "**).

Cronos operates two wholly owned Licensed Producers, namely Peace Naturals Project Inc. (**"Peace Naturals"**), which has production facilities near Stayner, Ontario, and Original BC Ltd. (**"OGBC"**), which has a production facility in Armstrong, British Columbia. Currently, Cronos sells dry cannabis and cannabis oils under its medical cannabis brand, Peace Naturals.

OGBC was incorporated as In the Zone Produce Ltd. (" **In the Zone**") under the *Business Corporations Act (British Columbia)* and was acquired by Hortican on November 5, 2014. In the Zone changed its name to OGBC on October 16, 2017, and was continued under the *CBCA* on the same day. OGBC is a licensed producer and seller (**"Licensed Producer"**) of medical cannabis pursuant to the provisions of the Controlled Drugs and Substances Act and its Regulations (**"CDSA"** and its relevant regulation, the Access to Cannabis for Medical Purposes Regulation (**"ACMPR**"). On February 26, 2014, Health Canada issued an initial cultivation license to OGBC under the ACMPR which has since been amended and supplemented. OGBC's current license has an effective term from February 28, 2017 to February 28, 2020 and grants OGBC the authority to engage in the production and sale of dried cannabis flower. The license was amended to reflect its name change on October 20, 2017.

Peace Naturals was incorporated under the *CBCA* , and was acquired by Hortican on September 6, 2016. Peace Naturals is a Licensed Producer pursuant to the provisions of the ACMPR and the CDSA. On October 31, 2013, Health Canada issued an initial license to Peace Naturals for activities related to the production and sale of dried cannabis flower under the ACMPR, which has since been amended and supplemented. Peace Naturals' current license has an effective term from November 1, 2016 to November 1, 2019 and grants Peace Naturals the authority to engage in, among other things, the production and sale of dried cannabis flower, cannabis resin, cannabis seeds, cannabis plants, and cannabis oils. Additional information on the acquisition of Peace Naturals is provided in Note 6.

Cronos Australia PTY Ltd. (" **Cronos Australia**") was incorporated under the *Corporations Act 2001 (Australia)* on December 6, 2016 by Cronos. Cronos holds 50% of the outstanding shares of Cronos Australia.

Indigenous Roots Inc. and Cronos Indigenous Holdings Inc. were incorporated under the *CBCA* on February 9, 2017 and March 16, 2017, respectively. Both corporations are wholly owned by Hortican. These two corporations, along with a third party limited partnership, formed Indigenous Roots LP on April 18, 2017.

Cronos Global Holdings Inc. (" **Cronos Global**") was incorporated under the *CBCA* on April 25, 2017 by Hortican. Cronos Global will be the holding company for the Company's future global operations.

2. Basis of presentation

(a) Basis of consolidation

These consolidated financial statements include the accounts of Cronos Group Inc., Hortican Inc., Original BC Ltd., Peace Naturals Project Inc., Indigenous Roots Inc., Cronos Indigenous Holdings Inc., and Cronos Global Holdings Inc. All intercompany transactions, balances, revenues and expenses have been eliminated on consolidation. The Company applies the acquisition method to account for business combinations. Acquisition related costs are expensed as incurred.

2. Basis of presentation (continued)

(b) Going concern

These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. During the year ended December 31, 2017, the Company had negative cash flows from operations of $5,548 and was dependent on the Company's ability to obtain additional financing. These circumstances may cast significant doubt on the Company's ability to continue as a going concern and ultimately on the appropriateness of the use of the accounting principles applicable to a going concern. In assessing whether the going concern assumption was appropriate, management took into account all relevant information available, which was at least, but not limited to, the twelve month period subsequent to December 31, 2017. The Company is currently implementing various strategies, including the following:

- On February 27, 2018, Cronos became listed on the NASDAQ under the trading symbol "CRON", providing access to a major U.S. exchange to raise financing in support of the Company's growth and operations;
- In 2018, the Company announced strategic joint ventures in Canada and Australia, with MedMen Enterprises USA, LLC and NewSouthern Capital Pty Ltd., respectively, which are expected to enable the Company to expand its capacity and establish a low-cost, global footprint;
- In 2018, the Company has raised an additional $146,000 in gross proceeds through two common share offerings; and
- The Company has available, $33,696 of additional liquidity available under its construction loan, which includes $5,000 contingent upon an appraisal of OGBC.

The Company believes that based on its previous success in raising capital, and the availability under its construction loan, any shortfall in its cash flows is expected to be mitigated by the Company's ability to access other sources of liquidity.

(c) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (**"IFRS"**) as issued by the International Accounting Standards Board (**"IASB"**).

These consolidated financial statements were approved by the Board of Directors on April 27, 2018.

(d) Basis of measurement

Apart from certain assets and liabilities measured at fair value as required under certain IFRSs, the consolidated financial statements have been presented and prepared on the basis of historical cost.

(e) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and all of its subsidiaries.

(f) Estimates and critical judgments by management

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically and adjustments are made as appropriate in the year they become known. Items for which actual results may differ materially from these estimates are described in the following section.

2. Basis of presentation (continued)

(f) Estimates and critical judgments by management (continued)

(i) Warrants and options

Warrants and options are initially recognized at fair value, based on the application of the Black-Scholes option pricing model. This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the volatility of the share price, expected dividend yield, expected term of the warrant or option and expected risk-free interest rate.

(ii) Useful lives and impairment of long-lived assets

Long-lived assets are defined as property, plant and equipment and intangible assets. Depreciation is dependent upon estimates of useful lives and impairment is dependent upon estimates of recoverable amounts. These are determined through the exercise of judgment, and are dependent upon estimates that take into account factors such as economic and market conditions, frequency of use, anticipated changes in laws, and technological improvements.

(iii) Impairment of cash-generating units and goodwill

The impairment test for cash generating units ("**CGU**s") to which goodwill is allocated is based on the value in use of the CGU, determined in accordance with the expected cash flow approach. The calculation is based on assumptions used to estimate future cash flows, the cash flow growth rate and the discount rate.

(iv) Fair value of privately held financial assets available-for-sale

The Company's management considers specific information about the investee companies, trends in general market conditions, and the share performance of similar publicly traded companies when valuing the Company's privately held investments.

Management considers the following factors to indicate a change in the fair value, or impairment of, a privately held investment, and may adjust the value if:

a. there has been significant subsequent equity financing provided by outside investors at a value which differs from the current recorded value of the investee company, in which case the fair value of the investment is adjusted to equal the value at which that financing took place;

b. there have been significant corporate, political, legal, or operating events affecting the investee company such that management believes they will materially impact the investee company's prospects and therefore its fair value. In these circumstances, the adjustment to fair value of the investment will be based on management's judgment;

c. the investee company is placed into receivership or bankruptcy;

d. based on financial information received from the investee company, it is evident that the investee company is unlikely to be able to continue as a going concern;

e. receipt or denial by the investee company of medical marijuana licenses from Health Canada, which allow the investee company to initiate or continue operations; and

f. management changes by the investee company that the Company's management believes will have an impact on the investee company's ability to achieve its objectives and build value for shareholders.

(v) Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

2. Basis of presentation (continued)

(f) Estimates and critical judgments by management (continued)

(v) Income taxes (continued)

In addition, when the Company incurs losses for income tax purposes, it assesses the probability of taxable income being available in the future based on its budgeted forecasts. These forecasts are adjusted to take into account certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate that sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

(vii) Biological assets and inventory

Biological assets, consisting of cannabis plants, are measured at fair value less costs to sell. At the point of harvest, the biological assets are transferred to inventory at fair value less costs to sell. As a result, critical estimates related to the valuation of biological assets are also applicable to inventory.

Determining the fair value less costs to sell requires the Company to make assumptions about the expected future yield from the cannabis plants, the value associated with each stage of the plants' growth cycle, estimated selling price, costs to convert harvested cannabis into finished goods, and costs to sell. The Company's estimates are, by their nature, subject to change.

3. Significant accounting policies

The principal accounting policies applied to the preparation of these consolidated financial statements are set out below:

(a) Revenue recognition

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of finished goods is recognized when the Company has transferred the significant risks and rewards of ownership to the buyer and collection is reasonably assured. The significant risks and rewards of ownership are considered to be transferred upon delivery.

(b) Equity accounted investments

Significant influence is the power to participate in the financial and operating policy decisions of the investee without control or joint control over those decisions. Significant influence is presumed if the Company holds between 20% and 50% of the voting rights, unless evidence exists to the contrary. The Company has assessed that it has significant influence over its investment in Whistler Medical Marijuana Company.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Investees in which the Company has joint control and rights to the net assets thereof, are defined as joint ventures. The Company's interests in Cronos Australia and Indigenous Roots LP are classified as joint ventures.

Investees in which the Company has significant influence or joint control are accounted for using the equity method. The Company's interest in an investee is initially recorded at cost and is subsequently adjusted for the Company's share of changes in net assets of the investee, less any impairment in the value of individual investments, less any dividends paid. Where the Company transacts with an investee, unrealized profits and losses are eliminated to the extent of the Company's interest in that investee.

3. Significant accounting policies (continued)

(c) Biological assets

The Company measures biological assets, consisting of cannabis plants, at fair value less costs to sell. Agricultural produce, consisting of medical cannabis, is measured at fair value less costs to sell at the point of harvest, which becomes the basis for the cost of finished goods inventory after harvest. Gains and losses arising from changes in fair values less cost to sell during the period are included in the net income of the related year.

(d) Inventory

Inventories of harvested finished goods, work-in-process, and raw materials are valued at the lower of cost and net realizable value. Inventories of harvested cannabis and work-in-process are transferred from biological assets at their fair value at the point of harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs, including direct costs attributable to processing and related overheads, are capitalized to inventory to the extent that cost is less than net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated variable costs to sell.

(e) Intangible assets

Intangible assets, which have indefinite useful lives, are recorded at cost less impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Intangible assets with indefinite useful lives are not amortized, but are systematically tested for impairment annually in the fourth quarter or earlier if there is an indication of impairment.

(f) Property, plant and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation. The assets are depreciated over their estimated useful lives using the following methods and rates:

	Method	Rate
Building structures	Straight-line	15 to 20 years
Furniture and equipment	Straight-line	5 years
Computer equipment	Straight-line	3 years
Security equipment	Straight-line	5 years
Production equipment	Straight-line	7 years
Road	Straight-line	25 years
Leasehold improvements	Straight-line	5 to 10 years

An asset's residual value, useful life and depreciation method are reviewed at each financial year end and adjusted if appropriate. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components.

Construction in progress is not depreciated until it is completed and available for use.

(g) Provisions

Provision for risks and expenses are recognized for probable outflows of resources that can be estimated and that result from present obligations resulting from past events. In the case where a potential obligation resulting from past events exists, but where occurrence of the outflow of resources is not probable or the estimate is not reliable, these contingent liabilities are disclosed as commitments and litigation. Provisions, if any, are measured based on management's best estimates of outcomes on the basis of facts known at the reporting date.

(h) Share capital

Share capital is presented at the fair value of the shares issued. Costs related to the issuance of shares are reported in equity, net of tax, as a deduction from the issuance proceeds.

3. Significant accounting policies (continued)

(i) Foreign exchange translation

The consolidated financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company and all of its subsidiaries. Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. At each reporting date, foreign currency denominated monetary assets and liabilities are translated at year-end exchange rates. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Exchange differences arising from operating transactions are recorded in operating profit or loss for the period; exchange differences related to financing transactions are recognized in finance income or directly in equity.

(j) Income taxes

The Company accounts for its income taxes using the deferred tax assets and liabilities method. Deferred income tax assets and liabilities are determined based on the difference between the carrying amount and the tax basis of the assets and liabilities. Any change in the net amount of deferred income tax assets and liabilities is included in profit or loss or equity. Deferred income tax assets and liabilities are determined based on enacted or substantively enacted tax rates and laws which are expected to apply to taxable profit for the years in which the assets and liabilities will be recovered or settled. Deferred income tax assets are recognized when it is probable they will be realized. Deferred tax assets and liabilities are not discounted.

(k) Stock-based payments

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in net income over the vesting period.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of operations. When the value of goods or services received in exchange for the stock-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

The cost recognized for all equity-settled stock-based payments are reflected in share-based reserve, until the instruments are exercised. Upon exercise, shares are issued from treasury and the amount previously reflected in share-based reserve are, along with any proceeds paid upon exercise, credited to share capital.

(l) Earnings per share

The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all potentially dilutive common shares, which comprise warrants and stock options.

(m) Financial instruments

The Company aggregates its financial instruments into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized.

All financial assets except those classified as fair value through profit or loss are reviewed at each reporting date to determine whether there is any indication of impairment. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

3. Significant accounting policies (continued)

(m) Financial instruments (continued)

The Company's accounting policy for each class of financial instruments is as follows:

(i) Fair value through profit or loss

Financial instruments classified as fair value through profit or loss are reported at fair value at each reporting date, and any change in fair value is recognized in net income in the period during which the change occurs. In these consolidated financial statements, cash and the investment in warrants of AbCann Global Corp. have been classified as fair value through profit or loss.

(ii) Available-for-sale

Financial instruments classified as available-for-sale are initially recorded at fair value at the time of acquisition, with transaction costs included in the amount initially recognized. Thereafter, at each reporting date, available-for-sale financial assets are recognized at fair value and the changes in fair value, other than impairment losses and foreign exchange losses, are recognized in other comprehensive income (loss) and presented in accumulated other comprehensive income in shareholders' equity. In determining if the investment is impaired, the Company evaluates whether there is a significant or prolonged decline in the fair value of the investment. Significant or prolonged decline is defined as an unrealized loss at 50% or a decline under its cost over two consecutive fiscal years, respectively. When the financial assets are sold or an impairment write-down is required, gains or losses previously recognized in accumulated other comprehensive income are reclassified to profit or loss. In these consolidated financial statements, investments in Hydropothecary Corporation, Canopy Growth Corporation, AbCann Global Corp., and Evergreen Medicinal Supply Inc. have been classified as available-for-sale.

(iii) Loans and receivables and other financial liabilities

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are included in the amount initially recognized. In these consolidated financial statements, accounts receivable, loans receivable, and other receivables have been classified as loans and receivables. Accounts payable and other liabilities, purchase price liability, mortgage payable, and construction loan payable have been classified as other financial liabilities.

4. Adoption of new accounting pronouncements

(a) AMENDMENTS TO IAS 7 STATEMENT OF CASH FLOWS

International Accounting Standard (**"IAS"**) 7 amendments include additional disclosures to enable users of the consolidated financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. These amendments became effective for annual periods beginning on or after January 1, 2017. The Company has adopted these amendments as of the effective date and has assessed no significant changes as a result of the adoption of these amendments on the current or prior periods.

(b) IAS 12 INCOME TAXES

IAS 12 amendments include: (a) unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; (b) the carrying amount of an asset does not limit the estimation of probable future taxable profits; (c) estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences; and (d) an entity assesses a deferred tax asset for recoverability in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset for recoverability in combination with other deferred tax assets of the same type. These amendments became effective for annual periods beginning on or after January 1, 2017. The Company has adopted these amendments as of the effective date and has assessed no significant changes as a result of the adoption of these amendments on the current or prior periods.

5. New and revised standards and interpretations issued but not yet effective

(a) AMENDMENTS TO IFRS 2 SHARE-BASED PAYMENTS

IFRS 2 clarifies how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The effective date of these amendments is January 1, 2018. The Company will adopt the amendments as of its effective date. The Company has performed a preliminary assessment and does not expect there to be significant impact on the consolidated financial statements as a result of these amendments.

(b) IFRS 9 FINANCIAL INSTRUMENTS

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. The effective date of this standard is January 1, 2018. The Company will adopt this new standard as of its effective date. As a result of the new classification model and measurement requirements under IFRS 9, the Company will elect to classify the available-for-sale investments as fair value through other comprehensive income investments. Under this classification, there is no recycling of gains or losses from accumulated other comprehensive income to profit or loss. Therefore, the gain recorded in other comprehensive income in the current year of $947 will not be recycled to profit or loss in future periods. The Company has performed a preliminary assessment and does not expect there to be any other significant impacts on the consolidated financial statements as a result of the adoption of this new standard.

(c) IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 was issued by the IASB in May 2014 and specifies how and when revenue should be recognized based on a five- step model, which is applied to all contracts with customers. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company will adopt this new standard as of its effective date. The Company has performed a preliminary assessment and does not expect there to be any significant impact on the consolidated financial statements as a result of the adoption of this new standard.

During the year, the Company had undertaken an accounting impact analysis based on a review of the contractual terms of its principal revenue stream. Under IFRS 15, the revenue recognition model will change from one based on the transfer of risks and rewards of ownership to the transfer of control. The Company's revenue is predominantly derived from sales of dried cannabis and cannabis oil. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, the timing and amount of revenue considering discounts, rebates, and variable considerations, recognized from this principal revenue stream is unlikely to be materially affected.

(d) IFRS 16 LEASES

IFRS 16 was issued in January 2016 and replaces the previous guidance on leases. This standard provides a single recognition and measurement model to be applied by lessees to leases, with required recognition of assets and liabilities for most leases. This standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if the Company is also applying IFRS 15, Revenue from Contracts with Customers. The Company will adopt this new standard as of its effective date. The Company is currently evaluating the impact of the adoption of this new standard on its consolidated financial statements.

6. Acquisition of Peace Naturals

On September 6, 2016, the Company acquired all of the remaining issued and outstanding shares of Peace Naturals, a Licensed Producer, headquartered in Stayner, Ontario. Consideration for the acquisition included $6,248 in cash and $2,590 (approximately 30%) to be paid once all conditions of the agreement were settled. The conditions were based on the passage of time to ensure there were no additional liabilities identified. As the Company previously held shares of Peace Naturals, the acquisition is considered a step acquisition and resulted in a loss due to fair value remeasurement.

The purchase price allocation for this acquisition is shown below:

Fair value of consideration transferred:	
Cash	$ 6,248
Liability (i)	2,590
	8,838
Fair value of previously held interest:	
Fair value of previously held interest immediately before acquisition	3,315
Loss due to fair value remeasurement at acquisition date	(347)
	2,968
	$11,806
Fair value of net assets acquired:	
Cash	$ 109
Accounts receivable	51
Prepaid and deposits	29
Inventory	1,194
Biological assets	866
Property and equipment	10,282
Goodwill	1,400
Health Canada license	9,596
Accounts payable and accrued liabilities	(2,860)
Loans payable	(7,461)
Deferred tax liability	(1,400)
	$11,806

The Company finalized its assessment of the purchase price allocation during the year ended December 31, 2017. The allocation of the consideration paid remains consistent with the initial valuation.

(i) During the year ended December 31, 2017, the full balance of the purchase price liability was repaid by the Company.

7. Biological assets and inventory

The Company's biological assets consist of cannabis plants. The changes in the carrying amount of the biological assets are as follows:

	2017	2016
Biological assets - beginning of year	**$ 1,795**	$ —
Gain on revaluation of biological assets	**11,620**	2,179
Increase due to acquisition of Peace Naturals	**—**	866
Transferred to inventory upon harvest	**(9,693)**	(1,250)
Biological assets - end of year	**$ 3,722**	$ 1,795

7. Biological assets and inventory (continued)

The effect of changes in fair value of biological assets and inventory during the year include:

	2017	2016
Unrealized change in fair value of biological assets	**$(11,620)**	$(2,179)
Realized fair value increments on inventory sold during the year	**3,956**	266
Net effect of changes in fair value of biological assets and inventory	**$ (7,664)**	$(1,913)

The Company values its biological assets at the end of each reporting period at fair value less costs to sell. This is determined using a valuation model to estimate the expected harvest yield per plant applied to the estimated price per gram less processing and selling costs. This model also considers the progress in the plant life cycle.

Management has made the following estimates in this valuation model:

- The average number of weeks in the growing cycle is fifteen weeks from propagation to harvest;
- The average harvest yield of whole flower is 182 grams per plant;
- The average selling price of whole flower is $8.50 per gram;
- Processing costs include drying and curing, testing and packaging, post-harvest overhead allocation, and oil extraction costs estimated to be $0.82 per gram; and
- Selling costs include shipping, order fulfillment, and labelling, estimated to be $0.97 per gram.

The estimates of growing cycle, harvest yield, and costs per gram are based on the Company's historical results. The estimate of the selling price per gram is based on the Company's historical sales in addition to the Company's expected sales price going forward.

Management has quantified the sensitivity of the inputs, and determined the following:

- Selling price per gram – a decrease in the selling price per gram by 5% would result in the biological asset value decreasing by $227 (2016 - $88) and inventory decreasing by $443 (2016 - $68)
- Harvest yield per plant – a decrease in the harvest yield per plant of 5% would result in the biological asset value decreasing by $181 (2016 - $110)

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

As at December 31, 2017, the biological assets were on average, 46% complete (2016 – 50%), and the estimated fair value less costs to sell of dry cannabis was $6.71 per gram. As of December 31, 2017, it is expected that the Company's biological assets will ultimately yield approximately 1,695 kg of cannabis (2016 - 213 kg). As at December 31, 2017, the Company has 7,353 plants that are biological assets (2016 - 2,558 plants).

Inventory as at December 31 consists of the following:

	2017	2016
Dry cannabis		
Finished goods	**$6,145**	$1,502
Work-in-process	**1,630**	—
	7,775	1,502
Cannabis oils		
Finished goods	**332**	—
Raw materials	**183**	194
Supplies and consumables	**126**	212
	$8,416	$1,908

7. Biological assets and inventory (continued)

As at December 31, 2017, the Company held 815 kg of dry cannabis and 137 L of cannabis oil as finished goods (2016 - 236 kg). In addition, the Company held 243 kg of work-in-process (2016 - Nil), which is comprised of harvested cannabis in the processing stage, and 0.288 kg of seeds in raw materials (2016 - 0.298 kg).

8. Loans receivable

	2017	2016
Loan receivable from Evergreen Medicinal Supply Inc. (" **Evergreen**") (i)	**$309**	$ 265
Loan receivable from Vert/Green Medical Inc. (" **Vert**") (ii)	**—**	375
	309	640
Add: Accrued interest	**5**	92
	314	732
Less: Principal and interest received	**—**	(423)
Loans receivable	**$314**	$ 309

(i) The loan is due on demand, bearing interest at 8% per year, calculated and payable annually in arrears.
(ii) During the year ended December 31, 2016, the full amount of the loan plus accrued interest was repaid and the previously recorded impairment loss was reversed. The loan was due on demand, and bore interest at 8% per year, calculated and payable semi-annually in arrears.

9. Investment in Whistler

As at December 31, 2017, the investment represents an approximate 20.3% (2016 - 21.5%) ownership in Whistler Medical Marijuana Company (**"Whistler"**), incorporated in Canada. Whistler is a Licensed Producer with operations in British Columbia, Canada.

Summarized financial information of Whistler is as follows:

	2017	2016
Current assets	**$ 4,163**	$2,233
Non-current assets	**13,645**	3,855
Current liabilities	**3,676**	1,649
Non-current liabilities	**—**	865
Revenue	**$ 3,813**	$2,817
Income from continuing operations	**814**	757

Reconciliation of the carrying amount of the investment is as follows:

	2017	2016
Balance - beginning of the year	**$2,566**	$2,405
Purchase of additional shares	**1,076**	—
Company's share of dividends paid	**—**	(2)
Company's share of income	**165**	163
Balance - end of the year	**$3,807**	$2,566

10. Other investments

Other investments consist of investments in common shares and warrants of several companies in the medical cannabis industry. These investments, with the exception of shares of Evergreen Medicinal Supply Inc. and warrants of AbCann Global Corp., are traded in an active market, and as a result have a reliably measurable fair value.

Available-for-sale investments	2017	2016
The Hydropothecary Corporation (**"Hydropothecary"**) (i)	**$ —**	$ 412
Canopy Growth Corporation (**"Canopy"**) (ii)	**877**	337
AbCann Global Corp. (**"AbCann"**) (iii)	**—**	3,073
Evergreen Medicinal Supply Inc. (**"Evergreen"**) (iv)	**300**	300
	$1,177	$4,122
Fair value through profit or loss investment		
AbCann Global Corp. - share warrants (v)	**$ 170**	$1,005
	$1,347	$5,127

(i) During the year ended December 31, 2016, the Company received bonus shares pursuant to the original agreement, for $Nil consideration. The transaction price was less than the fair value at the date of receipt, and the gain of $25 on initial recognition was deferred as the fair value was based on other than level 1 inputs. The deferred gain was taken into income as factors that market participants would consider when valuing the shares had changed. The fair value of the shares was based on the share price of the financing that took place in December 2016.

During the year ended December 31, 2017, BFK Capital Corp. acquired all of the outstanding shares of Hydropothecary, and began trading as Hydropothecary Corporation, (TSX-V:THCX). The Company sold all of its shares of Hydropothecary for proceeds of $932.

(ii) During the year ended December 31, 2016, Canopy acquired all of the outstanding shares of Vert. In exchange for shares in Vert, Canopy issued the former Vert shareholders, shares of Canopy. The fair value of the Canopy shares at the date of the transaction of $258 determined the proceeds on derecognition of the Vert shares. Since the gain was realized, it was recorded as income. The fair value of the Canopy shares at the date of the transaction was also the deemed cost of the Canopy shares.

(iii) During the year ended December 31, 2017, the Company sold some of its shares of Canopy for proceeds of $88. During the year ended December 31, 2016, the Company received bonus shares pursuant to the original agreement, for $Nil consideration. The transaction price was less than the fair value at the date of receipt, and the gain of $75 on initial recognition was initially deferred as the fair value was based on other than level 1 inputs. During the year, the deferred gain was taken into income as factors that market participants would consider when valuing the shares had changed. The fair value of all of the shares was estimated based on a valuation of the investee's peer group.

During the year ended December 31, 2017, AbCann Medicinals Inc. performed a reverse takeover with Panda Capital Inc. As a result of this transaction, AbCann began trading as AbCann Global Corp. (TSX-V:ABCN). The Company purchased an additional 1,270,000 shares of AbCann for $1,016 in cash and subsequently sold all of its shares of AbCann for proceeds of $9,859. Refer to Note 10 (v) for remaining warrants held.

(iv) During the year ended December 31, 2016, management revised their estimate of the fair value of the investment back to its original value, based on management's assessment of the likelihood Evergreen would receive a license to produce and sell medical marijuana. The gain on the revaluation of the investment has been recognized as other comprehensive income.

10. Other investments (continued)

(iv) During the year ended December 31, 2017, Evergreen received a cultivation license under the ACMPR. As a result, the Company completed its subscription for a second tranche of shares of Evergreen for $100 and exercised its option to acquire an additional 5% of the equity of Evergreen for $500, for a total additional investment of $600. However, Evergreen, through its counsel, has indicated that the Company is not entitled to any interest in Evergreen and has rejected the payment. The Company filed a statement of claim in the Supreme Court of British Columbia against Evergreen and its directors, seeking, among other things, declarations that the Company holds equity of Evergreen and that the agreement between the parties in respect of Evergreen's equity is a valid and binding contract. Evergreen has filed a statement of defence. The Company intends to vigorously pursue the enforcement of its rights to acquire equity in Evergreen.

(v) During the year ended December 31, 2016, the Company received bonus warrants pursuant to the original agreement, for $Nil consideration. The transaction price was less than the fair value at the date of receipt, and the gain of $24 on initial recognition was initially deferred as the fair value was based on other than level 1 inputs. During the year, the deferred gain on the bonus warrants and the original warrants was taken into income as factors that market participants would consider when valuing the warrants have changed. As at December 31, 2016, the fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: risk free rate: 0.60 - 0.73%; volatility: 65%; share price: $0.80; expected life: 0.70 - 1.7 years; and dividend yield: Nil%. The share price was estimated using the price from the most recent equity financing and volatility was estimated based on publicly traded companies which management has assessed as being comparable to AbCann.

During the year ended December 31, 2017, the Company exercised 3,658,537 warrants for $2,268, for additional shares of AbCann. As at December 31, 2017, the fair value of the remaining 182,927 warrants was estimated using the Black-Scholes option pricing model with the following assumptions: risk free rate: 1.66%; volatility: 65%; share price $1.53; expected life 0.76; and dividend yield: Nil%.

The gains recognized upon the increase in fair value on other investments is as follows:

	2017	2016
The Hydropothecary Corporation (i)	**$ 657**	$ 25
Canopy Growth Corporation (ii)	**36**	258
AbCann Global Corp. - shares (iii)	**4,160**	75
AbCann Global Corp. - share warrants (v)	**5**	1,005
Peace Naturals	**—**	(1,326)
Peace Naturals - immediately before acquisition (Note 6)	**—**	(347)
Gain (loss) recognized through profit-and-loss	**$4,858**	$ (310)

	2017	2016
The Hydropothecary Corporation (i)	**$ —**	$ 137
Canopy Growth Corporation (ii)	**608**	79
AbCann Global Corp. - shares (iii)	**—**	1,498
Vert/Green Medical Inc. - shares	**—**	300
Gain recognized through other comprehensive income	**$ 608**	$ 2,014

11. Property, plant and equipment

Cost	Balance at January 1, 2017	Additions	As at December 31, 2017
Land	$ 1,558	$ —	**$ 1,558**
Building structures	2,761	8,757	**11,518**
Furniture and equipment	63	71	**134**
Computer equipment	88	60	**148**
Security equipment	474	412	**886**
Production equipment	2,106	375	**2,481**
Road	137	—	**137**
Leasehold improvements	1,429	68	**1,497**
Construction in progress	6,034	33,303	**39,337**
	$ 14,650	$43,046	**$ 57,696**

In 2017, there were non-cash additions from the capitalization of financing costs on construction in progress amounting to $345 (2016 - $Nil). Refer to Note 14. In addition, during 2017, $6,034 (2016 - $Nil) was transferred out of construction in progress to building structures.

Accumulated depreciation	Balance at January 1, 2017	Additions	As at December 31, 2017
Building structures	$ 120	$ 313	**$ 433**
Furniture and equipment	18	25	**43**
Computer equipment	36	39	**75**
Security equipment	60	136	**196**
Production equipment	103	328	**431**
Road	5	5	**10**
Leasehold improvements	186	150	**336**
	$ 528	$ 996	**$ 1,524**
Net book value	$ 14,122		**$ 56,172**

In 2017, $455 (2016 - $Nil) of depreciation expense is recorded as part of inventory expensed to cost of sales, production costs, and general and administration.

Cost	Balance at January 1, 2016	Additions	Acquisitions (Note 6)	As at December 31, 2016
Land	$ 210	$ 623	$ 725	$ 1,558
Building structures	824	62	1,875	2,761
Furniture and equipment	27	—	36	63
Computer equipment	29	38	21	88
Security equipment	183	291	—	474
Production equipment	72	409	1,625	2,106
Road	137	—	—	137
Leasehold improvements	1,363	66	—	1,429
Construction in progress	—	34	6,000	6,034
	$ 2,845	$ 1,523	$ 10,282	$ 14,650

11. Property, plant and equipment (continued)

Accumulated depreciation	Balance at January 1, 2016	Additions	As at December 31, 2016
Building structures	$ 63	$ 57	$ 120
Furniture and equipment	8	10	18
Computer equipment	12	24	36
Security equipment	9	51	60
Production equipment	14	89	103
Road	—	5	5
Leasehold improvements	40	146	186
	$ 146	$ 382	$ 528
Net book value	$ 2,699		$ 14,122

12. Intangible assets and goodwill

Intangible assets	Balance at January 1, 2016	Additions	Balance at December 31, 2016	Additions	**Balance at December 31, 2017**
Health Canada Licenses:					
OGBC	$ 1,611	$ —	$ 1,611	$ —	$ 1,611
Peace Naturals (Note 6)	—	9,596	9,596	—	9,596
	$ 1,611	$ 9,596	$ 11,207	$ —	**$ 11,207**

Goodwill	Balance at January 1, 2016	Additions	Balance at December 31, 2016	Additions	**Balance at December 31, 2017**
OGBC	$ 392	$ —	$ 392	$ —	$ 392
Peace Naturals (Note 6)	—	1,400	1,400	—	1,400
	$ 392	$ 1,400	$ 1,792	$ —	**$ 1,792**

For purposes of impairment testing, intangible assets with an indefinite life and goodwill were allocated to the smallest identifiable group of assets that generate cash flows independently (a cash-generating unit or "**CGU**"). The Health Canada licenses issued to OGBC and Peace Naturals enable the entities to produce and sell dry cannabis and cannabis oils pursuant to the ACMPR, enabling the generation of cash flows through the ultimate sale thereof. In order for these licenses to generate such cash flows, the entities need to have the following resources including, but not limited to, the appropriate production facilities, skilled labour, and materials. As such, the Company has assessed that the smallest aggregation of assets that generate independent cash flows would be all of the assets and liabilities of each individual entity for their corresponding license.

The recoverable amounts of the CGUs were determined based on a value-in-use calculation, determined using a five-year cash flow projection. The cash flows were estimated using forecasted earnings before interest, taxes, depreciation, and amortization less capital expenditures. The key assumptions used in the estimation of the recoverable amounts were as follows:

	OGBC	Peace Naturals
Weighted average cost of capital (after-tax)	37.0%	36.0%
Average growth rate*	490.0%	140.0%

* *The average growth rate is determined by summing the expected year-over-year growth rate (in EBITDA) then dividing by five years.*

12. Intangible assets and goodwill (continued)

These assumptions are based on the Company's historical results, the preliminary results of the first quarter of the following fiscal year, and management's expectations of the cash flows based on budgeted results, taking into account estimated sales volume and price changes. The impairment test performed resulted in no impairment of licenses or goodwill at December 31, 2017 and 2016.

Management has not identified a reasonably possible change in these key assumptions that could cause the carrying amount of either CGU to exceed its recoverable amount.

13. Mortgage payable

On September 6, 2016, the Company obtained a mortgage in connection with the acquisition of Peace Naturals (Note 6) with a principal balance of $4,000. The mortgage was interest-bearing at 12% per annum compounded and payable monthly. The mortgage was secured by a first charge on Peace Natural's property as well as a first ranking security interest charging all the personal property of Peace Naturals and each covenantor in the amount of the loan. The mortgage matured on June 1, 2017 and was fully repaid.

14. Construction loan payable

	2017	2016
First advance	**$ 6,304**	$—
Less: transaction costs (net of amortization)	**(1,122)**	—
Add: accrued interest	**185**	—
	$ 5,367	$—

On August 23, 2017, Peace Naturals, as borrower, entered into a construction loan agreement with Romspen Investment Corporation as lender, to borrow $40,000, to be funded by way of multiple advances. The aggregate advances are limited to $35,000 until the lender receives an appraisal valuing the property in British Columbia at an amount of not less than $8,000. The loan bears interest at a rate of 12% per annum, calculated and compounded monthly, in arrears, on the amounts advanced from the date of each advance. The term of the loan is two years, with the borrower's option to extend for another twelve months. The loan is guaranteed by Cronos Group, Hortican, OGBC, the responsible-person-in-charge and the senior- person-in-charge of OGBC and Peace Naturals. The loan is secured by the following:

(a) first-ranking charge on the land owned by OGBC, Peace Naturals, and Hortican, (the **"Property"**) with a net book value of approximately $1,558 as at December 31, 2017;

(b) first-ranking general assignment of all present and future leases of each Property;

(c) general security agreements creating first-ranking security interests charging all the personal property of Peace Naturals and the corporate guarantors including without limitation, goods, chattels, paper, documents, accounts, intangible assets, securities, monies, books and records;

(d) specific assignment of each Property's right, title, and interest in the construction project for which the loan is being used to fund, including licenses, permits, plans and specifications, development approvals and agreements;

(e) acknowledgement of the status and terms of any contracts affecting or with respect to each Property including without limitation, any pertaining to ownership, insurance, shared facilities, passageway agreements, or similar matters, confirming the good status of such contracts, and the rights of the lender under such contracts;

(f) the subordination of all other indebtedness of Peace Naturals;

14. Construction loan payable (continued)

(g) an unconditional, joint and several covenant by the guarantors as principal debtor for the performance of obligations by Peace Naturals, it being understood that the lender is not obliged to proceed against Peace Naturals or exhaust any security before proceeding against the guarantors;

(h) assignment, postponement, and subordination by the corporate guarantors in favour of the lender;

(i) assignment of all insurance policies with respect to each Property and the construction project;

(j) pledge of the shares of Peace Naturals, OGBC, and Hortican;

(k) an environmental indemnity from Peace Naturals and the corporate guarantors; and

(l) deficiency and completion guarantee from Peace Naturals and the corporate guarantors.

15. Share capital and reserves

(a) Share capital

(i) Common Shares

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

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

During the year ended December 31, 2016, 75,289,565 common shares were issued in private placements, 32,432,425 of which were issued as units, where the holder received one common share and one common share purchase warrant. Total consideration raised through private placements in 2016 was $20,928, of which $129 was recognized as share-based payment expense in lieu of compensation (Note 18).

During the year ended December 31, 2016, convertible loans were converted, resulting in the issuance of 1,150,000 common shares at a value of $115.

During the year ended December 31, 2017, the Company issued 7,705,000 common shares for aggregate gross proceeds of $17,336, and 5,476,190 common shares for aggregate gross proceeds of $17,248, through bought deals. In addition, 6,671,112 common shares were issued in private placements, for aggregate gross proceeds of $15,010.

As at December 31, 2017, none of the Company's shares were held in escrow (2016 - 3,233,992). The release of the shares held in escrow at December 31, 2016 was subject to regulatory approval.

(ii) Special Shares

The Company is authorized to issue an unlimited number of special shares, issuable in series.

The special shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, right, privileges, restrictions and conditions attached to the shares in each series. No special shares have been issued since the Company's inception.

15. Share capital and reserves (continued)

(b) Warrants

The following is a summary of the changes in warrants for the period from January 1, 2016 to December 31, 2017:

	Grant date	Exercise price	Number of warrants	Amount
Balance at January 1, 2016			15,795,422	$1,329
Issuance of warrants (i)				
May	May 13 and 27, 2016	$ 0.245	32,432,425	2,832
Exercise of warrants				
July	January 18, 2013	0.08	(55,000)	—
August	October 1, 2013	0.24	(100,000)	(15)
October	October 1, 2013	0.24	(661,505)	(96)
November	October 25, 2015	0.31	(460,877)	(31)
November	January 18, 2013	0.08	(422,443)	(28)
December	December 18, 2013	0.24	(53,347)	(1)
December	January 18, 2013	0.08	(511,252)	(7)
Expiry of warrants			(78,251)	—
Balance at December 31, 2016			**45,885,172**	**$3,983**
Exercise of warrants				
January	January 30, 2014	0.71	(375,565)	(164)
January	January 18, 2013	0.08	(298,066)	—
March	October 8, 2015	0.31	(1,140,351)	(117)
April	October 28, 2015	0.31	(350,877)	(66)
April	January 18, 2013	0.08	(744,198)	—
May	January 18, 2013	0.08	(165,377)	—
May	October 28, 2015	0.31	(192,982)	(36)
June	January 18, 2013	0.08	(50,000)	—
July	January 18, 2013	0.08	(248,066)	—
July	October 28, 2015	0.31	(157,894)	(30)
August	May 13, 2016	0.245	(2,300,000)	(202)
September	May 27, 2016	0.245	(48,720)	(4)
September	January 18, 2013	0.08	(951,064)	—
November	January 18, 2013	0.08	(133,022)	—
December	January 18, 2013	0.08	(55,126)	—
Expiry of warrants			(19,210)	—
Balance at December 31, 2017			**38,654,654**	**$3,364**

(i) 32,432,425 units were issued in two private placements. Each unit consisted of one common share and one common share purchase warrant, for total consideration of $5,978.

15. Share capital and reserves (continued)

(b) Warrants (continued)

As at December 31, 2017, the Company has outstanding warrants as follows:

Grant date	Number of warrants	Exercise price	Expiry
January 18, 2013	2,981,476	$ 0.08	January 18, 2018
October 8, 2015	4,101,680	0.31	October 8, 2020
October 23, 2015	1,478,245	0.31	October 23, 2020
October 28, 2015	9,548	0.31	October 28, 2020
May 13, 2016	8,510,812	0.245	May 13, 2021
May 27, 2016	21,572,893	0.245	May 27, 2021
	38,654,654	$ 0.242	

16. Stock-based payments

(a) Option plan details

The Company has an incentive stock option plan, under which non-transferrable options to purchase common shares of the Company may be granted to directors, officers, employees, or consultants of the Company. The terms of the plan provide that the Board of Directors may grant options to acquire common shares of the Company at not less than the discounted market price (as set out in the plan) with the market price deemed to be the closing price on the day preceding the grant at varying rates. The maximum number of common shares reserved for issuance for options that may be granted under the plan is 10% of the common shares outstanding. No amounts are paid or payable by the recipient on receipt of the option, and the Board of Directors has the authority to determine the terms, limitations, restrictions, and conditions (including any criteria) in respect of any grants.

(b) Summary of changes

The following is a summary of the changes in options for the period from January 1, 2016 to December 31, 2016:

	Grant date	Exercise price	Number of options	Amount
Balance at January 1, 2016			1,610,003	$ 599
Issuance of options				
May	May 17 and 27, 2016	$ 0.285	157,850	6
August	August 5, 2016	0.50	1,225,000	30
October	October 6, 2016	1.23	3,618,500	114
November	Multiple	Multiple	482,000	28
Exercise of options				—
August	October 1, 2013	0.24	(213,390)	(31)
August	May 17 and 27, 2016	0.285	(157,390)	(6)
October	October 1, 2013	0.24	(32,008)	(5)
Expiry of options		0.96	(512,971)	—
Balance at December 31, 2016			**6,177,594**	**$ 735**

16. Stock-based payments (continued)

(b) Summary of changes (continued)

The following is a summary of the changes in options for the period from January 1, 2017 to December 31, 2017:

	Grant date	Exercise price	Number of options	Amount
Balance at January 1, 2017			6,177,594	$ 735
Issuance of options				
April	April 12, 2017	3.14	3,299,000	—
August	August 23, 2017	2.42	2,903,000	—
November	November 9, 2017	3.32	200,000	—
Exercise of options				
January	January 30, 2014	0.71	(32,009)	(14)
February	August 5, 2014	1.15	(32,000)	(23)
March	September 19, December 17, 2014	1.15	(171,695)	(104)
April	August 5, 2014	1.15	(93,000)	(66)
April	October 6, 2016	1.23	(30,416)	(15)
May	August 5, 2014	1.15	(35,043)	(25)
July	August 5, 2016	0.50	(83,333)	(19)
September	October 6, 2016	1.23	(1,250)	(1)
December	December 17, 2014	1.15	(92,500)	(41)
Expiry of options			(404,598)	—
Vesting of issued options		1.15	—	1,862
Balance at December 31, 2017			**11,603,750**	**$2,289**

The weighted average share price at the dates of exercise of options during the year ended December 31, 2017 was $3.66 (2016 - $0.52).

As at December 31, 2017, the Company had outstanding and exercisable options as follows:

			Weighted average	
Grant date	Vesting terms	Number of options	Exercise price	Remaining contractual life (years)
August 5, 2016	Evenly over 48 months	1,141,666	$ 0.50	3.60
October 6, 2016	Evenly over 48 months	3,578,084	1.23	3.77
November 16, 2016	On May 15, 2017	300,000	1.50	0.37
November 21, 2016	Evenly over 48 months	182,000	1.84	3.88
April 12, 2017	Evenly over 48 months	3,299,000	3.14	4.28
August 23, 2017	Evenly over 48 months	2,903,000	2.42	4.65
November 9, 2017	Evenly over 48 months	200,000	3.32	4.86
Outstanding at December 31, 2017		**11,603,750**	$ 2.05	4.05
Exercisable at December 31, 2017		**2,744,387**	$ 1.71	3.57

These options shall expire at the earlier of 180 days of the death, disability or incapacity of the holder or five years after the date of issue, and can only be settled in equity.

As at December 31, 2017, the weighted average exercise price of options outstanding is $2.05 (2016 - $1.10). The weighted average exercise price of options exercisable is $1.71 (2016 - $1.09).

16. Stock-based payments (continued)

(c) Fair Value of Options Issued During the Year

The fair value of the options was determined using the Black-Scholes option pricing model. The following inputs were used:

	2017	2016
Share price at grant date	**$2.42 - $3.27**	$0.19 - $1.77
Exercise price	**$2.42 - $3.32**	$0.285 - $1.84
Risk free interest rate	**0.96% - 1.59%**	0.54% - 0.67%
Expected life of options (years)	**5**	0.25 - 5
Expected annualized volatility	**55%**	55% - 150%
Expected dividend yield	**0%**	0%
Weighted average Black Scholes value at grant date	**$1.39**	$0.43

Volatility was estimated using the historical volatility of the Company and other companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public.

(d) Expenses Arising from Stock-based Payments

Total expenses arising from stock-based payments recognized during the year ended December 31, 2017 were $1,862 (2016 $307).

17. Earnings (loss) per share

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

Numerator	**2017**	2016
Net Income (loss) attributable to common shareholders	**$ 2,491**	$ (1,190)
Net Income (loss) used in computation of basic and diluted earnings (loss) per share	**$ 2,491**	$ (1,190)

Denominator	**2017**	2016
Weighted average number of common shares for computation of basic earnings (loss) per share	**134,803,542**	78,248,192
Dilutive effect of warrants	**38,378,288**	—
Dilutive effect of options	**3,607,331**	—
Weighted average number of common shares for computation of diluted earnings (loss) per share	**176,789,161**	78,248,192

As at December 31, 2017, all instruments were dilutive (2016 - all anti-dilutive).

18. Related party transactions and balances

The following is a summary of the Company's related party transactions during the year:

(a) Key management compensation

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include management executives of the Company. Compensation provided to key management is as follows:

	2017	2016
Short-term employee benefits, including salaries and fees	**$ 417**	$264
Professional fees	**234**	171
Stock-based payments (i)	**899**	208
	$1,550	$643

18. Related party transactions and balances (continued)

(i) Stock-based payments are comprised of $Nil (2016 - $129) of shares issued in lieu of compensation, and $899 (2016 - $79) in stock options provided to key management of the Company. Refer to Note 16.

As at December 31, 2017, there was a balance payable of $Nil to members of key management (2016 - $86).

(b) Purchase of shares and warrants

(i) On May 27, 2016, a board member purchased 810,810 units of the Company's private placement. Refer to Note 15 (a). The board member paid approximately $150 for these units, which represents the fair value.

(ii) On May 27, 2016, a shareholder with ownership interest exceeding 10%, purchased 4,665,187 units of the Company's private placement. Refer to Note 15(a). The shareholder paid approximately $863 for these units, which represents the fair value.

(c) Issuance of options to directors

(i) During the year ended December 31, 2017, a total of 1,800,000 (2016 - 1,616,000) options were issued to directors of the Company. Stock-based payments of $601 (2016 - $49) were recognized for these options. Refer to Note 16.

19. Commitments and contingencies

(a) The following is a summary of the Company's minimum operating lease obligations for its premises due in future fiscal years:

2018	**$ 81**
2019	**88**
2020	**92**
2021	**92**
2022	**95**
Thereafter	**8**
	$456

In addition to the minimum lease payments, the Company is required to pay realty taxes and other occupancy costs.

(b) The following contingencies are related to Peace Naturals:

(i) *Plants Claim.* Peace Naturals is subject to a claim for $12,000 for damages related to the death of 12 cannabis plants held in its care, amounting to $1,000 per plant (the **"Plants Claim"**). On November 21, 2017, the plaintiffs (Tweed Inc., the successor in interest of 8437726 Canada Inc., operating as MedCann Access, and 9388036 Canada Inc.) filed a notice with the Ontario Superior Court of Justice to wholly discontinue the Plants Claim against Peace Naturals.

(ii) *MedCann Access Acquisition Claim*. 8437718 Canada Inc., 8437726 Canada Inc., Michael Blaine Dowdle, Rade Kovacevic, Kevin Furet and 9388036 Canada Inc. (collectively, the **"Plaintiffs"**) commenced a claim against Peace Naturals and a number of other parties, for $15,000 in damages as a result of an alleged breach of obligations to them by terminating a share purchase transaction for the acquisition of the Plaintiffs' company, MedCann Access. The Company believes that the allegations contained in the statement of claim are without merit and plans to vigorously defend itself; accordingly, no provision for loss has been recognized. On February 21, 2018, the parties began the discovery phase of the proceedings.

(iii) *Warrants Claim.* Jeffrey Gobuty, brother to Mark Gobuty, former CEO of Peace Naturals, brought a claim against Peace Naturals for warrants valued at $250 that were purportedly issued by Mark Gobuty, on behalf of Peace Naturals. The Company believes that the allegations contained in the statement of claim are without merit and plans to vigorously defend this claim. The plaintiff has not actively pursued this claim in over a year.

19. Commitments and contingencies (continued)

(iv) *Former Employees' Unlawful Termination Claims.* Peace Naturals, Cronos and certain directors were served with claims by a former employee for damages of $580 and 30,000 options of the Company and the former CEO of Peace Naturals for approximately $12,682 and a 10% equity interest in Peace Naturals in connection with alleged claims of wrongful termination. The Company believes that the allegations contained in the statement of claim are without merit and plans to vigorously defend itself; accordingly, no provision for loss has been recognized.

20. Income taxes

The components of the income tax provision (recovery) include:

	2017	2016
Current	**$—**	$ —
Deferred	**298**	(568)
	$298	$(568)

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2016 - 26.5%) to the effective tax rate is as follows:

	2017	2016
Income before income taxes	**$2,789**	$(1,758)
Combined statutory tax rate	**26.5%**	26.5%
Theoretical tax expense (recovery)	**$ 739**	$ (466)
Non-deductible expense:		
Stock-based payments	**494**	81
Non-taxable income:		
Non-taxable portion of capital gains	**(762)**	—
Effect of provincial tax rate difference	**5**	4
Changes in unrecognized deferred tax assets	**(178)**	(187)
Income tax expense (recovery)	**$ 298**	$ (568)

The components of deferred tax are summarized below. Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

	2017	2016
Deferred tax assets		
Non-capital losses carried forward	**$ 5,690**	$ 2,400
Scientific research and experimental development	**28**	28
Financing fees	**31**	—
Deferred tax liabilities		
Biological assets	**(986)**	(18)
Inventory	**(1,989)**	(51)
Equity accounted investments	**(153)**	—
Investments	**(91)**	(696)
Property, plant and equipment	**(968)**	(158)
Health Canada licenses	**(2,978)**	(2,962)
Net deferred tax liability	**$(1,416)**	$(1,457)

20. Income taxes (continued)

The movement in the net deferred tax liability is provided below:

	2017	2016
Balance - beginning of year	**$1,457**	$ 195
Recognized in income	**298**	(568)
Recognized in other comprehensive income	**(339)**	430
Recognized in goodwill	**—**	1,400
Balance - end of year	**$1,416**	$1,457

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The following are temporary differences that gave rise to deferred tax assets, which have not been recognized in these consolidated financial statements.

	2017	2016
Property, plant and equipment	**$ 684**	$ —
Equity accounted investments	**—**	89
Share and debt issuance costs (i)	**2,834**	1,085
Losses carried forward (ii)	**7,814**	3,833
Other investments	**—**	6

(i) Share and debt issuance costs will be fully amortized in 2022. The remaining deductible temporary differences may be carried forward indefinitely.

(ii) For income tax purposes, the Company has losses carried forward from prior years which can be used to reduce future years' taxable income. These losses expire as follows:

	Non-capital losses
2030	**$ 32**
2031	**22**
2032	**877**
2033	**3,177**
2034	**1,782**
2035	**5,452**
2036	**6,558**
2037	**11,383**
	$ 29,283

21. Operating segment information

For the years ended December 31, 2017 and 2016, The Company was divided into two operating segments corresponding to its two primary business models. The first segment related to pursuing equity investments into Licensed Producers in Canada, (**"Investing Segment"**). The second segment related to production and sale of medical cannabis through the Company's wholly-owned subsidiaries, OGBC and Peace Naturals (Note 6), (**"Operating Segment"**). Reporting by operating segment follows the same accounting policies as those used to prepare the consolidated financial statements.

The operating segments are presented in accordance with the same criteria used for internal reporting prepared for the chief operating decision-makers responsible for allocating resources and assessing performance. Inter-segment transactions are recorded at the stated values as agreed to by the segments.

As at December 31, 2017 and 2016, substantially all of the Company's assets were located in Canada.

For the year ended December 31, 2017:

	Investing segment	Operating segment	Inter-segment elimination	2017
Statement of Operations				
Product sales	$ —	$ 4,082	$ —	**$ 4,082**
Share of income from equity investment	165	—	—	**165**
Unrealized gain on revaluation of biological assets	—	11,620	—	**11,620**
Production costs	—	3,983	—	**3,983**
Inventory expensed as cost of sales	—	4,489	—	**4,489**
Gain on disposition and revaluation of other investments	4,858	—	—	**4,858**
Intercompany revenue	624	—	(624)	**—**
Stock-based compensation	1,862	—	—	**1,862**
Interest expense	1	600	(475)	**126**
Depreciation	71	470	—	**541**
Net income (loss)	(368)	3,382	(523)	**2,491**
Consolidated Statement of Financial Position				
Total assets	$151,998	$70,198	$ (121,167)	**$101,029**
Total liabilities	979	67,957	(54,275)	**14,661**
Shareholders' equity	$151,019	$ 2,241	$ (66,892)	**$ 86,368**
Other information				
Property, plant and equipment	$ 1,153	$53,175	$ 1,844	**$ 56,172**
Addition of property, plant, and equipment	138	42,908	—	**43,046**

21. Operating segment information (continued)

For the year ended December 31, 2016:

	Investing segment	Operating segment	Inter-segment elimination	2016
Consolidated Statement of Operations				
Product sales	$ —	$ 554	$ —	$ 554
Share of income from Whistler investment	163	—	—	163
Unrealized gain on revaluation of biological assets	—	2,179	—	2,179
Production costs	—	356	—	356
Inventory expensed to cost of sales	—	384	—	384
Reversal of impairment loss on loan receivable	725	—	—	725
Loss on revaluation of other investments	(310)	—	—	(310)
Intercompany revenue	437	—	(437)	—
Stock-based payments	307	—	—	307
Interest expense	78	350	(196)	(232)
Depreciation	62	323	(2)	382
Net income (loss)	(1,381)	(379)	570	(1,190)
Consolidated Statement of Financial Position				
Total assets	$59,046	$16,429	$ (32,575)	$42,900
Total liabilities	24,558	17,577	(32,912)	9,223
Shareholders' equity	$34,488	$ (1,148)	$ 337	$33,677
Other information				
Property, plant and equipment	$ 1,085	$10,872	$ 2,165	$14,122
Purchase of property, plant, and equipment	—	1,496	27	1,523

22. Financial instruments

(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, and arises principally from the Company's accounts receivable and loans receivable. The maximum exposure to credit risk is the carrying value of these financial assets. The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk.

As at December 31, 2017, the value of its loans receivable was $314 (2016 - $309) and the value of its accounts receivable was $1,140 (2016 - $107). The Company is not significantly exposed to credit risk, as these receivables comprise 1.4% (2016 - 1.0%) of the Company's total assets. As at December 31, 2017 89.3% (2016 - 27.5%) of the Company's trade receivables were due from 2 customers (2016 - 1 customer).

The following represents an analysis of the age of trade receivables as at December 31:

	2017	2016
Current	**$ —**	$—
Less than 30 days past billing date	**1,020**	63
31 to 60 days past billing date	**85**	16
61 to 90 days past billing date	**35**	9
Over 90 days past billing date	**—**	19
	$1,140	$107

22. Financial instruments (continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to review liquidity resources and ensure that sufficient funds are available to meet financial obligations as they become due. Further, the Company's management is responsible for ensuring funds exist and are readily accessible to support business opportunities as they arise. The Company's funding is provided in the form of capital raised through the issuance of shares and warrants.

The following represents an analysis of the age of accounts payable as at December 31:

	2017	2016
Current	**$5,922**	$147
Less than 30 days past billing date	**803**	150
31 to 60 days past billing date	**113**	33
61 to 90 days past billing date	**66**	16
Over 90 days past billing date	**172**	240
	$7,076	$586

(iii) Market risk

(1) Price risk

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

The Company manages price risk by having a portfolio of securities from multiple issuers, such that the Company is not singularly exposed to any one issuer. The Company also has set thresholds on purchases of investments over which the approval of the Board of Directors is required.

(2) Concentration risk

Concentration risk is the risk that any single investment or group thereof, has the potential to materially affect the operating results of the Company. The Company is exposed to this risk as all of its investments are currently within the medical marijuana industry. As such, the Company's financial results may be adversely affected by the unfavourable performance of those investments or the industry in which they operate.

It is management's opinion that the Company is not subject to significant interest rate risk.

23. Fair value hierarchy

Assets recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets and liabilities. In these consolidated financial statements, cash and other investments (Canopy) are included in this category.

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. In these consolidated financial statements, AbCann share purchase warrants, and the Company's options and warrants are included in this category.

23. Fair value hierarchy (continued)

Level 3 - valuation techniques using the inputs for the asset or liability that are not based on observable market data. In these consolidated financial statements, other investments (Evergreen), and biological assets are included in this category.

The Company's policy for determining when transfers between levels of the fair value hierarchy occur is based on the date of the event or changes in circumstances that caused the transfer.

During the year ended December 31, 2017, Hydropothecary and AbCann became publicly traded. Due to these events, the investments in shares of Hydropothecary and AbCann were transferred out of Level 3 as the inputs for the valuation of the investments were no longer unobservable. The investments in Hydropothecary and AbCann were transferred into Level 1 of the fair value hierarchy, as the valuation of the investments was based on quoted prices in an active market. As at December 31, 2017, all of these instruments were disposed of. There were no other transfers between levels during the years ended December 31, 2016 and 2017.

24. Capital management

The Company's objectives when managing its capital are to maintain sufficient capital base to: (i) meet its short-term obligations, (ii) sustain future operations and expansions, (iii) ensure its ability to continue as a going concern, and (iv) retain stakeholder confidence. The Company defines capital as its net assets, total assets less total liabilities. Currently, there are no quantitative criteria established as the Company is experiencing significant growth.

As at December 31, 2017, the Company managed net assets of $86,368 (2016 - $33,677).

25. Subsequent events

(a) On January 24, 2018, the Company announced the closing of a bought deal offering, pursuant to which the Company sold a total of 5,257,143 common shares at a price of $8.75 per common share for aggregate gross proceeds of approximately $46,000. The bought deal was completed by way of a short form prospectus offering in Canada.

(b) Subsequent to December 31, 2017, 10,823,795 warrants were exercised in exchange for $2,223 in cash, and 82,692 warrants expired on January 18, 2018.

(c) Subsequent to December 31, 2017, a total of 342,256 options were exercised in exchange for $522 in cash. These options had a weighted average exercise price of $1.53 per common share.

(d) Subsequent to December 31, 2017, 430,000 options were granted to various employees, which vest evenly over a 48 month period, with a weighted average exercise price of $8.61 per common share.

(e) Subsequent to December 31, 2017, the Company sold some of its shares of Canopy for proceeds of $687.

(f) On March 9, 2018, Philip Illingworth filed a claim in the Supreme Court of British Columbia against Evergreen, its directors, Welton Construction Limited, 0611389 B.C. Ltd. and Hortican, claiming among other things, declarations and an order for specific performance that the plaintiff is the owner of 50% of the shares of Evergreen. It is the opinion of the Company that the plaintiff has not stated a valid claim against Hortican, and the Company intends to vigorously defend this claim.

(g) In September 2017, the Company announced a strategic joint venture in Israel with the Israeli agricultural collective settlement Kibbutz Gan Shmuel (**"Gan Shmuel"**) for the production, manufacture and distribution of medical cannabis. Following the transfer of the Israel licenses from Gan Shmuel to Cronos Israel, the Company (through its wholly owned subsidiary Cronos Global) will hold a 70% interest in each of the nursery and cultivation operations and a 90% interest in each of the manufacturing and distribution operations of Cronos Israel. Subsequent to December 31, 2017, the Company advanced $1,000 to Cronos Israel to fund construction of building structures.

25. Subsequent events (continued)

(h) In March 2018, the Company announced a strategic joint venture with MedMen Enterprises USA, LLC (**"MedMen"**). The Company (through its wholly owned subsidiary Cronos Canada Holdings Inc.) and MedMen each owns a 50% equity interest in the joint venture, called MedMen Canada Inc. (**"MedMen Canada"**) and have equal board representation. MedMen Canada holds the exclusive license of the MedMen brand in Canada for a minimum term of 20 years. Each of Cronos and MedMen will contribute capital equally to MedMen Canada for working capital purposes. MedMen Canada is focused on creating a Canadian branded retail chain in provinces that permit private retailers, branded products and research and development activities in Canada. MedMen Canada will have access to our production facilities while leveraging MedMen's brand recognition. In addition, the Company will be leveraging its regulatory expertise and know-how to obtain the requisite licenses, approvals and permits from Health Canada for MedMen Canada to commence its operations.

(i) On April 6, 2018, the Company announced the closing of a bought deal offering, pursuant to which the Company sold a total of 10,420,000 common shares at a price of $9.60 per common share for aggregate gross proceeds of approximately $100,000. The common shares were offered in the United States pursuant to the Company's effective registration statement on Form F-10 filed with the U.S. Securities and Exchange Commission and in Canada by way of a short form prospectus offering.

Exhibit 99.3



CRONOS GROUP INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Fourth Quarter and Year Ended December 31, 2017

(in thousands of Canadian dollars)

GENERAL MATTERS

This management's discussion and analysis of the financial condition and results of operations (" **MD&A**") of Cronos Group Inc. is current as of April 27, 2018 and provides financial information for the fourth quarter and full year ended December 31, 2017. This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2017 and December 31, 2016, including the related notes thereto ("**Annual Financial Statements**").

Unless otherwise noted or the context indicates otherwise, the "Company", "Cronos", "we", "us" and "our" refer to Cronos Group Inc., its direct and indirect subsidiaries and, if applicable, its joint ventures.

Basis of Presentation

Our financial statements are prepared in accordance with International Financial Reporting Standards (" **IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). Certain totals, subtotals and percentages throughout this MD&A may not reconcile due to rounding. All currency amounts herein are expressed in thousands of Canadian dollars, unless otherwise noted.

All references in this MD&A to "**Q4 2017**" and "**Q4 2016**" are to our fiscal quarters for the three months ended December 31, 2017 and December 31, 2016, respectively. All references in this MD&A to "**FY 2017**", "**FY 2016**" and **"FY 2015"** are to our fiscal years ended December 31, 2017, December 31, 2016 and December 31, 2015, respectively.

Our board of directors, on the recommendation of the audit committee, approved the Annual Financial Statements and this MD&A on April 27, 2018.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain information that may constitute forward-looking information and forward-looking statements (collectively, **"Forward-Looking Statements"**), which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Such 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, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-Looking Statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. Forward-Looking Statements in this MD&A include, but are not limited to, statements with respect to:

- the performance of our business and operations;
- our expectations regarding revenues, expenses, and anticipated cash needs;
- our expectations regarding cash flow, liquidity and sources of funding;
- our international activities and joint venture interests, including required regulatory approvals and licensing, anticipated costs and timing, and expected impact;
- the intended expansion of our facilities, the costs and timing associated therewith and the receipt of approval from Health Canada to increase the maximum production limits and sales from the expanded facilities;
- the expected growth in the number of patients using medical cannabis;
- the expected growth in our growing and production capacities;
- expectations with respect to future production costs;
- the expected methods to be used by us to distribute cannabis;
- the competitive conditions of the industry;
- the legalization of cannabis for recreational use in Canada, including federal and provincial regulations pertaining thereto, the related timing and impact thereof and our intentions to participate in such market, if and when it is legalized;
- the legalization of the use of cannabis for medical or recreational use in jurisdictions outside of Canada, the related timing and impact thereof and our intentions to participate in such markets outside of Canada, if and when such use is legalized;
- laws and regulations and any amendments thereto applicable to the business;
- the competitive advantages and business strategies of the Company;
- the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis;
- the Company's future product offerings;
- the anticipated future gross margins of the Company's operations;
- expectations regarding the use of proceeds of equity financings;
- expectations regarding capital expenditures;
- accounting standards and estimates;
- the grant, renewal and impact of any license or supplemental license to conduct activities with cannabis or any amendments thereof.

Certain of the Forward-Looking Statements contained herein concerning the cannabis industry and our general expectations concerning the cannabis industry 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 this industry, which we believe to be reasonable. However, although generally indicative of relative market positions, market shares and performance characteristics, such data is inherently

imprecise. While we are not aware of any misstatement regarding any industry or government data presented herein or information presented herein which is based on such data, the cannabis industry involves risks and uncertainties that are subject to change based on various factors, which factors are described further below.

With respect to the Forward-Looking Statements contained in this MD&A, we have made assumptions regarding, among other things: (i) our ability to generate cash flow from operations and obtain necessary financing on acceptable terms; (ii) general economic, financial market, regulatory and political conditions in which we operate; (iii) the output from operations of Peace Naturals Project Inc. ("**Peace Naturals**"), Original BC Ltd. (**"OGBC"**) and our operations in Israel and Australia; (iv) consumer interest in our products; (v) competition; (vi) anticipated and unanticipated costs; (vii) government regulation of our activities and products and in the areas of taxation and environmental protection; (viii) the timely receipt of any required regulatory approvals; (ix) our ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; (x) our ability to conduct operations in a safe, efficient and effective manner; and (xi) our construction plans and timeframe for completion of such plans.

Readers are cautioned that the above list of cautionary statements is not exhaustive. 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 MD&A. Such factors include, without limitation, those discussed in the "Risk and Uncertainties" section of this MD&A, and those discussed under the heading "Risk Factors" in our latest Annual Information Form (**"AIF"**). The purpose of Forward-Looking Statements is to provide the reader with a description of management's expectations, and such Forward-Looking Statements may not be appropriate for any other purpose. You should not place undue reliance on Forward-Looking Statements contained in this MD&A. Although we believe that the expectations reflected in such Forward-Looking Statements are reasonable, there is no assurance that such expectations will prove to have been correct. Forward-Looking Statements contained herein are made as of the date of this MD&A and are based on the beliefs, estimates, expectations and opinions of management on the date such Forward-Looking Statements are made. The Company undertakes 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, except as required by applicable law. The Forward-Looking Statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement.

COMPANY OVERVIEW

General

Cronos is a geographically diversified and vertically integrated global cannabis company, with a presence across four continents, whose principal activities are the production and sale of cannabis in federally legal jurisdictions, including Canada and Germany. Currently, Cronos sells dried cannabis and cannabis oils through wholesale and direct-to-consumer channels under our medical cannabis brand, Peace Naturals. We operate two wholly-owned licensed producers of medical cannabis (**"Licensed Producers"**) pursuant to the provisions of the *Controlled Drugs and Substances Act* (Canada) (**"CDSA"**) and its relevant regulation, the *Access to Cannabis for Medical Purposes Regulations* (Canada) (**"ACMPR"**). Our Licensed Producers are Peace Naturals, which has production facilities near Stayner, Ontario, and OGBC, which has a production facility in Armstrong, British Columbia.

We have also entered into four strategic joint ventures, including in Israel and Australia, and hold minority interests in cannabis-related companies and Licensed Producers.

Cronos' common shares are listed on the Nasdaq Global Market (" **NASDAQ**") and on the TSX Venture Exchange (" **TSX-V**") under the symbol "CRON".

Strategy

Cronos is committed to being one of the world's leading global cannabis companies. In pursuing this goal, we seek to create value for shareholders by focusing on four core strategic priorities:

- Establishing an efficient global production footprint;
- Developing a diversified revenue base through a global sales and distribution network;
- Creating disruptive intellectual property to ensure margin durability and monetize new use cases; and
- Growing a portfolio of iconic brands to build strong customer loyalty and lifetime value.

Production Facilities

Facility	Location	Grow Type	Square Footage	Estimated Annual Capacity (in kg)
Existing Capacity (1)				
Peace Naturals – Buildings 1, 2, 3	Stayner, ON, Canada	Indoor	39,000	5,000
Peace Naturals – Greenhouse	Stayner, ON, Canada	Greenhouse	28,000	1,500
OGBC	Armstrong, BC, Canada	Indoor	2,500	150
Existing Capacity			69,500	6,650
Capacity in Progress but not yet Completed				
Peace Naturals – Building 4	Stayner, ON, Canada	Indoor	286,000	33,500
Cronos Israel – Phase I (2)	Hadera, Israel	Greenhouse	45,000	5,000
Cronos Australia – Phase I (3)	Melbourne, VIC, Australia	Indoor	20,000	2,000
Capacity in Progress but not yet Completed			351,000	40,500
Pro Forma Capacity			**420,500**	**47,150**

(1) Existing capacity is defined as facilities where construction is substantially complete, regulatory approvals required to commence operations have been received and cannabis cultivation has commenced.

(2) Cronos will hold a 70% equity interest in the nursery cultivation operations of Cronos Israel and a 90% equity interest in the manufacturing and distribution operations of Cronos Israel.

(3) Cronos owns a 50% equity interest in Cronos Australia.

Peace Naturals

Situated on approximately 90 acres of land zoned and licensed for cannabis production, Peace Naturals operates four completed production buildings (Building 1, Building 2, Building 3 and the Peace Naturals greenhouse) and is constructing additional capacity via a 286,000 sq. ft. production facility (**"Building 4"**). Peace Naturals' production processes are Good Manufacturing Practices (**"GMP"**) certified under relevant European Economic Area GMP directives by the national competent authority of Germany. Growing and cultivation of cannabis in the Peace Naturals greenhouse commenced in the first quarter of 2018 and the facility is in the process of becoming fully operational, with the first harvest anticipated in the second quarter of 2018.

On October 31, 2013, Health Canada issued a license to Peace Naturals for activities related to the production and sale of dried cannabis flower under the ACMPR, which license has since been amended and supplemented. Peace Naturals' current license has an effective term from November 1, 2016 to November 1, 2019, and grants Peace Naturals the authority to engage in, among other things, the production and sale of dried cannabis flower, cannabis resin, cannabis seeds, cannabis plants and cannabis oil.

On January 22, 2018, the Company announced that Peace Naturals received a dealer's license (the " **Peace Naturals Dealer's License"**) pursuant to the Narcotic Control Regulations (**"NCR"**) and CDSA from Health Canada for the possession, sale, transportation and delivery of controlled substances under the CDSA, including cannabis, tetrahydrocannabinol (**"THC"**) and cannabidiol (**"CBD"**). The Peace Naturals Dealer's License allows Peace Naturals to export medical cannabis extracts, including concentrated oil and resin products, internationally in accordance with an export permit issued under section 103 of the ACMPR or section 10 of the NCR. The Peace Naturals Dealer's License has an effective term from January 29, 2018 to December 31, 2018.

OGBC

Situated on 30 acres of land, 13 acres of which are zoned and licensed for cannabis production, OGBC's facility primarily engages in cultivation and processing operations. OGBC has completed several inter-company bulk transfers of dried cannabis to Peace Naturals, to be sold under the Peace Naturals brand.

On February 24, 2014, Health Canada issued a cultivation license to OGBC under the ACMPR, which license has since been amended and supplemented. OGBC's current license has an effective term from February 28, 2017 to February 28, 2020 and grants OGBC the authority to engage in the production and sale of dried cannabis flower.

Joint Ventures and International Activities

We have entered into four strategic joint ventures to produce and sell cannabis:

- *MedMen Canada Joint Venture.* In March 2018, the Company announced a strategic joint venture with MedMen Enterprises USA, LLC ("**MedMen**"). The Company and MedMen each owns a 50% equity interest in the joint venture, called MedMen Canada Inc. (" **MedMen Canada**") and have equal board representation. MedMen Canada holds the exclusive license of the MedMen brand in Canada for a minimum term of 20 years. Each of Cronos and MedMen will contribute capital equally to MedMen Canada for working capital purposes. MedMen Canada is focused on creating a Canadian branded retail chain in provinces that permit private retailers, branded products and research and development activities in Canada. MedMen Canada will have access to our production facilities while leveraging MedMen's brand recognition. In addition, the Company will be leveraging its regulatory expertise and know-how to obtain the requisite licenses, approvals and permits from Health Canada for MedMen Canada to commence its operations.

- *Australia Joint Venture* ("**Cronos Australia**"). In February 2018, the Company announced a strategic joint venture in Australia with NewSouthern Capital Pty Ltd. ("**NewSouthern**") for the research, production, manufacture and distribution of medical cannabis. The Company and NewSouthern each owns a 50% equity interest in Cronos Australia and have equal board representation. The Company believes that Cronos Australia will serve as its hub for Australia, New Zealand and South East Asia, bolstering the Company's supply capabilities and distribution network. In the initial phase of construction, Cronos Australia is planning to construct a 20,000 sq. ft. purpose built indoor facility that is expected to produce up to 2,000 kilograms of cannabis annually. The Company expects construction to commence in the summer of 2018 and to be complete in the first half of 2019. Cronos Australia has also been granted medicinal cannabis cultivation licenses and research licenses by the Therapeutic Goods Administration and the Office of Drug Control (the "**ODC**"). Cronos Australia has also applied for a manufacturing license for the manufacturing and processing of cannabis-related products and an import license to import Peace Naturals branded medicinal products for sale in the Australian market while the initial phase of construction of Cronos Australia is being completed. Cronos is awaiting the approval of the ODC for the manufacturing and import licenses. The Company's activities in respect of Cronos Australia have been approved by the TSX-V.

- *Israel Joint Venture* ("**Cronos Israel**"). In September 2017, the Company announced a strategic joint venture in Israel with the Israeli agricultural collective settlement Kibbutz Gan Shmuel ("**Gan Shmuel**") for the production, manufacture and distribution of medical cannabis. Following transfer of the Israeli licenses from Gan Shmuel to Cronos Israel, the Company will hold a 70% interest in each of the nursery and cultivation operations and a 90% interest in each of the manufacturing and distribution operations of Cronos Israel. Cronos will have three board member nominees on the board of directors of each of the cultivation, manufacturing, distribution and pharmacies companies, while Gan Shmuel will have one board member nominee on the board of directors of each such entity. In the initial phase of construction, Cronos Israel is planning to construct a 45,000 sq. ft. greenhouse that is expected to produce up to 5,000 kilograms of cannabis annually and a 17,000 sq. ft. manufacturing facility that will be utilized for analytics, formulation development and research. Cronos will contribute intellectual property, management expertise, access to its current and future distribution channels and capital to Cronos Israel. Gan Shmuel will contribute the Israel licenses, agricultural and industrial expertise, land, capital and access to the skilled Gan Shmuel labor force to Cronos Israel. The Company's activities in respect of Cronos Israel have been approved by the TSX-V. Until exports are permitted under applicable Israeli law, products from Cronos Israel will be distributed domestically in the local Israeli market.

- *Indigenous Roots Joint Venture* ("**Indigenous Roots**"). In December 2016, the Company launched a strategic joint venture led by Phil Fontaine, former National Chief of the Assembly of First Nations. Indigenous Roots will work cooperatively with Canadian First Nations towards building and operating licensed facilities and providing medical cannabis to First Nations communities in Canada. We will own a 49.9% stake in Indigenous Roots upon closing of the investment which is expected to be led by a First Nation. The Company believes that Indigenous Roots will provide Cronos with optionality for nontraditional distribution channels and incremental production capacity without dilution and a strong brand for our portfolio. Indigenous Roots has commanded significant interest, having met with over 100 indigenous communities and leaders across Canada. Indigenous Roots is in the process of finalizing its capital raise. Once completed, Indigenous Roots is anticipated to commence construction of a 30,000 sq. ft. production facility at the premises of OGBC. The Company is awaiting definitive regulatory clarity on provincial distribution frameworks prior to finalization of the capital raise.

Minority Investments

We hold minority interests in other Licensed Producers. As at December 31, 2017, the Company holds a 20.3% equity interest in Whistler Medical Marijuana Company ("**Whistler**") and minority equity investments in Evergreen Medicinal Supply Inc. (" **Evergreen**"), AbCann Global Corporation ("**AbCann**") and Canopy Growth Corp. (" **Canopy**"). In 2017, we sold all of our shares in The Hydropothecary Corporation ("**Hydropothecary**"). See note 9 "Investment in Whistler" and note 10 "Other investments" in the notes to the Annual Financial Statements for more information.

INDUSTRY AND MARKET TRENDS

Medical Marijuana Regulatory Framework in Canada

On August 24, 2016, the Government of Canada introduced the ACMPR, new regulations to govern the production, sale and distribution of medical cannabis and related oil extracts. The ACMPR effectively combines the regulations and requirements of the *Marihuana for Medical Purposes Regulations*, the *Marihuana Medical Access Regulations* and the section 56 exemptions relating to cannabis oil under the CDSA into one set of regulations. In addition, among other things, the ACMPR sets out the process patients are required to follow to obtain authorization from Health Canada to grow cannabis and to acquire seeds or plants from Licensed Producers to grow their own cannabis. Under the ACMPR, patients have three options for obtaining cannabis:

- they can continue to access quality-controlled cannabis by registering with Licensed Producers;
- they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or
- they can designate someone else to produce it for them.

Health Canada recently reported that there were over 269,000 active client registrations with Licensed Producers under the ACMPR program by December 31, 2017.[1]

Legalization of Regulated Recreational Cannabis in Canada

On December 13, 2016, the Task Force on Cannabis Legalization and Regulation, which was established by the Canadian federal government to seek input on the design of a new system to legalize, strictly regulate and restrict access to cannabis, published its report outlining its recommendations. On April 13, 2017, the Government of Canada released Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts* ("**Bill C-45**"), which proposes the enactment of the *Cannabis Act* (Canada) (the "**Cannabis Act**") to regulate the production, distribution and sale of cannabis for medical and unqualified adult use. On November 27, 2017, the House of Commons passed Bill C-45, and on December 20, 2017, the Prime Minister communicated that the Government of Canada intended to legalize cannabis in the summer of 2018, despite previous reports of a July 1, 2018 deadline. Bill C-45 is currently before the Senate of Canada. On March 22, 2018, Bill C-45 passed a second reading in the Senate. However, as of April 27, 2018, it is being studied by various committees of the Senate, and Bill C-45 must also pass a third reading in order for it to become law.

On February 6, 2018, Public Safety Minister Ralph Goodale announced that, while Bill C-45 was still on schedule to receive royal assent in July 2018, implementation of various aspects of the regime, including preparing markets for retail sales, could take another eight to twelve weeks from such date.

The introduction of a recreational model for cannabis production and distribution may impact the medical marijuana market. The impact of this development may be negative for the Company and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

1 https://www.canada.ca/en/health-canada/services/drugs-health-products/medical-use-marijuana/licensed-producers/market-data.html

Provincial Distribution Frameworks for Regulated Recreational Cannabis

While the Cannabis Act provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the federal government, the Cannabis Act proposes that the provinces and territories of Canada will have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

The governments of every Canadian province and territory have, to varying degrees, announced proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. Most of these Canadian jurisdictions have announced a minimum age of 19 years, except for Québec and Alberta, where the minimum age will be 18.

ANNUAL BUSINESS HIGHLIGHTS AND RECENT DEVELOPMENTS POST QUARTER-END

Sales increased 636% in FY 2017 as compared to FY 2016

Sales increased by $3.5 million, or 636%, from $0.6 million in FY 2016 to $4.1 million in FY 2017 as we continue to scale production. Additionally, since November 2017 when Health Canada approved our new extraction laboratory at Peace Naturals, we have ramped-up production of strain-specific cannabis oils that have been received favorably by customers. In Q4 2017, cannabis oil sales represented 21% of domestic direct-to-consumer sales, with December 2017 cannabis oil sales growing 257% sequentially month over month.

First Licensed Producer to list on a major U.S. stock exchange

On February 27, 2018, Cronos became the first pure-play cannabis company to trade on a major U.S. stock exchange. The Company's common shares trade on the NASDAQ under the trading symbol "CRON". On March 5, 2018, the Company announced that it was changing its ticker symbol on the TSX-V from "MJN" to "CRON".

Expanding capacity and establishing a low-cost, global production footprint

Cronos Australia

In February 2018, we announced a strategic joint venture in Australia for the research, production, manufacture and distribution of medical cannabis. We own a 50% equity interest in Cronos Australia. We believe that Cronos Australia will serve as our hub for Australia, New Zealand and South East Asia, bolstering the Company's supply capabilities and distribution network. In the initial phase of construction, Cronos Australia is planning to construct a 20,000 sq. ft. purpose built indoor facility that is expected to produce up to 2,000 kilograms of cannabis annually.

Peace Naturals Capacity Expansion

In the first quarter of 2018, we completed construction of, received the required regulatory approvals for and commenced cultivation of cannabis in Peace Naturals' 28,000 sq. ft. greenhouse. The greenhouse's first harvest is expected to occur in the second quarter of 2018. Construction of Building 4, a 286,000 sq. ft. production facility, remains on schedule and production is expected to commence in the second half of 2018. The Company also completed significant improvements to the pre-existing facilities at Peace Naturals, including retrofitting the original facility to increase production capacity and substantial renovations and improvements to the first and second 15,000 sq. ft. purpose built production facilities.

Cronos Israel

In September 2017, we announced our strategic joint venture in Israel with the Israeli agricultural collective settlement Gan Shmuel for the production, manufacture and global distribution of medical cannabis. Following the transfer of the Israeli licenses from Gan Shmuel to Cronos Israel, the Company will hold a 70% interest in each of the nursery and cultivation operations and a 90% interest in each of the manufacturing and distribution operations of Cronos Israel. In the initial phase of construction, Cronos Israel is planning to construct a 45,000 sq. ft. greenhouse that is expected to produce up to 5,000 kilograms of cannabis annually and a 17,000 sq. ft. manufacturing facility that will be utilized for analytics, formulation development, and research. The Company's activities in respect of Cronos Israel have been approved by the TSX-V. Until exports are permitted under applicable Israeli law, products from Cronos Israel will be distributed domestically in the local Israeli market. In early 2017, the Medical Cannabis Unit of the Israeli Ministry of Health (the "**Yakar**") granted Gan Shmuel preliminary licenses to construct facilities for cannabis operations. Gan Shmuel is in the process of obtaining approval from the Yakar to transfer these licenses to Cronos Israel.

Broadened global sales and distribution network capabilities

MedMen Canada

In March 2018, we announced a strategic joint venture with MedMen. We own a 50% equity interest in the joint venture, MedMen Canada. MedMen Canada is focused on creating a Canadian branded retail chain in provinces that permit private retailers, branded products and research and development activities in Canada. MedMen Canada will have access to our production facilities and future expansions while leveraging MedMen's brand recognition. In addition, we will be leveraging our regulatory expertise and know-how to obtain the requisite licenses, approvals and permits from Health Canada for MedMen Canada to commence its operations.

Peace Naturals Dealer's License

In January 2018, Peace Naturals received the Peace Naturals Dealer's License pursuant to the NCR and CDSA from Health Canada for the possession, sale, transportation and delivery of controlled substances under the CDSA, including cannabis, THC and CBD. The Peace Naturals Dealer's License allows Peace Naturals to export medical cannabis extracts, including concentrated oil and resin products, internationally in accordance with an export permit issued under section 103 of the ACMPR or section 10 of the NCR.

Distribution in Germany

In October 2017, we entered into a strategic distribution partnership with G. Pohl-Boskamp GmbH & Co. KG (" **Pohl-Boskamp**"), a European pharmaceutical manufacturer and supplier. Under the five-year exclusive distribution agreement, we will supply Peace Naturals branded cannabis products to Pohl-Boskamp for distribution within Germany across its distribution network of pharmacies.

Peace Naturals Rebrand

Cronos is committed to building an iconic international brand portfolio and the Company initiated a rebrand of Peace Naturals in 2017. The objective was to create a new visual identity system that emphasized the brand's reputation as a trusted and dependable medicinal cannabis company appealing to both men and women. The transition began in October of 2017 and was completed in the first quarter of 2018. The project included: new proprietary packaging, an evolution of the brand's logo, new marketing materials, a revised website, a new shopping portal experience and new products such as strain specific oils. Peace Naturals also established a new classification system for products that helped educate patients on key product differences. Overall, sales and patient growth significantly accelerated upon completion of the project.

Strengthened liquidity

Since the beginning of FY 2017 to the date of this MD&A, we have raised $195.6 million in gross proceeds from the sale of equity securities to fund our global expansion plans. As of December 31, 2017, pro forma for the $138.0 million in net proceeds raised in 2018 through the date of this MD&A, total liquidity amounted to $180.9 million, comprised of $147.2 million in pro forma cash and $33.7 million of additional borrowings available under the Construction Loan (as defined herein).

Enhanced board of directors with appointment of chief financial officer of Roots Corporation

In February 2018, we announced the appointment of Mr. James D. Rudyk to the board of directors. Mr. Rudyk serves as the chair of the audit committee and is a member of the compensation committee. He is currently the chief financial officer of Roots Corporation, a position he has held since January 2016. James is an experienced and proven financial executive with more than 25 years of financial and operating experience and with a track record of supporting ambitious growth plans. Prior to joining Roots, James served as the chief financial officer of Shred-It International Inc. from 2009 to 2015. While there, he was instrumental in helping the company grow revenue from $200 million to more than $700 million and expand to more than 17 countries. Mr. Rudyk also served as chief financial officer and chief operating officer of Canada Cartage Systems Ltd. from 2004 to 2009.

RESULTS OF OPERATIONS

Selected Financial Results

The following table summarizes the selected financial results for the periods indicated.

($ in 000s)	Three Months Ended December 31,		Change		Year Ended December 31,		Change	
	2017	2016	$	%	2017	2016	$	%
Sales	$ 1,610	$ 431	$ 1,179	*274%*	$ 4,082	$ 554	$ 3,527	*636%*
Cost of Sales (Recovery)	(1,459)	(1,363)	(96)	*7%*	(3,148)	(1,439)	(1,710)	*119%*
Gross Profit	3,069	1,794	1,275	*71%*	7,230	1,993	5,237	*263%*
Operating Expenses	2,903	2,127	777	*37%*	9,338	4,124	5,213	*126%*
Operating Income (Loss)	166	(333)	499	*(150%)*	(2,108)	(2,131)	24	*(1%)*
Other Income	2,294	1,296	998	*77%*	4,897	373	4,524	*1,212%*
Income (Loss) before Income Taxes	2,459	963	1,496	*155%*	2,789	(1,758)	4,547	*(259%)*
Income Tax Expense (Recovery)	396	(407)	803	*(197%)*	298	(568)	866	*(152%)*
Net Income (Loss)	2,063	1,370	693	*51%*	2,491	(1,190)	3,681	*(309%)*
Other Comprehensive Income	141	1,367	(1,225)	*(90%)*	(704)	1,584	(2,289)	*(144%)*
Comprehensive Income	2,205	2,737	(532)	*(19%)*	1,787	394	1,392	*353%*

Sales

Results for Q4 2017 compared to Q4 2016

For Q4 2017, the Company reported sales of $1.6 million as compared to $0.4 million for Q4 2016, representing an increase of $1.2 million, or 274%. This increase was primarily due to:

- The ramping up of production by bringing online building 3, thus increasing the volume of product on hand;

- The increase in business-to-business sales in Q4 2017, specifically to other licensed producers and sellers in Canada and abroad; and
- The ramping up of sales of cannabis oil in Q4 2017. There were no sales of oil products in 2016.

Results for FY 2017 compared to FY 2016

For FY 2017, the Company reported sales of $4.1 million as compared to $0.6 million for FY 2016, representing an increase of $3.5 million, or 636%. Sales in FY 2017 of 577kg of dry flower equivalence (based upon a 5g equivalence factor for oil) consisted of $1.9 million in domestic direct-to-consumer sales, $1.5 million in wholesale sales to other Canadian Licensed Producers, and $0.6 million in international sales. The year-over-year increase was primarily due to:

- The Company acquired 100% of the outstanding shares of Peace Naturals in September 2016, therefore, the results of Peace Naturals are only included in the Company's financial results from the date of acquisition to December 31, 2017;
- The Company ramped up production in 2017 that, in turn, drove sales as the Company was more able to satisfy current demand for its product; and
- The Company expanded its international reach, thereby increasing its the customer base and related product demand.

Cost of Sales

Cost of sales for the periods indicated are as follows:

($ in 000s)	Three Months Ended December 31,		Change		Year Ended December 31,		Change	
	2017	2016	$	%	2017	2016	$	%
Cost of Sales								
Inventory Expensed to Cost of Sales	$ 1,000	$ 384	$ 616	*161%*	$ 4,489	$ 384	$ 4,105	*1,070%*
Production Costs	3,043	(1)	3,044	*NM*	3,983	356	3,626	*1,017%*
Gain on Revaluation of Biological Assets	(5,502)	(1,746)	(3,756)	*215%*	(11,620)	(2,179)	(9,411)	*433%*
Total Cost of Sales (Recovery)	(1,459)	(1,363)	(96)	*7%*	(3,148)	(1,439)	(1,710)	*119%*

Results for Q4 2017 compared to Q4 2016

Total cost of sales were a recovery of $1.5 million in Q4 2017 as compared to a recovery of $1.4 million in Q4 2016, representing a decrease in expenses of $0.1 million, or 7%. This improvement is largely driven by:

- The larger volume of plants in their life cycle during Q4 2017, thereby generating a larger gain on revaluation;
- This increase was partially offset by an increase in production costs required to grow the plants; and
- Further offset by an increase in the inventory expensed to cost of sales, which increases as sales increases.

Results for FY 2017 compared to FY 2016

Total cost of sales were a recovery of $3.1 million in FY 2017 as compared to a recovery of $1.4 million in FY 2016, representing a $1.7 million, or 119%, decrease in expenses. This improvement is largely driven by:

- The consolidation of the results of operations of Peace Naturals for the full year in 2017 as compared to only four months in 2016;
- The larger volume of plants in their life cycle during FY 2017; and
- This is partially offset by an increase in inventory expensed to cost of sales due to increased sales and an increase in production costs incurred to support the growth of the plants. A total of 1.861kg of dry flower were produced during FY 2017.

Operating Expenses

Operating expenses for the periods indicated are as follows:

($ in 000s)	Three Months Ended December 31,		Change		Year Ended December 31,		Change	
	2017	2016	$	%	2017	2016	$	%
Operating Expenses								
General and Administrative	$2,354	$ 1,945	$ 409	*21%*	$6,935	$3,435	$3,500	*102%*
Stock-Based Payments	692	14	679	*5,018%*	1,862	307	1,556	*507%*
Depreciation	(143)	168	(311)	*(185%)*	541	382	158	*41%*
Total Operating Expenses	2,903	2,127	777	*37%*	9,338	4,124	5,213	*126%*
As a Percentage of Sales								
General and Administrative	*146%*	*452%*			*170%*	*620%*		
Stock-Based Payments	*43%*	*3%*			*46%*	*55%*		
Depreciation	*(9%)*	*39%*			*13%*	*69%*		
Total Operating Expenses	*180%*	*494%*			*229%*	*744%*		

Results for Q4 2017 compared to Q4 2016

For Q4 2017, the Company reported total operating expenses of $2.9 million as compared to $2.1 million for Q4 2016, representing an increase of $0.8 million, or 37%. This increase was primarily due to:

- An increase in professional and consulting fees for services rendered in connection with various strategic initiatives;
- The vesting of stock options issued to employees and non-employees; and
- Offset by a decrease in depreciation expense allocated to operating expenses, the remaining of which is allocated to growing costs and capitalized to inventory.

Results for FY 2017 compared to FY 2016

For FY 2017, the Company reported total operating expenses of $9.3 million as compared to $4.1 million for FY 2016, representing an increase of $5.2 million, or 126%. This increase was primarily due to:

- An increase in professional and consulting fees for services rendered in connection with various strategic initiatives;
- The consolidation of the results of operations of Peace Naturals for the full year 2017; and
- The vesting of stock options issued to employees and non-employees.

Other Income

Other income for the periods indicated are as follows:

($ in 000s)	Three Months Ended December 31,		Change		Year Ended December 31,		Change	
	2017	2016	$	%	2017	2016	$	%
Other Income								
Interest Expense	$ 38	$ (129)	$ 167	*(129%)*	$ (126)	$(232)	$ 112	*(47%)*
Share of Income from Whistler Investment	(198)	31	(229)	*(733%)*	165	163	2	*1%*
Gain (Loss) on Other Investments	2,459	1,363	1,096	*80%*	4,858	(310)	5,168	*(1,666%)*
Reversal of Loss on Loan Receivable	—	—	—	—	—	725	(725)	*(100%)*
Other Income	(5)	32	(37)	*(115%)*	—	27	(33)	*(99%)*
Total Other Income	2,294	1,296	998	*77%*	4,897	373	4,524	*1,212%*

Results for Q4 2017 compared to Q4 2016

For Q4 2017, the Company reported total other income of $2.3 million as compared to $1.3 million for Q4 2016, representing an increase of $1.0 million, or 77%. This increase was primarily due to an increase in the gain on other investments, as investments were disposed during the quarter. This resulted in the gain on disposal and the previously recorded revaluation gains in other comprehensive income to be recycled through net income.

Results for FY 2017 compared to FY 2016

For FY 2017, the Company reported total other income of $4.9 million as compared to $0.4 million for FY 2016, representing an increase of $4.5 million, or 1,212%. This increase was primarily due to an increase in the gain on other investments, as investments were disposed during the year. This resulted in the gain on disposal and the previously recorded revaluation gains in other comprehensive income to be recycled through net income.

Income Tax Expense

Results for Q4 2017 compared to Q4 2016

The Company recorded an income tax expense of $0.4 million in Q4 2017 as compared to an income tax recovery of $0.4 million in Q4 2016. The effective tax rate for Q4 2017 was 16% as compared to (42%) in Q4 2016. The change in effective tax rate in Q4 2017 is mainly attributable to an increase in deductible temporary differences not recognized, specifically for property, plant, and equipment, share and debt issuance costs, and losses carried forward.

Results for FY 2017 compared to FY 2016

The Company recorded an income tax expense of $0.3 million in FY 2017 as compared to an income tax recovery of $0.6 million in FY 2016. The effective tax rate for FY 2017 was 11% as compared to 32% in FY 2016. The change in effective tax rate in FY 2017 is mainly attributable to an increase in deductible temporary differences not recognized, specifically for property, plant, and equipment, share and debt issuance costs, and losses carried forward.

Other Comprehensive Income

Other comprehensive income for the periods indicated are as follows:

($ in 000s)	Three Months Ended December 31,		Change		Year Ended December 31,		Change	
	2017	2016	$	%	2017	2016	$	%
Other Comprehensive Income								
Gain on Revaluation of Other Investments	$ 254	$ 1,367	$(1,112)	*(81%)*	$ 947	$1,584	$ (638)	*(40%)*
Unrealized Gains Reclassified to Net Income	(113)	—	(113)	*NM*	(1,651)	—	(1,651)	*NM*
Total Other Comprehensive Income	141	1,367	(1,225)	*(90%)*	(704)	1,584	(2,289)	*(144%)*

Results for Q4 2017 compared to Q4 2016

For Q4 2017, the Company reported total other comprehensive income of $0.1 million as compared to $1.4 million for Q4 2016, representing a decrease of $1.2 million, or 90%. This decrease was primarily due to the disposition of investments classified as fair value through other comprehensive income. The gain on revaluation of other investments represents only the revaluation of investments held by the Company as at December 31, 2017, which is only the shares held in Canopy Growth Corporation. The remainder of the investments were sold prior to Q4 2017, and thus, there would be no amount in this component of other comprehensive income related to those investments. For Q4 2017, the Company also reported $0.1 million in unrealized gains reclassified to net income as compared to $nil in Q4 2016. There were no available-for-sale investments sold during Q4 2016.

Results for FY 2017 compared to FY 2016

For FY 2017, the Company reported total other comprehensive loss of $0.7 million as compared to $1.6 million for FY 2016, representing a decrease of $2.3 million, or 144%. This decrease was primarily due to the disposition of investments classified as fair value through other comprehensive income. The gain on revaluation of other investments represents only the revaluation of investments held by the Company as at December 31, 2017, which is only the shares held in Canopy Growth Corporation. The remainder of the investments were sold during FY 2017, and thus, there would be no amount in this component of other comprehensive income related to those investments. For FY 2017, the Company also reported $1.7 million in unrealized gains reclassified to net income as compared to $nil in FY 2016. There were no available-for-sale investments sold during FY 2016.

Comprehensive Income

Comprehensive income for the periods indicated are as follows:

($ in 000s)	Three Months Ended December 31,		Change		Year Ended December 31,		Change	
	2017	2016	$	%	2017	2016	$	%
Comprehensive Income	$ 2,205	$ 2,737	$(532)	*(19%)*	$1,787	$394	$1,392	*353%*

Results for Q4 2017 compared to Q4 2016

For Q4 2017, the Company reported comprehensive income of $2.2 million as compared to $2.7 million for Q4 2016, representing a decrease of $0.5 million or 19%. The decrease in total comprehensive income results from the factors described above.

Results for FY 2017 compared to FY 2016

For FY 2017, the Company reported comprehensive income of $1.8 million as compared to $0.4 million for FY 2016, representing an increase of $1.4 million or 353%. The increase in total comprehensive income results from the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are cash, availability under the Construction Loan (as defined herein) and proceeds from equity financings. As of December 31, 2017, total liquidity amounted to $42.9 million, comprised of $9.2 million in cash and $33.7 million of additional borrowings available under the Construction Loan (as defined herein). Subsequent to December 31, 2017 and through the date of this MD&A, we have raised an additional $146.0 million in gross proceeds from two common share offerings to fund operations and support our growth plans.

Summary of Cash Flows

Our cash flows for the periods indicated are as follows:

($ in 000s)	Three Months Ended December 31,			Year Ended December 31,		
	2017	2016	$ Change	2017	2016	$ Change
Cash used in Operating Activities	$ (2,533)	$ (1,755)	$ (778)	$ (5,548)	$ (6,476)	$ 929
Cash used in Investing Activities	(19,876)	(919)	(18,958)	(38,772)	(8,008)	(30,765)
Cash provided by Financing Activities	15,083	358	14,725	50,064	16,821	33,244
Net Change in Cash	(7,326)	(2,315)	(5,011)	5,744	2,337	3,407

Analysis of Q4 2017 Cash Flows

Operating Activities. Cash used in operating activities increased $0.8 million during Q4 2017 as compared to Q4 2016. This increase is primarily driven by a $1.5 million increase in net income adjusted for non-cash items offset by a $2.2 million decrease in the net change in non-cash working capital from ($1.5 million) in Q4 2016 to ($3.7 million) in Q4 2017.

Investing Activities. During Q4 2017, we used $19.9 million of cash in our investing activities primarily due to $25.6 million in capital expenditures that were partially offset by $5.7 million in sale proceeds of non-core equity investments in Hydropothecary and AbCann. Our capital expenditures were primarily used to fund expansion efforts at Peace Naturals, namely Building 4 and the Peace Naturals greenhouse.

Financing Activities. During Q4 2017, cash provided by financing activities was $15.1 million primarily due to the $15.8 million in net proceeds from the Company's bought deal offering of common shares in November 2017 (**"November 2017 Bought Deal"**) and the expenses related thereto.

Analysis of FY 2017 Cash Flows

Operating Activities. Cash used in operating activities decreased $0.9 million during FY 2017 as compared to FY 2016. This decrease is primarily driven by a $2.3 million increase in net income adjusted for non-cash items offset by a $1.3 million decrease in the net change in non-cash working capital from ($4.8 million) in FY 2016 to ($6.2 million) in FY 2017.

Investing Activities. During FY 2017, we used $38.8 million of cash in our investing activities primarily due to $42.7 million in capital expenditures, $2.6 million to repay the purchase price liabilities to the former shareholders of Peace Naturals, and $4.4 million to make further investments in Whistler and AbCann. These cash uses were partially offset by $10.9 million in proceeds from non-core asset sales of common shares in Hydropothecary, Canopy and AbCann. Our capital expenditures were primarily used to fund expansion efforts at Peace Naturals, namely Building 4 and the Peace Naturals greenhouse. We invested $1.1 million in Whistler and $1.0 million in AbCann in connection with these companies' capital raises to maintain our pro rate equity interests in these companies. Additionally, we paid $2.3 million to exercise our AbCann warrants into common shares that were subsequently sold during the year.

Financing Activities. During FY 2017, cash provided by financing activities was $50.1 million primarily due to the $16.0 million in net proceeds from the Company's bought deal offering of common shares in March 2017, the $15.0 million in net proceeds from the Company's non-brokered private placement of common shares in September 2017 and the $15.8 million in net proceeds from the Company's November 2017 Bought Deal and the expenses related thereto.

Capital Resources

Debt

In August 2017, we entered into a senior secured loan, to be funded by way of multiple advances, for up to $40.0 million in committed capital (the **"Construction Loan"**) with Romspen Investment Corporation (" **Romspen**"). Each advance is subject to certain conditions, including, among other things, Romspen's approval of construction progress. The Construction Loan is secured by a first ranking charge on the real estate of each of Peace Naturals and OGBC. OGBC, Hortican Inc., and the Company are also guarantors of the Construction Loan. Under the terms of the Construction Loan, Peace Naturals, OGBC, Hortican and the Company retain the ability to enter into equipment financing arrangements, and the Company retains the ability to raise capital by issuing common shares. Aggregate loan

advances are limited to $35.0 million until Romspen receives an appraisal value of the OGBC property of at least $8.0 million. The Construction Loan bears a 12.00% annual interest rate and carries a two year term, with a one-year extension option subject to certain terms and conditions. The Construction Loan contains customary affirmative and negative covenants and events of default. As at December 31, 2017, we were in material compliance with all covenants contained in the Construction Loan. See note 14 “Construction loan payable” in the notes to the Annual Financial Statements for additional information.

As of December 31, 2017, $6.3 million has been funded under the Construction Loan, resulting in at least an additional $28.7 million of additional borrowings available to us under the loan subject to certain terms and conditions, plus an additional $5.0 million in additional borrowings once the OGBC property appraisal value in excess of $8.0 million is completed.

Equity

The Company has historically funded operations and financed production capacity expansion primarily through the sale of equity securities. In 2017, we raised $49.6 million in gross proceeds (not taking into account any commissions, fees or expenses) through three common share offerings:

- On March 9, 2017, the Company announced the closing of a bought deal offering pursuant to which the Company sold a total of 7,705,000 common shares at a price of $2.25 per common share for aggregate gross proceeds of approximately $17.3 million. The bought deal was completed by way of a short form prospectus offering in Canada.
- On September 26, 2017, the Company announced the closing of a non-brokered private placement and on October 12, 2017, announced the approval from the TSX-V, pursuant to which the Company sold a total of 6,671,112 common shares at a price of $2.25 per common share for aggregate gross proceeds of approximately $15.0 million.
- On November 8, 2017, the Company announced the closing of a bought deal offering pursuant to which the Company sold a total of 5,476,190 common shares at a price of $3.15 per common share for aggregate gross proceeds of approximately $17.2 million. The November 2017 Bought Deal was completed by way of a short form prospectus offering in Canada.

Through 2018 up to the date of this MD&A, we have raised an additional $146.0 million in gross proceeds (not taking into account any commissions, fees or expenses) through two common share offerings:

- On January 24, 2018, the Company announced the closing of a bought deal offering pursuant to which the Company sold a total of 5,257,143 common shares at a price of $8.75 per common share for aggregate gross proceeds of approximately $46.0 million. The bought deal was completed by way of a short form prospectus offering in Canada.
- On April 6, 2018, the Company announced the closing of a bought deal offering pursuant to which the Company sold a total of 10,420,000 common shares at a price of $9.60 per common share for aggregate gross proceeds of approximately $100.0 million. The common shares were offered in the United States (**“U.S.”**) pursuant to the Company’s effective registration statement on Form F-10 filed with the U.S. Securities and Exchange Commission (**“SEC”**) and in Canada by way of a short form prospectus offering.

Use of Proceeds

Below is a reconciliation of the manner in which the net proceeds from the November 2017 Bought Deal were used by the Company compared to the disclosure in the Company's final short form prospectus dated November 3, 2017 (the "**November 2017 Final Prospectus**").

Disclosure in the November 2017 Final Prospectus	**Use of Proceeds**
$7,000,000 for expanding production at Peace Naturals. This includes general construction costs, the contractor's management fees, labor costs, material (e.g. structural steel, roofing material, and paneling) and equipment (e.g. irrigation, generators) for the continued construction of Building 4 and Peace Naturals' greenhouse.	The Company applied approximately $10.1 million of the net proceeds of the November 2017 Bought Deal plus an additional $0.6 million from operations, for a total of $10.7 million to general construction costs and deposits on equipment for the continued construction of Building 4 and Peace Naturals' greenhouse. Such amount represents the $7.0 million allocated for such use in the November 2017 Final Prospectus, plus an additional amount equal to approximately $3.1 million from the net proceeds allocated to general working capital purposes in the November 2017 Final Prospectus (including approximately $2.1 million of the net proceeds from the exercise of the November 2017 Bought Deal over-allotment option) and an additional $0.6 million from operations.
$3,000,000 for research and development initiatives, including product formulation and the purchase of associated production equipment.	The Company applied approximately $0.5 million for research and development initiatives associated with plant and process productivity. The remaining approximately $2.5 million allocated for research and development initiatives in the November 2017 Final Prospectus has been set aside for ongoing research in product formulation, clinical trials, and plant process productivity and are expected to be applied in 2018.
$3,000,000 for investment in the development of infrastructure for the anticipated distribution of cannabis pursuant to the Cannabis Act, including the development of branding and market positioning.	The Company applied approximately $1.0 million in branding and new packaging, and consulting support for the development of infrastructure for distribution of cannabis pursuant to the Cannabis Act. The remaining approximately $2.0 million, allocated for investment in the development of infrastructure for the anticipated distribution of cannabis pursuant to the Cannabis Act has been set aside for costs associated with obtaining distribution licenses in various provinces, hiring additional sales staff in connection with such anticipated expanded distribution and additional product offerings anticipated with recreational use in Canada (e.g., edibles).
The remaining net proceeds for general working capital purposes which may include establishing new international distribution channels in jurisdictions where there is a legal framework for medical cannabis and the associated costs of compliance with Health Canada and other regulatory requirements.	The Company reallocated approximately $3.1 million (which does not account for the Company's expenses in relation to the November 2017 Bought Deal) originally allocated for general working capital purposes in the November 2017 Final Prospectus (including approximately $2.1 million of the net proceeds from the exercise of the November 2017 Bought Deal over-allotment option), plus an additional $0.6 million from operations, for a total reallocated amount of $3.7 million to general construction costs and deposits on equipment for the continued construction of Building 4 and Peace Naturals' greenhouse. As a result, no net proceeds from the November 2017 Bought Deal were allocated to general working capital purposes.

Financial Condition

We currently anticipate that our cash flow from operations, cash and additional borrowings available under the Construction Loan will be sufficient to satisfy our operational cash needs through at least the next 12 months.

However, any projections of future cash needs and cash flows are subject to substantial uncertainty. Our ability to fund operating expenses and capital expenditures will depend on, among other things, our future operating performance, which will be affected by general economic, financial and other factors, including factors beyond our control.

The Company, from time to time, may need or want to raise additional capital to strengthen its financial position, facilitate expansion, pursue strategic acquisitions and investments, and take advantage of business opportunities as they arise. Although we have been successful in the past in obtaining financing, there can be no assurance that such additional capital will be available in amounts or on terms acceptable to us, if at all. If we cannot raise additional funds when we need or want them, our operations and prospects could be negatively affected. See "Risks and Uncertainties" in this MD&A for additional information.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table summarizes selected annual information for the last three years.

	Year Ended December 31,		
($ in 000s, except per share data)	**2017**	**2016**	**2015**
Income Statement Data:			
Sales	$ 4,082	$ 554	$ —
Net Income	2,491	(1,190)	386
Total Comprehensive Income	1,787	394	386
Basic Earnings Per Share	$ 0.02	$ (0.02)	$ 0.01
Diluted Earnings Per Share	0.01	(0.02)	0.01
Balance Sheet Data:			
Current Assets			
Cash	$ 9,208	$ 3,464	$ 1,127
Other Current Assets	17,495	4,622	98
Total Current Assets	26,704	8,086	1,225
Non-Current Assets	74,325	34,814	13,499
Total Assets	101,029	42,900	14,724
Current Liabilities	7,878	7,766	2,327
Non-Current Liabilities			
Long-Term Debt	5,367	—	500
Other Non-Current Liabilities	1,416	1,457	195
Total Non-Current Liabilities	6,783	1,457	695
Total Liabilities	14,661	9,223	3,022
Shareholders' Equity	86,368	33,677	11,702
Working Capital	18,827	321	(1,102)

Total assets increased $86.3 million or 586% from $14.7 million for FY 2015 to $101.0 million for FY 2017. The increase in total assets was primarily driven by an increase in property, plant and equipment, goodwill and intangible assets as a result of the acquisition of the remaining equity interests in Peace Naturals and the Company's $44.2 million in capital expenditures incurred in FY 2016 and FY 2017 to primarily upgrade and expand the Peace Naturals facilities. During FY 2016 and FY 2017, we raised over $64.6 million in net proceeds from equity issuances to help fund the Peace Naturals acquisition and expansion efforts. This is the primary driver of shareholders' equity increasing $74.7 million or 638% from $11.7 million for FY 2015 to $86.4 million for FY 2017.

The expansion of our production capabilities and capacity has resulted in a greater amount and assortment of product available for sale. This additional product available for sale, together with an expanded sales and distribution network, has contributed to our sales growing to $4.1 million in FY 2017 and the related working capital build as our operations scale. We expect sales to continue to grow as we scale our existing operations and more capacity in progress is completed and brought online.

For further information on changes in income statement data, please see "Results of Operations" in this MD&A. For further information on movements in working capital, shareholders' equity, assets and liabilities, please see "Liquidity and Capital Resources" in this MD&A.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table summarizes selected quarterly financial information for the last eight quarters.

	FY 2017				FY 2016			
($ in 000s, except per share data)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Income Statement Data:								
Sales	$1,610	$1,314	$644	$ 514	$ 431	$ 124	$ —	$ —
Net Income (Loss)	2,063	1,097	175	(844)	1,370	(228)	(1,842)	(490)
Total Comprehensive Income (Loss)	2,025	1,095	187	(162)	2,737	(10)	(1,842)	(490)
Basic Earnings Per Share	$ 0.01	$ 0.01	$—	$(0.01)	$ 0.01	$ —	$ (0.04)	$(0.01)
Diluted Earnings Per Share	0.01	0.01	—	(0.01)	0.01	—	(0.04)	(0.01)

The Company does not exhibit any material seasonality over its fiscal year. For further information on changes in income statement data, please see "Results of Operations" and "Selected Annual Financial Information" in this MD&A.

SHARE INFORMATION

The issued and outstanding common shares, along with shares potentially issuable, are as follows as of the date indicated below.

(Actual shares)	As at April 27, 2018
Issued and Outstanding Shares	
Common Shares	176,203,797
Total Issued and Outstanding Shares	176,203,797
Potentially Issuable Shares	
Stock Options	11,691,495
Warrants	27,748,165
Total Potentially Issuable Shares	39,439,660
Total Outstanding and Potentially Issuable Shares	215,643,457

LEGAL PROCEEDINGS

As of the date of this MD&A, we are subject to four ongoing claims for damages. See note 19 “Commitments and contingencies” to the Annual Financial Statements for further discussions on our legal proceedings. We believe that all allegations in each proceeding are without merit and plan to vigorously defend ourselves; accordingly, no provision for loss has been recognized.

OFF-BALANCE SHEET ARRANGEMENTS

As of the date of this MD&A, we have no off-balance sheet arrangements.

FINANCIAL INSTRUMENTS

As of the date of this MD&A, we have no financial instruments or other instruments, such as hedging.

TRANSACTIONS BETWEEN RELATED PARTIES

The Company has engaged in transactions with related parties as follows:

	Three Months Ended December 31,		Year Ended December 31,	
($ in 000s)	2017	2016	2017	2016
Key Management Compensation				
Short-Term Employee Benefits, Including Salaries and Fees	$ 106	$ 203	$ 417	$264
Professional Fees	107	76	234	171
Stock-Based Payments	132	91	899	208
Total Key Management Compensation	345	370	1,550	643

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include management executives of the Company. The vesting of options resulted in stock-based payments of $0.9 million in FY 2017 as compared to $0.2 million in FY 2016. Key management is compensated for providing planning, directing and controlling activities to the Company.

On May 27, 2016, a board member purchased 810,810 units of the Company’s private placement. The board member paid approximately $0.2 million for these units, which represents the fair value. On May 27, 2016, a shareholder with ownership interest exceeding 10%, purchased 4,665,187 units of the Company’s private placement. The shareholder paid approximately $0.9 million for these units, which represents the fair value.

During the year ended December 31, 2017, a total of 1,800,000 (2016 – 1,616,000) options were issued to directors of the Company. Stock-based payments of approximately $0.6 million (2016 – $49) were recognized for these options.

NEW ACCOUNTING PRONOUNCEMENTS

The IASB has not issued any new standards, amendments to standards, or interpretations that impact the Company during the three months ended December 31, 2017.

Adoption of New Accounting Pronouncements

Our adoption of previously issued new standards, amendments to standards, and interpretations are set forth below.

Amendments to IAS 7 Statement of Cash Flows

IAS 7 amendments include additional disclosures to enable users of the consolidated financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. These amendments became effective for the annual periods beginning on or after January 1, 2017. The Company has adopted these amendments as of the effective date and has assessed no significant changes as a result of the adoption of these amendments on the current or prior periods.

IAS 12 Income Taxes

IAS 12 amendments include: (a) unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; (b) the carrying amount of an asset does not limit the estimation of probable future taxable profits; (c) estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences; and (d) an entity assesses a deferred tax asset for recoverability in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset for recoverability in combination with other deferred tax assets of the same type. These amendments became effective for annual periods beginning on or after January 1, 2017. The Company has adopted these amendments as of its effective date and has assessed no significant changes as a result of the adoption of these amendments on the current or prior periods.

New and Revised Standards and Interpretations Issued but Not yet Effective

New accounting pronouncements not yet mandatorily effective have not been applied in preparing the Annual Financial Statements. New and revised standards and interpretations issued but not yet effective are set forth below.

Amendments to IFRS 2 Share-based Payments

IFRS 2 clarifies how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The effective date of these amendments is January 1, 2018. The Company will adopt the amendments as of its effective date. The Company has performed a preliminary assessment and does not expect there to be significant impact on the consolidated financial statements as a result of this amendment.

IFRS 9 Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. The effective date of this standard is January 1, 2018. The Company will adopt this new standard as of its effective date. As a result of the new classification model and measurement requirements under IFRS 9, the Company will elect to classify the available-for-sale investments as fair value through other comprehensive income investments. Under this classification, there is no recycling of gains or losses from accumulated other comprehensive income to profit or loss. Therefore, the gain recorded in other comprehensive income in the current year of $947 will not be recycled to profit or loss in future periods. The Company has performed a preliminary assessment and does not expect there to be any other significant impacts on the consolidated financial statements as a result of this new standard.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued by the IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company will adopt this new standard as of its effective date. The Company has performed a preliminary assessment and does not expect there to be significant impact on the consolidated financial statements as a result of this new standard.

During the year, the Company had undertaken an accounting impact analysis based on a review of the contractual terms of its principal revenue stream. Under IFRS 15, the revenue recognition model will change from one based on the transfer of risks and rewards of

ownership to the transfer of control. The Company's revenue is predominantly derived from sales of dried cannabis and cannabis oil. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, the timing and amount of revenue considering discounts, rebates, and variable considerations, recognized from this principal revenue stream is unlikely to be materially affected.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces the previous guidance on leases. This standard provides a single recognition and measurement model to be applied by lessees to leases, with required recognition of assets and liabilities for most leases. This standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if the Company is also applying IFRS 15, Revenue from Contracts with Customers. The Company will adopt this new standard as of its effective date. The Company is currently evaluating the impact of the adoption of this new standard on its consolidated financial statements.

ESTIMATES AND CRITICAL JUDGMENTS BY MANAGEMENT

The preparation of the Annual Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of Annual Financial Statements and the reported amounts of revenues and expenses during the current year. These estimates are reviewed periodically, and adjustments are made to income as appropriate in the year they become known. Items for which actual results may differ materially from these estimates are described in the following section.

Warrants and options

In calculating the value of the warrants and options, management is required to make various assumptions and estimates that are susceptible to uncertainty, including the volatility of the share price, expected dividend yield and expected risk-free interest rate.

Useful lives and impairment of long-lived assets

Long-lived assets are defined as property, plant and equipment and intangible assets. Depreciation is dependent upon estimates of useful lives and impairment is dependent upon estimates of recoverable amounts. These are determined through the exercise of judgment, and are dependent upon estimates that take into account factors such as economic and market conditions, frequency of use, anticipated changes in laws, and technological improvements.

Impairment of cash-generating units and goodwill

The impairment test for cash-generating units (**"CGUs"**) to which goodwill is allocated is based on the value in use of the CGU, determined in accordance with the expected cash flow approach. The calculation is based primarily on assumptions used to estimate future cash flows, the cash flow growth rate and the discount rate.

Fair value of privately held financial assets available-for-sale

Determination of the fair values of privately held investments requires us to make various assumptions about the future prospects of the investees, the economic, legal, and political environment in which the investees operate, and the ability of the investees to obtain financing to support their operations. As a result, any value estimated may not be realized or realizable, and the values may differ from values that would be realized if a ready market existed. The determination of fair value of our privately held investments is subject to inherent limitations. Financial information for private companies may not be available or may be unreliable. Use of the valuation approach involves uncertainties and management judgments, and any value estimated from the approach may not be realized or realizable.

Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, we recognize a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference.

In addition, when the Company incurs losses for income tax purposes, it assesses the probability of taxable income being available in the future based on its budgeted forecasts. These forecasts are adjusted to take into account certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate that sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

Biological assets and inventory

Biological assets, consisting of cannabis plants, are measured at fair value less costs to sell. At the point of harvest, the biological assets are transferred to inventory at fair value less costs to sell. As a result, critical estimates related to the valuation of biological assets are also applicable to inventory.

The Company values its biological assets at the end of each reporting period at fair value less costs to sell. This is determined using a valuation model to estimate the expected harvest yield per plant applied to the estimated price per gram less processing and selling costs. This model also considers the progress in the plant life cycle. The estimates of growing cycle, harvest yield and costs per gram are based on the Company's historical results. The estimate of the selling price per gram is based on the Company's historical sales in addition to the Company's expected sales price going forward.

RISKS AND UNCERTAINTIES

We are subject to various risks that could have a material impact on us, our financial performance, condition and outlook. These risks could cause actual results to differ materially from those expressed or implied in Forward-Looking Statements included in this MD&A, our financial statements and our other reports and documents. These risks include but are not limited to, the following risks:

- We are reliant on our licenses for our ability to grow, store and sell medical cannabis and other products derived therefrom and such licenses are subject to ongoing compliance, reporting and renewal requirements.
- We operate in a highly regulated sector and may not always succeed in complying fully with applicable regulatory requirements in all jurisdictions where we carry on business.
- Licensed Producers, including us, are constrained by law in our ability to market our products.
- The laws, regulations and guidelines generally applicable to the cannabis industry domestically are changing and may change in ways currently unforeseen by us.
- Changes in the regulations governing medical cannabis outside of Canada may adversely impact our business.
- There can be no assurance that the legalization of recreational cannabis by the Government of Canada will occur and the legislative framework pertaining to the Canadian recreational cannabis market is uncertain.
- Future clinical research studies on the effects of medical cannabis may lead to conclusions that dispute or conflict with our understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis.
- Our expansion into jurisdictions outside of Canada is subject to risks.
- We may not receive the interests in Cronos Israel and may not realize the expected benefits of Cronos Israel.
- Investments and joint ventures outside of Canada are subject to the risks normally associated with any conduct of business in foreign countries including varying degrees of political, legal and economic risk.
- If we choose to engage in research and development activities outside of Canada, controlled substance legislation may restrict or limit our ability to research, manufacture and develop a commercial market for our products.
- Our use of joint ventures may expose us to risks associated with jointly owned investments.
- There can be no assurance that our current and future strategic alliances or expansions of scope of existing relationships will have a beneficial impact on our business, financial condition and results of operations.
- We and certain of our subsidiaries have limited operating history and therefore we are subject to many of the risks common to early-stage enterprises.
- Our consolidated financial statements contain a going concern qualification.
- Our existing facilities in Canada are integral to our operations and any adverse changes or developments affecting any facility may impact our business, financial condition and results of operations.
- We may not successfully execute our production capacity expansion strategy.
- The cannabis industry and markets are relatively new in Canada and in other jurisdictions, and this industry and market may not continue to exist or grow as anticipated or we may ultimately be unable to succeed in this industry and market.
- We are dependent on our senior management.
- We may be subject to product liability claims.
- Our products may be subject to recalls.
- We may be unable to attract or retain skilled labor and personnel with experience in the cannabis sector, and may be unable to attract, develop and retain additional employees required for our operations and future developments.
- We, or the cannabis industry more generally, may receive unfavorable publicity or become subject to negative consumer perception.
- We may not be able to successfully develop new products or find a market for their sale.
- The technologies, process and formulations we use may face competition or become obsolete.
- Clinical trials of cannabis-based medical products and treatments are novel terrain with very limited or non-existing clinical trials history; we face a significant risk that any trials will not result in commercially viable products and treatments.
- We may fail to retain existing patients as clients or acquire new patients as clients.
- We may not be able to achieve or maintain profitability and may continue to incur losses in the future.

- We may not be able to secure adequate or reliable sources of funding required to operate our business.
- We must rely largely on our own market research to forecast sales and market demand which may not materialize.
- We may experience breaches of security at our facilities or in respect of electronic documents and data storage and may face risks related to breaches of applicable privacy laws.
- If we are not able to comply with all safety, health and environmental regulations applicable to our operations and industry, we may be held liable for any breaches thereof.
- We may become involved in regulatory or agency proceedings, investigations and audits.
- We are subject to litigation in the ordinary course of business.
- We may not be able to successfully manage our growth.
- We may compete for market share with other companies, both domestically and internationally, which may have longer operating histories and more financial resources, manufacturing and marketing experience than us.
- Third parties with whom we do business may perceive themselves as being exposed to reputational risk as a result of their relationship with us and may, as a result, refuse to do business with us.
- Our cannabis cultivation operations are subject to risks inherent in an agricultural business.
- Our cannabis cultivation operations are vulnerable to rising energy costs and dependent upon key inputs.
- We are vulnerable to third party transportation risks.
- We may become subject to liability arising from any fraudulent or illegal activity by our employees, contractors and consultants.
- We will seek to maintain adequate insurance coverage in respect of the risks faced by us, however, insurance premiums for such insurance may not continue to be commercially justifiable and there may be coverage limitations and other exclusions which may not be sufficient to cover potential liabilities faced by us.
- Our debt imposes limitations on the type of transactions or financial arrangements in which we may engage.
- We are subject to certain restrictions of the TSX-V which may constrain our ability to expand our business internationally.
- We may be subject to risks related to the protection and enforcement of our intellectual property rights, and may become subject to allegations that we are in violation of intellectual property rights of third parties.
- Conflicts of interest may arise between us and our directors and officers.
- Tax and accounting requirements may change in ways that are unforeseen to us and we may face difficulty or be unable to implement or comply with any such changes.
- Our financial performance is subject to risks of foreign exchange rate fluctuation which could result in foreign exchange losses.
- The inability for counterparties and customers to meet their financial obligations to us may result in financial losses.
- Natural disasters, unusual weather, pandemic outbreaks, boycotts and geo-political events or acts of terrorism could adversely affect our operations and financial results.

A more detailed description of the various risks associated with the Company can be found under the heading “Risk Factors” in our latest AIF.

ADDITIONAL INFORMATION

Our Canadian filings, including our latest AIF, are available on the System for Electronic Document Analysis and Retrieval at www.sedar.com. Our reports and other information filed with the SEC are available on the SEC’s Electronic Document Gathering and Retrieval System at www.sec.gov.

EXHIBIT 99.4

CERTIFICATION
PURSUANT TO RULE 13A-14 OR 15D-14 OF THE SECURITIES EXCHANGE ACT OF 1934

I, Michael Gorenstein, certify that:

1. I have reviewed this annual report on Form 40-F 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 company as of, and for, the periods presented in this report;

4. The company's other certifying officer 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)) for the company 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 company, 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. Evaluated the effectiveness of the company'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

    c. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

/s/ Michael Gorenstein
Name: Michael Gorenstein
Title: Chairman and Chief Executive Officer
Date: April 30, 2018

EXHIBIT 99.5

CERTIFICATION
PURSUANT TO RULE 13A-14 OR 15D-14 OF THE SECURITIES EXCHANGE ACT OF 1934

I, William Hilson, certify that:

1. I have reviewed this annual report on Form 40-F 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 company as of, and for, the periods presented in this report;

4. The company's other certifying officer 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)) for the company 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 company, 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. Evaluated the effectiveness of the company'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

    c. Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company'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 company'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 company's internal control over financial reporting.

/s/ William Hilson
Name: William Hilson
Title: Chief Financial Officer
Date: April 30, 2018

EXHIBIT 99.6

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002

Cronos Group Inc. (the "Company") is filing with the U.S. Securities and Exchange Commission on the date hereof, its annual report on Form 40-F for the fiscal year ended December 31, 2017 (the "Report").

I, Michael Gorenstein, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as enacted pursuant to section 906 of the U.S. Sarbanes-Oxley Act of 2002, that:

(i) the Report fully complies with the requirements of section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael Gorenstein

Name: Michael Gorenstein
Title: Chairman and Chief Executive Officer

Date: April 30, 2018

EXHIBIT 99.7

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ENACTED PURSUANT TO
SECTION 906 OF THE U.S. SARBANES-OXLEY ACT OF 2002

Cronos Group Inc. (the "Company") is filing with the U.S. Securities and Exchange Commission on the date hereof, its annual report on Form 40-F for the fiscal year ended December 31, 2017 (the "Report").

I, William Hilson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as enacted pursuant to section 906 of the U.S. Sarbanes-Oxley Act of 2002, that:

(i) the Report fully complies with the requirements of section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William Hilson
Name: William Hilson
Title: Chief Financial Officer

Date: April 30, 2018

Exhibit 99.8

April 30, 2018

Consent of Independent Registered Public Accounting Firm

We hereby consent to the inclusion in this Annual Report on Form 40-F for the year ended December 31, 2017 of Cronos Group Inc. (the "Company") of our report dated April 27, 2018 relating to the consolidated financial statements of the Company as at December 31, 2017 and 2016 and for each of the years then ended.

/s/ MNP LLP

Mississauga, Ontario, Canada
Chartered Professional Accountants
Licensed Public Accountants