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, 2018

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
28 Liberty St.
New York, NY 10005
(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: 178,720,022.

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is 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 within the meaning of applicable securities laws (collectively, "Forward-Looking Statements") which are based upon the Registrant's current internal expectations, estimates, projections, assumptions and beliefs. All information contained herein that is not clearly historical in nature may constitute Forward-Looking Statements. In some cases, Forward-Looking Statements can be identified by the use of forward-looking terminology such as "expect", "likely", "may", "will", "should", "intend", "anticipate", "potential", "proposed", "estimate" and other similar words, expressions and phrases, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-Looking Statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of historical fact. Forward-Looking Statements in this Annual Report include, but are not limited to, statements with respect to:

- the performance of the Registrant's business and operations;
- expectations regarding revenues, expenses and anticipated cash needs;
- expectations regarding cash flow, liquidity and sources of funding;
- 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, 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 customers using the Registrant's cannabis;
- the expected growth in the Registrant's growing, cultivation and production capacities;
- expectations with respect to future production costs;
- expectations with respect to future sales and distribution channels, including the ability to secure additional provincial listings;
- the expected methods to be used by the Registrant to distribute and sell cannabis;
- the competitive conditions of the industry;
- expectations regarding the ongoing impact on the Registrant of the legalization of cannabis for adult-use in Canada and the Registrant's ability to participate in such market;
- the legalization of additional cannabis types and forms for adult-use in Canada, including federal, provincial, territorial and municipal regulations pertaining thereto, the related timing and impact thereof and the Registrant's intentions to participate in such markets;
- the legalization of the use of cannabis for medical or adult-use in jurisdictions outside of Canada, the related timing and impact thereof and 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 of the Registrant and the impact thereof;
- the ability of the Registrant to execute on its strategy and the anticipated benefits of such strategy;

- 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;
- the anticipated future gross margins of the Registrant's operations;
- expectations regarding capital expenditures;
- accounting standards and estimates;
- expectations regarding the resolution of litigation and legal proceedings;
- expectations regarding the use of proceeds of equity financings, including the proceeds from the $2.4 billion investment in the Registrant (the "Altria Investment") by Altria Group, Inc. ("Altria");
- expectations regarding the potential success of, and the costs and benefits associated with, the Registrant's joint ventures and strategic alliances, including the Registrant's strategic partnership with Ginkgo Bioworks, Inc.;
- the anticipated benefits and impact of the Altria Investment; and
- the potential exercise of the warrant issued to Altria in connection with the Altria Investment, including proceeds to the Registrant that may result therefrom.

Certain of the Forward-Looking Statements contained in this Annual Report concerning the cannabis industry are based on estimates prepared by the Registrant using data from publicly available governmental sources, market research, industry analysis and 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 or other information presented herein that 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.

The Forward-Looking Statements contained in this Annual Report are based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including (i) management's perceptions of historical trends, current conditions and expected future developments; (ii) the Registrant's ability to generate cash flow from operations and obtain necessary financing on acceptable terms; (iii) general economic, financial market, regulatory and political conditions in which the Registrant operates; (iv) the output from Peace Naturals Project Inc. ("Peace Naturals"), Original BC Ltd. ("OGBC") and the Registrant's joint ventures and strategic alliances; (v) consumer interest in the Registrant's products; (vi) competition; (vii) anticipated and unanticipated costs; (viii) government regulation of the Registrant's activities and products and in the areas of taxation and environmental protection; (ix) the timely receipt of any required regulatory authorizations, approvals, consents, permits and/or licenses; (x) the Registrant's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; (xi) the Registrant's ability to conduct operations in a safe, efficient and effective manner; (xii) the Registrant's construction plans and timeframe for completion of such plans; and (xiii) other considerations that are believed to be appropriate in the circumstances, including that the foregoing factors, collectively, are not expected to have a material impact on the Registrant. While management of the Registrant considers these assumptions to be reasonable based on information currently available to management, there is no assurance that such expectations will prove to be correct.

By their nature, Forward-Looking Statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, including known and unknown risks, many of which are beyond the Registrant's control, could cause actual results to differ materially from the Forward-Looking Statements in this Annual Report. Such factors include, without limitation, the risk that cost savings and any other synergies from the Altria Investment may not be fully realized or may take longer to realize than expected; disruption from the Altria Investment making it more difficult to maintain relationships with customers, employees or suppliers; future levels of revenues; consumer demand for cannabis products; the Registrant's ability to manage disruptions in credit markets or changes to its credit rating; future levels of capital, environmental or maintenance expenditures, general and administrative and other expenses; the success or timing of completion of ongoing or anticipated capital or maintenance projects; business strategies, growth opportunities and expected investment; the adequacy of the Registrant's capital resources and liquidity, including but not limited to, availability of sufficient cash flow to execute the Registrant's business plan (either within the expected timeframe or at all); the potential effects of judicial or other proceedings on the Registrant's business, financial condition, results of operations and cash flows; continued or further volatility in and/or degradation of general economic, market, industry or business conditions; compliance with applicable environmental, economic, health and safety, energy and other policies and regulations; the anticipated effects of actions of third parties such as competitors, activist investors or federal (including U.S. federal), state, provincial, territorial or local regulatory authorities, self-regulatory organizations or plaintiffs in litigation; and the factors discussed under the heading "Risk Factors" in the Registrant's Annual Report for the year ended December 31, 2018, included as Exhibit 99.1 to this Annual Report ("AIF") and those discussed under the heading "Risks and Uncertainties" in the Registrant's management's discussion and analysis for the year ended December 31, 2018 ("MD&A"), included as Exhibit 99.3 to this Annual Report. Readers are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on Forward-Looking Statements.

Forward-Looking Statements are provided for the purposes of assisting the reader in understanding our financial performance, financial position and cash flows as at and for periods ended on certain dates and to present information about management's current expectations and plans relating to the future, and the reader is cautioned that the Forward-Looking Statements may not be appropriate for any other purpose. While the Registrant believes that the assumptions and expectations reflected in the Forward-Looking Statements are reasonable based on information currently available to management, there is no assurance that such assumptions and expectations will prove to have been correct. Forward-Looking Statements 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 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 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

The report of management on the Registrant's internal control over financial reporting is located under the heading "Disclosure Controls and Internal Controls Over Financial Reporting" in the Registrant's MD&A, which is filed as Exhibit 99.3 to this Annual Report on Form 40-F, and is incorporated by reference herein.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

Under the Jumpstart Our Business Startups Act ("JOBS Act"), emerging growth companies (as defined in the JOBS Act) are exempt from Section 404(b) of the Sarbanes-Oxley Act, which generally requires an issuer to provide an independent auditor attestation of management's assessment of the effectiveness of its internal control over financial reporting in its annual report. As of December 31, 2018, the Registrant had not been subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act for 12 months and, therefore, was not a large accelerated filer (as defined in Rule 12b-2 under the Exchange Act) as of such date. Consequently, the Registrant qualified as an emerging growth company as of December 31, 2018 and this Annual Report on Form 40-F does not include an attestation report of the Registrant's independent auditor on the effectiveness of its internal control over financial reporting.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

During the year ended December 31, 2018, 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, 2018.

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, 2018, 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	$ —	$25,645,794	$ —	$ —	$25,645,794
Capital (Finance) Lease Obligations	72,223	107,133	26,378	—	205,734
Operating Lease Obligations	809,583	1,166,912	1,245,543	2,728,251	5,950,288
Purchase Obligations	11,812,586	18,233,834	81,852	—	30,128,271
Other Long-Term Liabilities	—	—	2,136,047	—	2,136,047
Total	**$12,694,392**	**$45,153,673**	**$3,489,820**	**$2,728,251**	**$64,066,134**

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 Toronto Stock Exchange ("TSX") 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. A description of the significant ways in which the Registrant's governance practices differ from those followed by domestic companies pursuant to Nasdaq standards can be found on the Registrant's website at https://thecronosgroup.com. Information contained in or otherwise accessible through the Registrant's website does not form part of this Form 40-F, and is not incorporated into this Form 40-F by reference.

INCORPORATION BY REFERENCE

This Annual Report is incorporated by reference into and as an exhibit to the Registrant's Registration Statement under the Securities Act of 1933, as amended, on Form S-8 (File No. 333-226131).

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: March 26, 2019

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, 2018
99.2	Audited Consolidated Financial Statements for the years ended December 31, 2018 and 2017 and auditor's report thereon
99.3	Management's Discussion and Analysis for the year ended December 31, 2018
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 KPMG LLP
101	Interactive Data File

Exhibit 99.1

CRONOS GROUP INC.



ANNUAL INFORMATION FORM

For the year ended December 31, 2018

DATED: March 25, 2019

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GENERAL MATTERS

Unless otherwise noted or the context indicates otherwise, in this Annual Information Form (this " **AIF**") the "Company", "Cronos Group", "we", "us" and "our" refer to Cronos Group Inc., its direct and indirect wholly-owned subsidiaries and, if applicable, its joint ventures and investments accounted for by the equity method, and the term "cannabis" has the meaning given to such term in the *Cannabis Act* (Canada) (the "**Cannabis Act**").

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

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- the intended expansion of the Company's 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 customers using the Company's cannabis;
- the expected growth in the Company's growing, cultivation and production capacities;
- expectations with respect to future production costs;
- expectations with respect to future sales and distribution channels, including the ability to secure additional provincial listings;
- the expected methods to be used by the Company to distribute and sell cannabis;
- the competitive conditions of the industry;

- expectations regarding the ongoing impact on the Company of the legalization of cannabis for adult-use in Canada and the Company's ability to participate in such market;
- the legalization of additional cannabis types and forms for adult-use in Canada, including federal, provincial, territorial and municipal regulations pertaining thereto, the related timing and impact thereof and the Company's intentions to participate in such markets;
- the legalization of the use of cannabis for medical or adult-use in jurisdictions outside of Canada, the related timing and impact thereof and 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 of the Company and the impact thereof;
- the ability of the Company to execute on its strategy and the anticipated benefits of such strategy;
- 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;
- the anticipated future gross margins of the Company's operations;
- expectations regarding capital expenditures;
- accounting standards and estimates;
- expectations regarding the resolution of litigation and legal proceedings;
- expectations regarding the use of proceeds of equity financings, including the proceeds from the Altria Investment (as defined herein);
- expectations regarding the potential success of, and the costs and benefits associated with, the Company's joint ventures and strategic alliances, including the Ginkgo Strategic Partnership (as defined herein);
- the anticipated benefits and impact of the Altria Investment; and
- the potential exercise of the Altria Warrant (as defined herein), including proceeds to the Company that may result therefrom.

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

The Forward-Looking Statements contained herein are based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including (i) management's perceptions of historical trends, current conditions and expected future developments; (ii) the Company's ability to generate cash flow from operations and obtain necessary financing on acceptable terms; (iii) general economic, financial market, regulatory and political conditions in which the Company operates; (iv) the output from Peace Naturals Project Inc. ("**Peace Naturals**"), Original BC Ltd. ("**OGBC**") and the Company's joint ventures and strategic alliances; (v) consumer interest in the Company's products; (vi) competition; (vii) anticipated and unanticipated costs; (viii) government regulation of the Company's activities and products and in the areas of taxation and environmental protection; (ix) the timely receipt of any required regulatory authorizations, approvals, consents, permits and/or licenses; (x) the Company's ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; (xi) the Company's ability to conduct operations in a safe, efficient and effective manner; (xii) the Company's construction plans and timeframe for completion of such plans; and (xiii) other considerations that are believed to be appropriate in the circumstances, including that the foregoing factors, collectively, are not expected to have a material impact on the Company. While management of the Company considers these assumptions to be reasonable based on information currently available to management, there is no assurance that such expectations will prove to be correct.

By their nature, Forward-Looking Statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, including known and unknown risks, many of which are beyond the Company's control, could cause actual results to differ materially from the Forward-Looking Statements in this AIF. Such factors include, without limitation, the risk that cost savings and any other synergies from the Altria Investment may not be fully realized or may take longer to realize than expected; disruption from the Altria Investment making it more difficult to maintain relationships with customers, employees or suppliers; future levels of revenues; consumer demand for cannabis products; the Company's ability to manage disruptions in credit markets or changes to its credit rating; future levels of capital, environmental or maintenance expenditures, general and administrative and other expenses; the success or timing of completion of ongoing or anticipated capital or maintenance projects; business strategies, growth opportunities and expected investment; the adequacy of the Company's capital resources and liquidity, including but not limited to, availability of sufficient cash flow to execute the Company's business plan (either within the expected timeframe or at all); the potential effects of judicial or other proceedings on the Company's business, financial condition, results of operations and cash flows; continued or further volatility in and/or degradation of general economic, market, industry or business conditions; compliance with applicable environmental, economic, health and safety, energy and other policies and regulations; the anticipated effects of actions of third parties such as competitors, activist investors or federal (including U.S. federal), state, provincial, territorial or local regulatory authorities, self-regulatory organizations or plaintiffs in litigation; and the factors discussed under the heading "*Risk Factors*" in this AIF. Readers are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on Forward-Looking Statements.

Forward-Looking Statements are provided for the purposes of assisting the reader in understanding our financial performance, financial position and cash flows as at and for periods ended on certain dates and to present information about management's current expectations and plans relating to the future, and the reader is cautioned that the Forward-Looking Statements may not be appropriate for any other purpose. While the Company believes that the assumptions and expectations reflected in the Forward-Looking Statements are reasonable based on information currently available to management, there is no assurance that such assumptions and expectations will prove to have been correct. Forward-Looking Statements 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 Group was incorporated with the intention of developing a business based on capitalizing companies that were applying to Health Canada to become licensed producers of medical cannabis in Canada.

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 Group 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 meeting of shareholders held on 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.

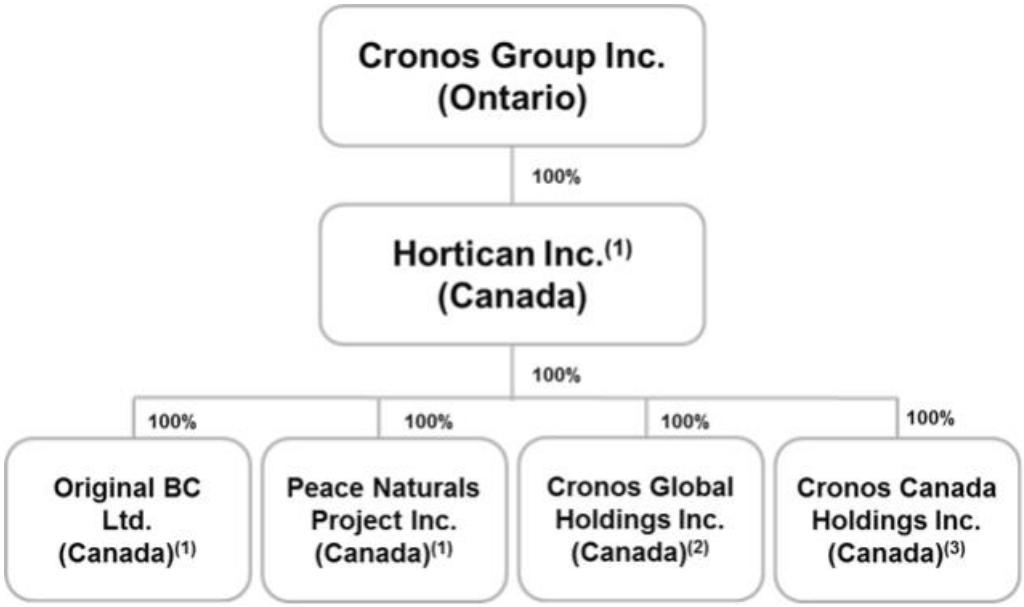
The Company's common shares are currently listed on the Toronto Stock Exchange (" **TSX**") and on the NASDAQ Global Market (" **NASDAQ**") under the trading symbol "CRON".

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.

Intercorporate Relationships

Cronos Group is an innovative global cannabinoid company, with international production and distribution across five continents. The Company is engaged in the cultivation, manufacture, and marketing of cannabis and cannabis-derived products for the medical and adult-use markets. Cronos Group is committed to building disruptive intellectual property by advancing cannabis research, technology and product development. With a passion for responsibly elevating the consumer experience, Cronos Group is building an iconic brand portfolio. Cronos Group's portfolio includes PEACE NATURALS™, a global health and wellness brand, and two adult-use brands, COVE™ and Spinach™. Cronos Group operates two wholly-owned license holders in Canada under the Cannabis Act ("**License Holders**"). Our License Holders are Peace Naturals, which has production facilities near Stayner, Ontario, and OGBC, which has a production facility in Armstrong, British Columbia. Cronos Group has also established five strategic joint ventures in Canada, Israel, Australia and Colombia (see "*Description of the Business – Joint Ventures and International Activities*").

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) 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.
(2) Cronos Global Holdings Inc. holds a 70% equity interest in the cultivation company and a 90% equity interest in each of the manufacturing, distribution and pharmacies companies of Cronos Israel (as defined herein), a 50% equity interest in Cronos Australia (as defined herein) and a 50% equity interest in NatuEra (as defined herein). See "*Description of the Business – Joint Ventures and International Activities"*.
(3) Cronos Canada Holdings Inc. holds a 50% equity interest in each of MedMen Canada and Cronos GrowCo (both as defined herein). See "*Description of the Business – Joint Ventures and International Activities"*.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Altria Investment

On March 8, 2019, the Company announced that the previously announced $2.4 billion investment in the Company (the " **Altria Investment**") by Altria Group, Inc. ("**Altria**"), pursuant to a subscription agreement dated December 7, 2018 (the "**Subscription Agreement**"), had closed. At closing, the Company issued to certain wholly-owned subsidiaries of Altria 149,831,154 common shares of the Company and one warrant of the Company (the "**Altria Warrant**"), which may be exercised in full or in part at any time on or prior to March 8, 2023, from time to time, and entitles the holder thereof, upon valid exercise in full, to acquire an aggregate of 73,990,693 common shares of the Company (subject to adjustment in accordance with the terms and conditions of the warrant certificate representing and evidencing the Altria Warrant (the "**Altria Warrant Certificate**")) at an initial exercise price of $19.00 per common share. As of the closing date, Altria beneficially held an approximately 45% ownership interest in the Company (calculated on a non-diluted basis) and, if exercised in full on such date, the exercise of the Altria Warrant would result in Altria holding a total ownership interest in the Company of approximately 55% (calculated on a non-diluted basis). If fully exercised, the Altria Warrant would provide the Company with approximately $1.4 billion of additional proceeds. The Company's strategic partnership with Altria provides Cronos Group with additional financial resources, product development and commercialization capabilities, and deep regulatory expertise to better position the Company to compete in the global cannabis industry.

In connection with the closing of the Altria Investment, the Company and Altria entered into an investor rights agreement (the " **Investor Rights Agreement**") pursuant to which Altria has certain governance rights, including the right to nominate a specified number of directors to the Company's board of directors (the "**Board**"), approval rights over certain Company actions and pre-emptive and top-up rights entitling Altria to maintain its *pro rata* beneficial ownership in the Company. Under the Investor Rights Agreement, Altria has agreed to make Cronos Group its exclusive partner for pursuing cannabis opportunities globally (subject to certain limited exceptions). Also in connection with closing, the Company and Altria entered into certain commercial support arrangements (the "**Commercial Arrangements**") pursuant to which Altria provides the Company with strategic advisory and consulting services on matters which may include research and development, marketing, advertising and brand management, government relations and regulatory affairs, finance, tax planning, logistics and other corporate administrative matters. See "*Description of the Business – Arrangements with Altria* ".

Acquisitions, Dispositions, Investments and Partnerships

The Company has entered into the following notable transactions, strategic investments and partnerships since January 1, 2016:

- *Sale of Minority Interest in Whistler Medical Marijuana Corporation (" **Whistler**").* On January 14, 2019, Aurora Cannabis Inc. (" **Aurora**") entered into a letter of intent to acquire all of the issued and outstanding shares of Whistler (the "**Whistler Transaction**"), a licensed producer and seller of cannabis with operations in Whistler, British Columbia, in an all-share transaction valued at up to approximately $175 million, including certain milestone payments. On March 4, 2019, the Company announced that it had sold all of its common shares in the capital of Whistler, representing approximately 19.0% of Whistler's issued and outstanding common shares, to Aurora in connection with the Whistler Transaction. As a result of the closing of the Whistler Transaction, the Company received approximately $24.7 million in value of Aurora common shares, which the Company subsequently sold for approximately $25.6 million in cash. Subject to the satisfaction of certain specified milestones, the Company expects to receive an additional approximately $7.6 million in value of Aurora common shares. Assuming all milestones are met, the Company expects that it will have generated, in aggregate, an 8.7x return on its investment in Whistler, based on current market conditions.

- *Technion Research and Development* . On October 15, 2018, the Company announced it had entered into a sponsored research agreement (the "**Technion Research Agreement** ") with Technion Research and Development Foundation of the Technion – Israel Institute of Technology ("**Technion**") to explore the use of cannabinoids and their role in regulating skin health and skin disorders. The preclinical studies will be conducted by Technion over a three-year period and will focus on three skin conditions: acne, psoriasis and skin repair. See "*Description of the Business – Research and Development Activities – Technion Research Agreement* ".

- *Ginkgo Strategic Partnership.* On September 4, 2018 the Company announced a strategic partnership (the " **Ginkgo Strategic Partnership**") with Ginkgo Bioworks, Inc. ("**Ginkgo**") to produce at commercial scale certain cultured cannabinoids, which are expected to be made at a fraction of the cost of those available through current cultivation methods. If the Ginkgo Strategic Partnership is ultimately successful at developing such cultured cannabinoids, Cronos Group expects to be able to produce large volumes of the target cannabinoids from custom yeast strains by leveraging existing fermentation infrastructure (i.e. breweries or pharmaceutical contract manufacturing operations) without incurring significant capital expenditures to build new cultivation and extraction facilities. See "*Description of the Business – Research and Development Activities – Ginkgo Collaboration Agreement* ".

- *NatuEra*. On August 29, 2018, the Company announced a strategic joint venture with an affiliate of Agroidea SAS (" **AGI**"), a leading Colombian agricultural services provider with over 30 years of research, development and production operations and expertise managing industrial scale horticultural operations for export from Colombia. Each of the Company and AGI owns a 50% equity interest in the joint venture, NatuEra S.à.r.l ("**NatuEra**"). NatuEra intends to develop, cultivate, manufacture and export cannabis-based medical and consumer products for the Latin American and global markets. See "*Description of the Business – Joint Ventures and International Activities*".

- *Cronos GrowCo.* On July 18, 2018, the Company announced a strategic joint venture with a group of investors led by Bert Mucci (the "**Greenhouse Partners**"), a leading Canadian large-scale greenhouse operator. Each of the Company and the Greenhouse Partners owns a 50% equity interest in the joint venture, Cronos Growing Company Inc. ("**Cronos GrowCo"),** and has equal representation on the board of directors of Cronos GrowCo. Cronos GrowCo intends to develop, construct and operate a state-of-the-art 850,000 sq. ft. purpose-built greenhouse for cannabis production. See **"***Description of the Business – Joint Ventures and International Activities* ".

- *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 a 50% equity interest in 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 has access to the Company's production facilities and future expansions while leveraging MedMen's brand recognition. 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. (" **Cronos Australia**"), its Australian strategic joint venture with NewSouthern Capital Pty Ltd. ("**NewSouthern**"), for the research, production, manufacture and distribution of medical cannabis. Each of the Company and NewSouthern owns a 50% equity interest in Cronos Australia and has equal board representation. See "*Description of the Business – Joint Ventures and International Activities* ".

- *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. 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. 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, 2016:

- *Closing and Repayment of Credit Facility.* On January 23, 2019, Cronos Group announced that it had entered into a credit agreement with Canadian Imperial Bank of Commerce, as administrative agent and lender, and the Bank of Montreal, as lender, in respect of a $65 million secured non-revolving term loan credit facility (the "**Credit Facility**"). The Company used the funds available under the Credit Facility to repay the Romspen Construction Loan (as defined herein) and for general corporate purposes pending the closing of the Altria Investment. On March 8, 2019, the Credit Facility was repaid in full by the Company with a portion of the proceeds from the Altria Investment.

- *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 "**April 2018 Bought Deal**"). 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 "**Romspen Construction Loan**"). The Romspen Construction Loan was secured by a first ranking charge on the real estate of each of Peace Naturals and OGBC. OGBC, Hortican, and the Company were also guarantors of the Romspen Construction Loan. The Romspen Construction 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. On January 23, 2019, the Company used funds available under the Credit Facility to repay the Romspen Construction Loan in full.

- *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.

Exchange Listings

The following developments have occurred with respect to the Company's exchange listings since January 1, 2016:

- On May 22, 2018, the Company announced that the trading of its common shares in Canada would be elevated from the TSX-V to the TSX. The Company's common shares began trading on the TSX on May 23, 2018 under the trading symbol "CRON".
- On March 5, 2018, the Company announced that the Company was changing its trading symbol on the TSX-V 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, 2016:

- *Canadian Adult-Use Market and Provincial Supply Agreements.* On October 17, 2018, Canada became the first G7 country and the second country in the world to legalize cannabis sales at a federal level for adult-use. On August 21, 2018, the Company announced that it had secured listings and signed binding master supply agreements (the "**Master Supply Agreements**") with the Ontario Cannabis Retail Corporation and the BC Liquor Distribution Branch. The Company also secured listings and has accepted supplier terms (the "**Supplier Terms and Conditions**") with the Nova Scotia Liquor Corporation and Prince Edward Island Liquor Corporation and has secured listings with various private retailors in Saskatchewan. Together, these five provinces represent approximately 58% of the Canadian population. Pursuant to these agreements, Cronos Group currently offers dried flower, pre-rolls and its cannabis oils through both government-operated retail stores and online platforms and private sector retailers. As the Company's production capacity grows, the Company intends to explore expanding its distribution into additional provinces and territories in Canada.

- *Second Adult-Use Brand – Spinach™.* On September 13, 2018, Cronos Group announced the launch of its new adult-use brand, Spinach™, its second cannabis brand for the Canadian adult-use market. Spinach™ offers some of the most popular strains from Cronos Group's genetic library. See "*Description of the Business – Principal Products*".

- *Supply Agreement with Cura.* On August 9, 2018, Cronos Group announced a supply agreement (the "**Cura Supply Agreement**") with Cura Cannabis Solutions ("**Cura**"), a vertically integrated cannabis operator. Cura signed a five year take-or-pay supply agreement to purchase a minimum of 20,000 kilograms of cannabis per annum from Cronos GrowCo, starting from the end of the calendar quarter following the calendar quarter in which Cura receives all necessary licenses from Health Canada.

- *Partnership with Delfarma*. On June 25, 2018, Cronos Group entered into a strategic distribution partnership with Delfarma Sp. Zo.o ("**Delfarma**"). Delfarma is a pharmaceutical wholesaler with a distribution network of over 5,000 pharmacies and more than 200 hospitals that collectively reaches approximately 40% of the Polish domestic market. Under the five-year exclusive distribution agreement, Cronos Group will supply PEACE NATURALS™ branded cannabis products to Delfarma for distribution the Polish medical market. The Company and Delfarma are currently in the process of obtaining the necessary regulatory approvals to sell cannabis products in Poland.

- *First Adult-Use Brand – COVE™.* In May 2018, the Company previewed its first premium adult-use brand, COVE™, at the LIFT Conference. The COVE™ brand was born in the Okanagan Valley in British Columbia, which is known for producing some of the world's finest cannabis. See "*Description of the Business – Principal Products*".

- *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 the German medical market. The Company currently exports dried cannabis to Germany and announced its first shipment to Pohl-Boskamp on December 27, 2017.

- *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 "**Peace Naturals Greenhouse**"), and an additional 2,257 sq. ft. extraction laboratory. The Peace Naturals Greenhouse's first harvest occurred in June 2018, and the facility is currently fully operational. In August 2018, Peace Naturals received authorization from Health Canada to cultivate cannabis in Building 4, and the building is expected to become operational in phases. Currently, Building 4 engages in the cultivation of cannabis and produced its first harvest in December 2018. The Company expects all flower rooms to be populated in the first half of 2019 and thereafter anticipates further improvements in yields towards full run-rate capacity as a result of increasing efficiencies over time. Building 4 also engages in tissue culture and micro propagation, processing, finishing and packaging and shipping activities. It is expected that Building 4 will also engage in extraction, formulation and R&D activities following receipt of the applicable regulatory approvals or amendments to the Peace Naturals Production Licenses (as defined herein**)**. While construction of Building 4 is complete, the Good Manufacturing Practice (" **GMP**") and industrial-grade kitchen and certain additional cultivation and processing areas are in the process of being equipped and made operational in phases. Certain R&D areas and laboratory areas in Building 4 are in final design phases. 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 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 Licenses.* On January 11, 2017, the Company announced that OGBC was approved by Health Canada to sell medical cannabis. 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. On November 9, 2018, OGBC's sales license was transitioned under the Cannabis Act into the OGBC Production Licenses (as defined herein). See "*Description of the Business – Regulatory Framework in Canada – Licenses and Regulatory Framework*".

DESCRIPTION OF THE BUSINESS

Overview

Currently, Cronos Group sells dried cannabis, pre-rolls and cannabis oils through wholesale and direct-to-client channels under its health and wellness brand, PEACE NATURALS™, and under its two adult-use brands, COVE™ and Spinach™. Cronos Group operates two wholly-owned License Holders, Peace Naturals and OGBC (see "*– Canadian License Holders"*). Cronos Group has also established five strategic joint ventures in Canada, Israel, Australia and Colombia (see "*– Joint Ventures and International Activities*").

Canadian License Holders

Cronos Group operates two wholly-owned License Holders, 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, which license has since been amended, supplemented and transitioned under the Cannabis Act. In connection with this transition, Health Canada issued a standard cultivation license, standard processing license and license for sale for medical purposes to Peace Naturals under the Cannabis Act, pursuant to which Peace Naturals has the right to engage in, among other things, the cultivation, processing, distribution and sale of dried cannabis flower, cannabis resin, cannabis seeds, cannabis plants and cannabis oil, among other prescribed activities (the "**Peace Naturals Production Licenses**").

On January 22, 2018, the Company announced that Peace Naturals received a dealer's license pursuant to the Narcotic Control Regulations ("**NCR**") and the *Controlled Drug and Substances Act* (the "**CDSA**") from Health Canada for the possession, sale, transportation and delivery of controlled substances under the CDSA, including cannabis, tetrahydrocannabinol ("**THC**") and cannabidiol ("**CBD**"), which license has since been transitioned under the Cannabis Act. In connection with this transition, Health Canada issued a cannabis drug license to Peace Naturals under the Cannabis Act (the "**Peace Naturals Drug License**," together with the Peace Naturals Production Licenses, the " **Peace Naturals Licenses**"), pursuant to which Peace Naturals has the right to engage in, among other things, the possession of cannabis and sale of drugs containing cannabis.

OGBC

On February 26, 2014, Health Canada issued an initial cultivation license to OGBC, which license has since been amended, supplemented and transitioned under the Cannabis Act. In connection with this transition, Health Canada issued a standard cultivation license, a standard processing license and a license for sale for medical purposes to OGBC under the Cannabis Act (the "**OGBC Production Licenses**"), pursuant to which OGBC has the right to engage in the cultivation, processing, distribution and sale of dried cannabis flower, cannabis seeds, and cannabis plants among other prescribed activities.

Joint Ventures and International Activities

The Company has entered into five strategic joint ventures:

- *NatuEra Joint Venture.* In August 2018, the Company announced a strategic joint venture with AGI, a leading Colombian agricultural services provider with over 30 years of research, development and production operations and expertise managing industrial scale horticultural operations for export from Colombia. Each of the Company and AGI owns a 50% equity interest in NatuEra. Cronos Group will have three manager nominees on the board of managers of NatuEra, while AGI will have four manager nominees on the board of managers. NatuEra intends to develop, cultivate, manufacture and export cannabis-based medical and consumer products for the Latin American and global markets. NatuEra plans to develop its initial cultivation and manufacturing operations with a purpose-built, GMP-standard facility located in Cundinamarca, Colombia. Design of the facility is currently underway, and construction of the facility remains subject to obtaining the relevant permits and other customary approvals. In the second half of 2018, a wholly-owned subsidiary of NatuEra was granted a license to cultivate non-psychoactive cannabis plants for production of seeds for planting and the manufacture of derivative products, and a license to manufacture cannabis derivative products for domestic use and export. NatuEra is awaiting the grant of a license to cultivate psychoactive cannabis. Commencement of operations at the facility will be subject to obtaining the remaining appropriate licenses under applicable law. See "*– Licenses and Regulatory Framework in Colombia – NatuEra Licenses*" and "*– Production Facilities*".

- *Cronos GrowCo Joint Venture.* In July 2018, the Company announced a strategic joint venture with the Greenhouse Partners, a leading Canadian large-scale greenhouse operator. Each of the Company and the Greenhouse Partners owns a 50% equity interest in Cronos GrowCo and has equal representation on the board of directors of Cronos GrowCo. Cronos GrowCo is constructing an 850,000 sq. ft. purpose-built, GMP-standard greenhouse on approximately 100 acres of land acquired by Cronos GrowCo in Kingsville, Ontario. Once fully operational, the greenhouse is expected to produce up to 70,000 kilograms of cannabis annually. The Company expects to complete the superstructure of the greenhouse in the second half of 2019 and expects the greenhouse to become operational in phases in 2020. Completed construction of the greenhouse is subject to obtaining the necessary funding, the relevant building/occupancy permits and other customary approvals. Commencement of operations at Cronos GrowCo will be subject to obtaining the appropriate licenses under applicable law. Cronos GrowCo expects to utilize debt to fund a portion of the facility build-out. See " – *Regulatory Framework in Canada"* and " – *Production Facilities*".

- *MedMen Canada.* In March 2018, the Company announced a strategic joint venture with MedMen. Each of the Company and MedMen owns a 50% equity interest in MedMen Canada and has equal representation on the board of directors. MedMen Canada holds the exclusive license to the MedMen brand in Canada for a minimum term of 20 years. MedMen Canada is currently in the process of obtaining the necessary licenses, permits and retail locations to create a premium MedMen branded retail chain in Canada, modelled after MedMen's iconic retail concept in Los Angeles, Las Vegas and Manhattan, in provinces where private retail cannabis sales are permitted under applicable law. Commencement of operations will be subject to obtaining such licenses and permits. See "*Risk Factors – The laws, regulations and guidelines generally applicable to the cannabis industry are changing and may change in ways currently unforeseen by us".*

- *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 a 50% equity interest in Cronos Australia and has equal representation on the board of directors of Cronos Australia. 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 Australia and Asia-Pacific region. The Company is currently reviewing alternative facility designs given current and anticipated market opportunities, which may include an expansion of the previously announced plans for a 20,000 sq. ft. purpose-built indoor facility. In February 2018, the Company also announced the grant of a medicinal cannabis cultivation license and a cannabis research license by the Australian ODC to Cronos Australia. On June 19, 2018, the Company announced that Cronos Australia has been granted a medicinal cannabis manufacture license by the Australian ODC. This is the final license necessary for domestic production in Australia, which includes the medicinal cannabis cultivation license and research license. Cronos Australia has received an import license from the ODC, together with all necessary permits, to import PEACE NATURALS™ branded products for sale in the Australian medical market, under the terms of the relevant permits, while construction of the Cronos Australia production facility is being completed. Arrangements for imports are in progress. Cronos Australia has also received an export license from the ODC to export certain medicinal cannabis products, subject to the receipt of all necessary permits. See " – *License and Regulatory Framework in Australia – Cronos Australia Licenses*" and " – *Production Facilities*".

- *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. Cronos Israel consists of four companies: (i) cultivation (encompassing nursery and cultivation operations), (ii) manufacturing, (iii) distribution and (iv) pharmacies. The Company holds a 70% equity interest in the cultivation company and a 90% equity interest in each of the manufacturing, distribution and pharmacies companies of Cronos Israel. Gan Shmuel holds the remaining equity interest in each of the four companies. Each of Cronos Group and Gan Shmuel has one board member nominee on the board of directors of each of the four companies, and Cronos Group has the right to nominate a further two members to the board of each company. As long as Cronos Group has not exercised its right to nominate an additional director, its nominated director shall have two votes. 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 and research and development ("**R&D**"). The Company anticipates that construction of the greenhouse will be complete in the first half of 2019 and construction of the manufacturing facility will be complete in the second half of 2019. In early 2017, the Medical Cannabis Unit of the Israeli Ministry of Health (the "**Yakar**") granted Gan Shmuel preliminary licenses ("**Israel Codes**") to establish four distinct cannabis commercial operations: (i) propagation and breeding, (ii) commercial cannabis cultivation, (iii) extraction, formulation and packaging and (iv) patient care and distribution. The Israel Codes were successfully transferred to Cronos Israel on May 10, 2018. These Israel Codes are preliminary licenses granted to successful applicants to construct facilities for cannabis operations. Commencement of cultivation, manufacturing and distribution operations in Cronos Israel is subject to final inspection by the Yakar and the issuance of final cannabis licenses. Subject to obtaining all necessary licenses and permits, the Company intends to export medical cannabis products from Cronos Israel once production operations commence. See " – *License and Regulatory Framework in Israel – Cronos Israel Licenses* " and " – *Production Facilities*".

No U.S. Cannabis-Related Activities

On December 20, 2018 the Agricultural Improvement Act of 2018 was signed into law in the U.S., removing cannabis with a dry weight THC concentration of less than 0.3% ("**Hemp**") from the list of Schedule I controlled substances under the U.S. *Controlled Substances Act* (the "**CSA**"). While a number of states in the U.S. have authorized the cultivation, distribution or possession of cannabis to various degrees and subject to various requirements or conditions, cannabis other than Hemp continues to be categorized in the U.S. as a controlled substance under the CSA. As such, the cultivation, distribution and possession of cannabis other than Hemp violates federal law in the U.S. unless a U.S. federal agency (e.g. the Drug Enforcement Agency) grants licenses for a specific use, such as research with cannabis.

The Company currently does not engage in any commercial activities related to the cultivation, distribution or possession of cannabis in the U.S. The Ginkgo Strategic Partnership contemplates the performance of licensed R&D activities in the U.S., in order to produce cultured cannabinoids, in full compliance with all applicable laws regarding controlled substances.

Other International Operations

License Holders are permitted 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, the Company believes that it is well-positioned to effectively penetrate international markets.

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, strategic international business opportunities pursued by the Company could include:

- ownership of cannabis cultivation, sales operations and brands 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 applicable levels of government. The Company believes that operating and investing in markets where such activity is federally illegal would breach the Company's legal and regulatory obligations; put the Company at risk of government regulatory actions or investigations, penalties, fines and sanctions; increase exposure to reputational risk; limit the Company's ability to operate freely; potentially jeopardize the Company's listing on major exchanges now and in the future; and limit the Company's 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 and NASDAQ.

Principal Products

Peace Naturals currently produces and sells numerous strain varieties of cannabis in three main product lines: dried cannabis, pre-rolls 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 a variety of strains of dried cannabis flower and 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.

The Company has a health and wellness brand for the Canadian and international medical markets. PEACE NATURALS ™ is a global health and wellness brand committed to producing high-quality cannabis and cannabis products. PEACE NATURALS™ is focused on building and shaping the global medical cannabis market and promoting a whole health approach to wellness, which emphasizes diet and lifestyle. The brand's goal is to improve the lives of others, one patient at a time.

In 2018, the Company launched two brands for the Canadian adult-use market:

- COVE™ is a premium positioned brand that was born in the Okanagan Valley in British Columbia, which is known for producing some of the world's finest cannabis. COVE™ products are hand-trimmed using only the best colas of each harvest. By avoiding shortcuts like harsh refining processes, COVE™ is able to maintain the natural balance of the plant across all of the brand's terpene-rich cannabis extracts and brings the highest in quality products to its consumers. The goal of this premium brand is to make each experience a discovery.

- Spinach™ is positioned as a mainstream adult-use brand with High Expectations ™, geared towards a wide range of consumers that don't take life too seriously and are looking for entertaining, fun ways to enhance activities. A fun, lighthearted and playful brand, Spinach™ is focused on offering Farm-To-Bowl ™ products that bring friends together and make experiences more enjoyable. Get Your Greens™.

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 intends to 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.

As the adult-use of cannabis products has been legalized in Canada, the Company has positioned itself to take advantage of such market opportunities through the launch of the Company's two brands for the Canadian adult-use market: COVE™ and Spinach™. The Company currently sells cannabis for adult-use to the cannabis control authorities in Ontario, British Columbia, Nova Scotia and Prince Edward Island and has secured listings with various private retailers in Saskatchewan. Together, these five provinces represent approximately 58% of the Canadian population. As the Company's production capacity grows, the Company intends to explore expanding its distribution into additional provinces and territories 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 Pohl-Boskamp. 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, to the Latin American medical cannabis market through the operations of NatuEra, once NatuEra is fully licensed and operational, and to the Polish market by exporting cannabis products through its distribution partner Delfarma, once all necessary regulatory approvals to sell cannabis products in Poland are obtained. Finally, the Company intends to meet demand in the Australian and Asian-Pacific medical cannabis markets through the operations of Cronos Australia, once fully operational and licensed. In the interim, Cronos Australia has received an import license from the ODC, together with all necessary permits, to import PEACE NATURALS™ branded products for sale in the Australian medical market, under the terms of the relevant permits, while construction of the Cronos Australia production facility is being completed. Arrangements for imports are in progress. Cronos Australia has also received an export license from the ODC to export certain medicinal cannabis products, subject to the receipt of all necessary permits. See *"– Licenses and Regulatory Framework in Australia," "– Licenses and Regulatory Framework in Israel,", "– Regulatory Framework in Germany for Imports."* and " *– Regulatory Framework in Poland for Imports*."

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

Distribution Methods

Cronos Group is developing a diversified global sales and distribution network by leveraging established partners for their scale, salesforce and market expertise. The Company is also building a domestic distribution footprint through the direct-to-client medical market and the adult-use market in Canada.

Distribution in Canada

Medical cannabis patients order product from the Company primarily through the Peace Naturals' website or by phone. Medical cannabis is and will continue to be delivered by secured courier and other methods permitted by the Cannabis Act or future regulation. Peace Naturals' prices vary based on growth time, cultivar type and market conditions. Peace Naturals may from time to time offer volume discounts or promotional pricing permitted by the Cannabis Act.

Peace Naturals is also authorized for wholesale shipping of medical cannabis dried flower and cannabis oil to other License Holders. 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, including through the Cura Supply Agreement. This sales channel requires minimal selling, general and administrative costs over and above the cost to produce plant cuttings and dried flower.

The Company currently conducts distribution of its two adult-use brands, COVE ™ and Spinach™, in accordance with the regulatory framework for adult-use cannabis established under the Cannabis Act. The Company has secured listings and entered into binding Master Supply Agreements with the Ontario Cannabis Retail Corporation and the BC Liquor Distribution Branch, has secured listings and Supplier Terms and Conditions with the Nova Scotia Liquor Corporation and Prince Edward Island Liquor Corporation and has secured listings with various private retailers in Saskatchewan. Pursuant to these agreements, Cronos Group currently offers dried flower, pre-rolls and cannabis oils through both government-operated retail stores and online platforms and to private-sector retailers. As the Company's production capacity grows, the Company intends to explore expanding its distribution into additional provinces and territories in Canada.

MedMen Canada is currently in the process of obtaining the necessary licenses, permits and retail locations to create a premium MedMen branded retail chain in Canada, modelled after MedMen's iconic retail concept in Los Angeles, Las Vegas and Manhattan, in provinces where private retail cannabis sales are permitted under applicable law. Commencement of distribution from MedMen Canada is subject to obtaining the necessary licenses and permits.

International Distribution Channels

Peace Naturals currently exports dried cannabis flower to Germany, and it is expected that Peace Naturals will export dried cannabis to Poland, pursuant to export permits issued by Health Canada. PEACE NATURALS™ products are distributed in the domestic German market through the Company's distribution partner, Pohl-Boskamp, via its network of pharmacies in Germany. PEACE NATURALS ™ products are anticipated to be distributed in the domestic Polish market through the Company's distribution partner, Delfarma, via its network of pharmacies in Poland.

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 after receiving a license from the Israeli Health Ministry. In September 2017, a first class of physicians completed a course for approval of use of medical cannabis, and 81 physicians were authorized to grant prescriptions for medical cannabis treatment. Cronos Israel anticipates distributing medical cannabis products to patients directly once operations have commenced and product is available. In addition, in April 2018 the Israeli Health Ministry launched a pilot project with the participation of several pharmacies, which are allowed to supply medical cannabis products directly to patients by prescription. The Company continues to monitor the regulatory framework in Israel if and when distribution by pharmacies is more broadly permitted by the Israeli Ministry of Health.

Currently in Australia, medicinal cannabis is provided directly to patients and to physicians who have received authorization to procure unregistered medicinal cannabis products. Subject to the completion of Cronos Australia's planned cultivation and manufacturing facility, the Company anticipates selling cannabis products into the domestic Australian market directly to authorized patients and prescribing physicians. In addition, Cronos Australia has received an import license from the ODC, together with all necessary permits from applicable Australian regulatory authorities, to import PEACE NATURALS™ branded medicinal cannabis products for sale in the Australian market, under the terms of the relevant permits, while the planned cultivation and manufacturing facilities are being constructed. Arrangements for imports are in progress. Cronos Australia has also received an export license from the ODC to export certain medicinal cannabis products, subject to the receipt of all necessary permits.

Production Facilities

Cronos Group is focused on establishing an efficient global production footprint by leveraging methodologies and processes developed at Peace Naturals, the Company's center of excellence, and then using such proprietary know-how, best practices and procedures to inform and create production partnerships domestically and internationally.

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[1]	Location	Grow Type	Square Footage	Estimated Annual Rated Capacity (in kg)[2]
Existing Capacity[3]				
Peace Naturals – Buildings 1, 2, 3, 4 [4]	Stayner, ON, Canada	Indoor	325,000	38,500
Peace Naturals – Greenhouse	Stayner, ON, Canada	Greenhouse	28,000	1,500
OGBC	Armstrong, BC, Canada	Indoor	2,500	150
Existing Capacity			355,500	40,150
Capacity in Progress				
Cronos Israel – Phase I	Hadera, Israel	Greenhouse	45,000	5,000
Cronos Australia – Phase I	Melbourne, VIC, Australia	Indoor	20,000	2,000
Cronos GrowCo	Kingsville, ON, Canada	Greenhouse	850,000	70,000
NatuEra[5]	Cundinamarca, Colombia	Greenhouse	*	*
Capacity in Progress			915,000	77,000
Pro Forma Capacity			**1,270,500**	**117,150**

(1) *See* "Corporate Structure – Intercorporate Relationships" *for information related to the Company's ownership interest in the above facilities.*

(2) *Estimated annual capacity is based on the Company's experience growing a variety of cannabis strains at its facilities. Material assumptions to derive estimated rated capacity for a given facility include, but are not limited to: the yield per square foot per harvest, the number of harvests per year and the square feet of cultivation space occupied by the plants immediately prior to harvest.*

(3) *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.*

(4) *Building 4 is expected to become operational in phases. While construction of Building 4 is complete, the GMP-grade and industrial-grade kitchen and certain additional cultivation and processing areas are in the process of being equipped and made operational in phases. Certain research and development and laboratory areas in Building 4 are in final design phases.*

(5) *NatuEra is still in the design phase and initial planned capacity is yet to be finalized.*

Peace Naturals

Situated on approximately 90 acres of land zoned and licensed for cannabis production, Peace Naturals operates four fully operational production buildings (Building 1, Building 2, Building 3 and the Peace Naturals Greenhouse). The Company recently completed the construction of Building 4, a partially-licensed 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, totaling approximately 39,000 sq. ft. of production space, are engaged in cultivation, processing, extraction, finishing and packaging and shipping activities. The Peace Naturals Greenhouse is a 28,000 sq. ft. greenhouse providing a year-round, low-cost supply of cannabis flower for extraction. The Peace Naturals Greenhouse is designated as a research facility to pilot various production technologies. Any tests yielding favorable operational improvements may then be disseminated to the Company's other domestic and international facilities.

In August 2018, Peace Naturals received authorization from Health Canada to cultivate cannabis in Building 4, and the building is expected to become operational in phases. Currently, Building 4 engages in the cultivation of cannabis and produced its first harvest in December 2018. The Company expects all flower rooms to be populated in the first half of 2019 and thereafter anticipates further improvements in yields towards full run-rate capacity as a result of increasing efficiencies over time. Building 4 also engages in tissue culture and micro propagation, processing, finishing and packaging and shipping activities.

It is expected that Building 4 will also engage in extraction, formulation and R&D activities following receipt of the applicable regulatory approvals or amendments to the Peace Naturals Production Licenses. While construction of Building 4 is complete, the GMP-grade and industrial-grade kitchen and certain additional cultivation and processing areas are in the process of being equipped and made operational in phases. The R&D areas and certain laboratory areas in Building 4 are in final design phases. In addition to the cultivation areas, Building 4 is expected to include:

- designated areas for proprietary genetic breeding and 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;
- R&D grow and dry areas with compartmentalized chambers to conduct experiments on yield, genetic markers, and metabolite/terpene enhancement techniques; 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 currently engages in inter-company bulk transfers of dried cannabis flower to Peace Naturals, where it is processed and packaged for sale at the Peace Naturals facility and sold under the Company's brand portfolio.

Cronos Australia

Cronos Australia's first production campus will be located on 120 acres of land. It was anticipated that the initial phase of Cronos Australia's production platform would consist of a 20,000 sq. ft. purpose-built indoor facility with an expected annual production capacity of 2,000 kilograms of cannabis. The Company is currently reviewing alternative facility designs for Cronos Australia given current and anticipated market opportunities, which may include an expansion of the previously announced plans for the 20,000 sq. ft. purpose-built indoor facility.

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 and R&D. The Company anticipates that construction of the greenhouse will be complete in the first half of 2019 and construction of the manufacturing facility will be complete in the second half of 2019.

Cronos GrowCo

Cronos GrowCo is constructing an 850,000 sq. ft. purpose-built, GMP-standard greenhouse on approximately 100 acres of land acquired by Cronos GrowCo in Kingsville, Ontario. Once fully operational, the greenhouse is expected to produce up to 70,000 kilograms of cannabis annually. The Company expects to complete the superstructure of the greenhouse in the second half of 2019 and expects the greenhouse to become operational in phases in 2020. Completed construction of the greenhouse is subject to obtaining the necessary funding, the relevant building/occupancy permits and other customary approvals. Commencement of operations at Cronos GrowCo will be subject to obtaining the appropriate licenses under applicable law. Cronos GrowCo expects to utilize debt to fund a portion of the facility build-out.

NatuEra

NatuEra plans to develop its initial cultivation and manufacturing operations with a purpose-built, GMP-standard facility located in Cundinamarca, Colombia. Design of the facility is currently underway and construction of the facility remains subject to obtaining the relevant permits and other customary approvals.

Research and Development Activities

Ginkgo Collaboration Agreement

In September 2018, the Company announced an R&D partnership with Ginkgo that could ultimately enable the Company to produce certain cultured cannabinoids at commercial scale at a fraction of the cost of traditional cultivation. These cultured cannabinoid molecules are identical to those produced by plants grown with traditional cultivation, but are created by leveraging the power of biological manufacturing via fermentation. In addition to THC and CBD, these cultured cannabinoids include rare cannabinoids that are economically impractical or nearly impossible to produce at high purity and scale through traditional cultivation.

If the Ginkgo Strategic Partnership is ultimately successful, Cronos Group expects to be able to produce large volumes of these cultured cannabinoids from custom yeast strains by leveraging existing fermentation infrastructure (i.e. breweries or pharmaceutical contract manufacturing operations) without incurring significant capital expenditures to build new cultivation and extraction facilities.

Pursuant to the collaboration and license agreement dated September 1, 2018 between Ginkgo and the Company (the " **Ginkgo Collaboration Agreement**"), Ginkgo will work with the Company on the R&D of microorganisms capable of producing certain target cannabinoids in a scalable and highly efficient manner. The Company will have the exclusive right to use and commercialize the key patented intellectual property related to the production of the target cannabinoids globally. Upon Ginkgo's demonstration that the microorganisms are capable of producing the target cannabinoids above the minimum productivity levels described below, the Company is required to issue up to approximately 14.7 million common shares in the aggregate (subject to customary anti-dilution adjustments) in accordance with the milestone allocations described below. The common shares allocated were based on the 60-day volume weighted average closing price for the Company's common shares of US$6.81 as of July 17, 2018, when the letter of intent was executed by both parties. The transaction had an aggregate value of US$100.0 million as of July 17, 2018 assuming all milestones are met. Tranches of these common shares will be issued once each of the target cannabinoids can be produced for less than US$1,000 per kilogram of pure cannabinoid at a scale of at least 200 liters as follows: THC(A), 20%; CBD(A), 15%; CBC(A), 10%; CBG(A), 10%; THCV(A), 15%; CBGV(A), 10%; CBDV(A), 10%; CBCV(A), 10% (each, an "**Equity Milestone Event**"). The Company and Ginkgo have targeted three years to reach the Equity Milestone Events for each of the target cannabinoids. The Company will also fund certain R&D and foundry expenses throughout the development process, which are expected to amount to approximately US$22.0 million, subject to the achievement of certain milestones.

Ginkgo has undertaken to perform all of its R&D work in compliance with all applicable laws regarding controlled substances. In November 2018, Ginkgo received from the U.S. Drug Enforcement Agency (the "**DEA**") a DEA Researcher (I) Controlled Substance Registration Certificate and a Researcher Controlled Substance Registration Certificate from the Massachusetts Department of Public Health for the conduct of the specified research involving cannabinoids. The Company intends to produce and distribute the target cannabinoids globally, where legally permissible, and has received confirmation from Health Canada that this method of production is permitted under the Cannabis Act.

Technion Research Agreement

In October 2018, the Company announced it had entered into a sponsored research agreement with Technion to explore the use of cannabinoids and their role in regulating skin health and skin disorders. The preclinical studies will be conducted by Technion over a three-year period and will focus on three skin conditions: acne, psoriasis and skin repair.

Research will be led by Technion faculty members Dr. David "Dedi" Meiri and Dr. Yaron Fuchs, two of the world's leading researchers in cannabis and skin stem cell research, respectively. Dr. Meiri heads the Laboratory of Cannabis and Cancer Research with vast experience in cannabis and endocannabinoid research. Dr. Fuchs heads the Laboratory of Stem Cell Biology and Regenerative Medicine with years of experience in the biology of the skin and its pathologies. Development and implementation of the research will be conducted at Technion's Laboratory of Cancer Biology and Cannabis Research and the Lorry I. Lokey Interdisciplinary Center of Life Sciences and Engineering in Haifa, Israel.

Specialized Knowledge, Skills, Resources & Equipment

Knowledge with respect to cultivating and growing cannabis is important in the 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. The post-processing of the Company's cannabis into dried flower, pre-rolls and oils involves specialized skills and knowledge with respect to procurement, manufacturing, automation, assembly line optimization as well as bottling, packaging and labeling. 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 its 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 are generally available on the market in the jurisdictions in which the Company currently has or anticipates cultivation activity, including in Canada, Israel, Australia and Colombia. 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, Australia and Colombia.

Equipment used is specialized but is readily available and not specific to the cultivation of cannabis. Cronos Group uses a mix of automated and semi-automated equipment to process and package its products, and the Company is designing continuous flow automation lines and customized machinery to produce pre-rolls in order to increase capacity and efficiency. 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, Australia and Colombia.

The Company anticipates an increased demand for skilled manpower, energy resources and equipment as Building 4 continues to become fully operational and in connection with Cronos Israel and Cronos GrowCo facilities currently under construction. The Company has recruited and will continue to recruit managers with food, pharmaceutical, manufacturing, engineering, and logistics experience to further scale its manufacturing and production operations.

Competitive Conditions

To the knowledge of the Company, only a limited number of licenses are issued to new License Holders by Health Canada on a monthly basis, if any, and the application process takes a significant amount of time to complete. Further, as Health Canada licenses are limited to individual properties, if a License Holder 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. More information on the current list of License Holders can be found on Health Canada's website.

On October 17, 2018, the Cannabis Act came into force. For additional information, see "– *Regulatory Framework in Canada – Recent Regulatory Developments*". The introduction of an adult-use model for cannabis production and distribution may impact the medical cannabis 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 License Holders will remain relatively small in the short term, however Health Canada may accelerate its processing of applications which may result in the acceleration of the rate at which applicants become License Holders. Further, under the Cannabis Act, production licenses have been split into various categories, which may result in additional standard and micro cultivation licenses being issued. As the demand for cannabis increases as a result of the legalization of adult-use cannabis, application volumes increase 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 License Holders are the price and quality of its cannabis-based products (and associated goodwill and brand recognition), physician familiarity and willingness to prescribe the Company's cannabis-based products, and the Company's customer 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 License Holders), it is expected that the Company will be able to enjoy pricing flexibility while maintaining its margins.

In addition, the Cannabis Act contemplates holders of cultivation licenses conducting both outdoor and indoor cultivation of cannabis. The implications of 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 cultivation.

The Company has an established relationship with German based pharmaceutical manufacturer and distributor, Pohl-Boskamp. The Company is engaged in active exports of medicinal cannabis products from Canada to Germany for distribution by Pohl-Boskamp to authorized medicinal patients, through Pohl-Boskamp's existing pharmacy customer network. Medicinal cannabis in Germany is regulated as a pharmaceutical raw-material, as opposed to a finished medicine requiring clinical trials. The barriers to entry in Germany for a medicinal cannabis company differ from those in Canada, whereby the manufacturer of the medicinal cannabis products must be a GMP certified manufacturer from a federal certifying authority. In addition, a foreign manufacturer must identify a licensed importer of record who is licensed to hold the relevant types of pharmaceutical products, then work with that importer to obtain import and marketing authorizations for the specific products. The medicinal cannabis products themselves must meet the strict requirements of cannabis drug monographs which are created and published by the relevant German health ministries. Currently there are only a handful of Canadian companies that meet the requirements to manufacture medicinal cannabis products for sale to the German market.

The ongoing tender process in Germany commenced in 2018, pursuant to which companies were able to apply to the Federal Institute for Drugs and Medical Devices (the "**BfArM**") to receive authorization to cultivate a limited quantity of medicinal cannabis in Germany to be sold domestically to authorized medicinal patients. The BfArM has announced that a decision with respect to tenders will be made in the second quarter of 2019 and that first harvests of cannabis cultivated in Germany are expected at the end of 2020. However, the BfArM clarified that the import of medicinal cannabis will still be possible.

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 protection 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, 2018, Cronos Group Inc. employed 37 employees and six fulltime contractors, Peace Naturals employed 244 employees, and OGBC employed 10 employees.

Senior Management and Board of Directors

The Board was reconstituted in connection with and effective as of the closing of the Altria Investment, whereby the number of directors on the Board was increased from five to seven, Mr. Michael Coates and Mr. Alan Friedman resigned as directors and Mr. Kevin C. Crosthwaite, Ms. Bronwen Evans, Mr. Murray R. Garnick and Mr. Bruce A. Gates were appointed to serve as directors on the Board. As of the date of this AIF, the Board has seven members and is comprised of Mr. Michael Gorenstein (Chair of the Board), Mr. Jason Adler (a member of the Audit Committee), Mr. James Rudyk (Lead Director, Chair of the Audit Committee and a member of the Compensation Committee), Mr. Kevin C. Crosthwaite (Chair of the Compensation Committee), Ms. Bronwen Evans (a member of the Audit Committee), Mr. Murray R. Garnick and Mr. Bruce A. Gates. Mr. Michael Coates will continue to serve as a Canadian regulatory advisor to the Board.

As of the date of this AIF, the Company's executive officers consist of Mr. Michael Gorenstein (Chief Executive Officer and President), Mr. William Hilson (Chief Financial Officer), Mr. David Hsu (Chief Operating Officer) and Ms. Xiuming Shum (General Counsel and Corporate Secretary). Effective April 15, 2019, Jerry Barbato, most recently Senior Director of Corporate Strategy at Altria, will assume the role of Chief Financial Officer of the Company from William Hilson, who as of April 15, 2019 will serve as the Company's Chief Commercial Officer, a newly created role. As Chief Commercial Officer, Mr. Hilson will report to the Chief Executive Officer and be responsible for further enhancing the commercial strategy as well as the product and research development priorities of the Company.

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 legal medical cannabis. As of the date of this AIF, the Company has divested its previously held minority interests in most investees with active licenses under the Cannabis Act in Canada.

See Notes 10 and 11 of the Company's audited consolidated financial statements as at and for the fiscal years ended December 31, 2018 and 2017 (the "**Annual Financial Statements**") for additional information.

Regulatory Framework in Canada

Licenses and Regulatory Framework

On October 17, 2018, the Cannabis Act and the Cannabis Regulations *(the "***Cannabis Regulations**") came into force. The Cannabis Regulations establish six classes of licenses: (i) cultivation; (ii) processing; (iii) sale for medical purposes; (iv) analytical testing; (v) research; and (vi) cannabis drug. The Cannabis Regulations also create subclasses for cultivation licenses (standard cultivation, micro-cultivation and nursery) and processing licenses (standard processing and micro-processing). Different licenses and each sub-class therein carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each category and sub-class. The Cannabis Act includes transitional provisions applicable to previous licenses. Due to the repeal of the *Access to Cannabis for Medical Purposes Regulations* ("**ACMPR**") and the amendment of the CDSA and NCR, the Cannabis Act provides that certain licenses issued under that legislation are deemed to be licenses under the Cannabis Act. Peace Naturals and OGBC have successfully transitioned their licenses through the Cannabis Tracking and Licensing System (the "**CTLS**") to various licenses under the Cannabis Act, which permit them to conduct the activities described below, among others.

The Peace Naturals Production Licences and Peace Naturals Drug Licence permits Peace Naturals to engage in a number of regulated activities under the Cannabis Act, including the cultivation, processing and medical sale of dried cannabis, fresh cannabis, cannabis plants, cannabis plant seeds and cannabis oil, as well as the sale of drugs containing cannabis, subject to certain conditions.

The OGBC Production Licences permit OGBC to engage in a number of regulated activities under the Cannabis Act, including the cultivation, processing and medical sale of dried cannabis, fresh cannabis, cannabis plants, and cannabis plant seeds, subject to certain conditions.

Recent Regulatory Developments

Federal Developments

The Cannabis Act provides a licensing and permitting scheme for, among other things, the cultivation, processing, testing, packaging, labelling, distribution, sale, possession and disposal of adult-use cannabis, implemented by regulations made under the Cannabis Act. As discussed below, the Cannabis Regulations include, among other things, strict specifications for the plain packaging and labelling and analytical testing of all cannabis products as well as stringent physical and personnel security requirements for all federally licensed cultivation, processing and sales sites.

Security Clearances

Certain people associated with licensed producers, including, but not limited to, directors and officers of a License Holder and any organization that controls the License Holder, the key positions identified by license class (e.g. master grower, quality assurance person, head of security), and any individual or position specified by the Minister pursuant to Section 67(2) of the Cannabis Act must hold a valid security clearance issued by the Minister. Under the Cannabis Regulations, the Minister may 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, among other reasons. Individuals who have histories of nonviolent, lower-risk criminal activity (for example, simple possession of cannabis, or small-scale cultivation of cannabis plants) are not automatically precluded from participating in the legal cannabis industry. The grant of security clearance to such individuals is at the discretion of the Minister and such applications will be reviewed on a case-by-case basis.

Cannabis Tracking System and Reporting

Under the Cannabis Act, the Minister is authorized to establish and maintain a national cannabis tracking system. The CTLS has since been established to create a seed to sale tracking system to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the illegal market. Under this tracking system, certain License Holders are required to submit monthly reports to Health Canada, among other things. The CTLS applies to

- holders of federally issued licenses for cultivation, processing and sale for medical purposes, which are required to provide information to the Minister;
- public provincial and territorial bodies that are authorized to sell cannabis under a provincial and territorial act, which are required to provide information to the Minister; and
- private distributors and retailers, which are required to provide data to the public body authorized to sell cannabis or that authorizes sale under provincial and territorial legislation (typically a crown corporation or a provincial ministry).

The information required to be reported pursuant to the CTLS is extensive.

Cannabis Products

The Cannabis Act and the Cannabis Regulations set out certain requirements for the sale of cannabis products at the retail level and will initially permit the sale of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds, including in “pre-rolled” and capsule form. The THC content of oil and serving size of certain cannabis products is limited by the Cannabis Regulations.

While the sale of dried cannabis, fresh cannabis, cannabis seeds, plants and oil is currently permitted under the Cannabis Act, the sale of edibles containing cannabis and cannabis concentrates are not. On December 22, 2018, the Canadian federal government published the draft of the proposed *Regulations Amending the Cannabis Regulat*ions in the Canada Gazette (the “**Further Regulations**”). The Further Regulations propose amending the Cannabis Act and Cannabis Regulations to, among other things, allow the production and sale of extracts (including concentrates), edibles and topicals in addition to the currently permitted product forms. The Further Regulations were subject to a 60 day comment period which has now concluded, and they may be further amended before implementation based on the comments received.

Packaging and Labelling

The Cannabis Regulations set out strict requirements pertaining to the packaging and labelling of cannabis products. These requirements are intended to promote informed consumer choice and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth and promoting safe consumption. Cannabis package labels must include specific information, including, among other things, the: (i) product source information, including the class of cannabis and the name, phone number, and email of the cultivator or processor, as applicable; (ii) a mandatory health warning, rotating between Health Canada’s list of standard health warnings; (iii) the Health Canada standardized cannabis symbol; and (iv) information specifying THC and CBD content. The Cannabis Regulations also establish strict limits that apply to the use of colors, images, and brand elements that may prevent or inhibit product differentiation.

Advertising and Promotions

The Cannabis Act prohibits any promotion, packaging and labelling of cannabis that could be appealing to young persons or encourage its consumption, while allowing consumers to have access to information with which they can make informed decisions about the consumption of cannabis. In particular, the Cannabis Act provides for broad restrictions on the promotion, packaging and labelling, display, and sale and distribution of cannabis and cannabis accessories. Subject to additional restrictions imposed by the provinces and territories, the promotion, packaging and labelling, display and sale and distribution of cannabis and cannabis accessories is strictly controlled to prevent persons under the age of 18 from being exposed to such activities and to prevent the encouragement of consumption of cannabis. As such, the promotion, packaging and labelling, display and sale and distribution of cannabis and cannabis accessories takes place in a highly regulated environment which will restrict persons to brand and market their products in a manner consistent with other industries which are not subject to such controls.

Cannabis for Medical Purposes

Part 14 of the Cannabis Regulations sets out the regime for medical cannabis following legalization, which is similar to the ACMPR, with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system. Patients who have the authorization of their healthcare practitioner will continue to have access to medical cannabis, either purchased directly from a License Holder, or by registering to produce a limited amount of cannabis for their own medical purposes or designating someone to produce cannabis for them.

With respect to starting materials for personal production, such as plants or seeds, they must be obtained from License Holders. It is possible that this 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 these options 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"*.

Export Permits

Export permits issued by Health Canada are specific to each shipment and may only be obtained for medical of scientific purposes. To apply for a permit to export cannabis, a License Holder must submit significant information to the Minister 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 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.

Provincial and Territorial Developments

While the Cannabis Act provides for the regulation by the Canadian federal government of, among other things, the commercial cultivation and processing of cannabis and the sale of medical cannabis, the various provinces and territories of Canada regulate certain aspects of adult-use cannabis, such as distribution, sale, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

The governments of every Canadian province and territory have implemented their regulatory regimes for the distribution and sale of cannabis for adult-use purposes. Most provinces and territories have announced a minimum age for possession and consumption of 19 years old, except for Québec and Alberta, where the minimum age is 21 and 18, respectively. A summary of the legislative framework in each province and territory is set out below. There is no guarantee that the provincial and territorial frameworks supporting the legalization of cannabis for adult-use in Canada will continue on the terms outlined below or at all, or will not be amended or supplemented by additional legislation.

British Columbia

The distribution and sale of adult-use cannabis in British Columbia is primarily governed by the *Cannabis Control and Licensing Act*, the *Cannabis Distribution Act* and the related regulations. The British Columbia Liquor Distribution Branch is the province's wholesale distributor of cannabis and operates retail and online sales. Private retail stores are permitted and are licensed by the British Columbia Liquor and Cannabis Regulation Branch.

Alberta

The distribution and sale of adult-use cannabis in Alberta is primarily governed by the *Gaming, Liquor and Cannabis Act* and the related regulations. The Alberta Gaming, Liquor and Cannabis Commission (the "**AGLC**") is the sole wholesale distributor of cannabis in the province. Sales of cannabis are permitted through privately run retail stores and online by the AGLC.

Saskatchewan

The distribution and sale of adult-use cannabis in Saskatchewan is primarily governed by *The Cannabis Control (Saskatchewan) Act* and the related regulations. Both the wholesale and retail sale of cannabis (both instore and online) are conducted by private companies in Saskatchewan, which are regulated by the Saskatchewan Liquor and Gaming Authority.

Manitoba

The distribution and sale of adult-use cannabis in Manitoba is primarily governed by the *Liquor, Gaming and Cannabis Control Act* and the related regulations. Cannabis in the province is distributed by the Manitoba Liquor and Lotteries Corporation. Retail and online sales of cannabis are conducted by private retailers under the regulation of the Liquor, Gaming and Cannabis Authority of Manitoba.

Ontario

The distribution and sale of adult-use cannabis in Ontario is primarily governed by the *Cannabis Control Act, 2017,* the *Cannabis Licence Act*, *2018* and the related regulations. The Ontario Cannabis Retail Corporation is the wholesale distributor of cannabis and conducts all online sales in the province. Private retail is expected to be permitted by April 2019 and will be regulated by the Alcohol and Gaming Commission of Ontario (the "**AGCO**"). Only twenty-five private stores will be licensed by the AGCO for an initial period, with more expected to follow. The Ontario Cannabis Store provides online sales of adult-use cannabis in the interim.

Québec

The distribution and sale of adult-use cannabis in Quebec is primarily governed by the *Cannabis Regulation Act* and the related regulations. The Société Québécoise du Cannabis is the exclusive distributor of cannabis in the province and is the sole retail and online vendor.

New Brunswick

The distribution and sale of adult-use cannabis in New Brunswick is primarily governed by the *Cannabis Control Act* and the related regulations. The distribution and sale of cannabis, both online and instore, is exclusively conducted by the New Brunswick Cannabis Management Corporation.

Nova Scotia

The distribution and sale of adult-use cannabis in Nova Scotia is primarily governed by the *Cannabis Control Act* and the related regulations. Adult-use cannabis is distributed and sold at retail locations and online by the Nova Scotia Liquor Corporation.

Newfoundland and Labrador

The distribution and sale of adult-use cannabis in Newfoundland and Labrador is primarily governed by the *Cannabis Control Act* and the related regulations. Adult-use cannabis is sold through private stores, with the Newfoundland and Labrador Liquor Corporation (" **NLC**") conducting online sales and regulating distribution. The NLC also has the option to open public stores in areas that do not attract private retailers.

Prince Edward Island

The distribution and sale of adult-use cannabis in Prince Edward Island is primarily governed by the *Cannabis Control Act* and the related regulations. Cannabis is sold at retail locations and online by the PEI Cannabis Management Corporation.

Yukon

The distribution and sale of adult-use cannabis in Yukon is primarily governed by the *Cannabis Control and Regulation Act* and the related regulations. The Yukon Liquor Corporation is responsible for distributing and selling cannabis instore and online, with private retail contemplated in the future.

The Northwest Territories

The distribution and sale of adult-use cannabis in the Northwest Territories is primarily governed by the *Cannabis Products Act* and related regulations. The Northwest Territories Liquor Commission is responsible for the distribution and sale of cannabis through existing liquor stores and online sales, with private retail contemplated in the future.

Nunavut

The distribution and sale of adult-use cannabis in Nunavut is primarily governed by the territorial *Cannabis Act*. At this time, the Nunavut Liquor and Cannabis Commission has designated an agent to provide cannabis in the territory through online sales but has issued a request for proposals for other potential suppliers.

Licenses and Regulatory Framework in Australia

Legislation to permit the cultivation of cannabis for medicinal 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 medicinal cannabis in Australia is highly regulated. The two principal governmental agencies which oversee the federal medicinal cannabis regime are the Therapeutic Goods Administration (the "**TGA**") and the Australian Office of Drug Control (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 medicinal cannabis in Australia creates exemptions to existing narcotic control laws overseen by the TGA, which permit patients to access cannabis through a prescribed process under the supervision of a treating physician, known as the "Special Access Scheme".

Cannabis grown for medicinal purposes in Australia is subject to stringent security and quality control measures. In order to cultivate, produce and manufacture medicinal cannabis and medicinal 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 – medicinal 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 applicants 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 Cannabis Act. 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. Regulatory requirements in Australia also require an importer to be the "sponsor" of the medicinal cannabis products with the TGA. A sponsor is responsible for ensuring their medicinal cannabis products comply with all applicable quality and manufacturing standards in addition to TGA requirements, including pharmacovigilance reporting.

Cronos Australia Licenses

Cronos Australia – Operations Pty Ltd (Cronos Australia) , a wholly-owned subsidiary of Cronos Australia has been granted a medicinal cannabis cultivation license under Section 8F, a cannabis research license under Section 9J and a manufacture license under section 11H of the *Narcotic Drugs Act 1976* (collectively, the "**Cronos Australia Licenses**") by the ODC. As a consequence of the receipt of the Cronos Australia Licenses, Cronos Australia will be able to commence cultivation, sale or distribution of medicinal cannabis in Australia (subject to receipt of all necessary permits from the ODC) once the construction of the Cronos Australia facility is completed.

Cronos Australia has also received an import license from the ODC, together with all necessary permits from applicable Australian regulatory authorities, to allow it to import PEACE NATURALS™ branded medicinal products for sale in the Australian market, under the terms of the relevant permits, while construction of the Cronos Australia production facility is being completed. Cronos Australia has also received an export license from the ODC to export certain medicinal cannabis products, subject to the receipt all necessary permits.

Under the *Narcotic Drugs Act 1967* and the *Narcotic Drugs Regulation 2016*, a medicinal cannabis 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 medicinal 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. Additionally, the TGA also requires manufacturers of medicinal cannabis to hold a GMP license.
- 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 medicinal 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 ("**Resolution 1587**"). The competent regulatory authority in Israel is the Yakar, the medical cannabis unit within the Israeli Health Ministry.

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 December 2018, the Israeli Parliament (the "**Knesset**") approved an amendment to the Dangerous Drugs Ordinance – 1973, which, amongst other matters, regulates medical cannabis (the "**Dangerous Drugs Ordinance Amendment**"). The Dangerous Drugs Ordinance Amendment will enter into effect on May 1, 2019. The Dangerous Drugs Ordinance Amendment sets the authorities and enforcement responsibilities of each of the Israeli Health Ministry and the Israeli Police relating to the matter. The Dangerous Drugs Ordinance Amendment provides that the Director General of the Israeli Health Ministry (or his or her designee) has the authority to grant licenses to engage in the various stages of cultivating, developing and commercializing cannabis, based on his/her discretion. The grant of any such licenses will be conditioned upon meeting certain security and protection conditions to be set by an authorized officer of the Israeli Police. Further, the Director General of the Israeli Health Ministry (or his or her designee) may grant any license for cannabis operations only after the authorized officer of the Israeli Police has recommended and approved the grant of such license.

In order to enforce the provisions of the Dangerous Drugs Ordinance Amendment, the Israeli Police has the authority, in respect of any given license holder, to enter into its place of business, carry out necessary examinations, demand documents from and, if needed, act in order to halt the activity of the license holder's operations.

In January 2019, the Israeli government approved the export of medical cannabis products from Israel (the " **Israeli Government Export Approval**"). As part of the Israeli Government Export Approval, the Israeli government decided to allow medical cannabis license holders that meet the quality standards set forth in Resolution 1587 for the applicable stages (cultivation, production, storage, distribution and security) for which they received a license, to export medical cannabis products under the strict supervision of the Israeli authorities. Export licenses may be granted for a limited period and may be canceled at any time or not extended upon expiration. Pursuant to the Israeli Government Export Approval a medical cannabis license holder may apply for an export license, provided that such holder meets all the export requirements (including the requirement applicable to the export of dangerous drugs and plant substances). The Israeli Health Ministry will only allow the export of products that meet the standards relating to products that can be directly marketed to patients (including smoking products, oils, and vaporizer products). Export of plant substances (i.e. seeds, tissue cultures) will not be permitted.

The Israeli Government Export Approval sets forth that export will only be permitted to those countries that have signed the United Nations Single Convention on Narcotic Drugs of 1961 ("**UN Single Convention**"), and that have explicitly approved the import of cannabis.

On July 27, 2018, a bill to decriminalize the adult-use of cannabis, imposing fines rather than criminal penalties for first- and second-time possession offenses, was passed by the Knesset. The bill will enter into effect on April 1, 2019 and will be in effect until March 31, 2022.

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 after receiving a license from the Israeli Health Ministry. In September 2017, a first class of physicians completed a course for approval of use of medical cannabis, and 81 physicians were authorized to grant prescriptions for medical cannabis treatment. In April 2018, the Israeli Health Ministry launched a pilot project with the participation of several pharmacies, which are allowed to supply medical cannabis products directly to patients by prescription.

Cronos Israel Licenses

In early 2017, the Yakar granted Gan Shmuel Israel Codes to establish four distinct cannabis commercial operations: (i) propagation and breeding, (ii) commercial cannabis cultivation, (iii) extraction, formulation and packaging and (iv) 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.

The Israel Codes were successfully transferred to Cronos Israel on May 10, 2018. 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. The Yakar has not provided a timeline for the issuance of such final cannabis licenses after inspection of the completed facilities.

Licenses and Regulatory Framework in Colombia

In 2016 Colombia’s Congress adopted Law 1787 with the purpose of creating a regulatory framework allowing the safe and informed access to medical and scientific use of cannabis and its derivatives within the Colombian territory. Law 1787 granted authority to the Colombian Government to control and regulate the activities of cultivation, processing, fabrication, acquisition, import, export, transport and commercialization of cannabis and its derivatives for medicinal and scientific purposes. Law 1787 amended articles 375, 376 and 377 of the Colombian Criminal Code to remove sanctions against the medical and scientific use of cannabis used under a license duly granted by the relevant authorities according to Colombian laws. This amendment was required given that the Colombian Criminal Code expressly provided a general prohibition to the cultivation, conservation or financing of marijuana plantations among other related activities. Based on Law 1787 of 2016, the Colombian Government-issued Decree 613 of 2017, whereby it defined the different types of licenses that may be granted in respect of permissible activities related to medical cannabis including: (i) cultivation of psychoactive cannabis plants, (ii) cultivation of non-psychoactive cannabis plants, (iii) use of seeds for planting and (iv) manufacturing of cannabis derivatives. Decree 613 also sets out the requirements and criteria for the assignment of quotas for cultivation of psychoactive cannabis plants and manufacturing of cannabis derivatives in favor of holders of licenses and other related activities including the main obligations to be complied with by the licensees.

The administration of the law and its related regulations is overseen by several governmental bodies including the Ministry of Health and Social Protection (the "**Colombia Ministry of Health**"), the Ministry of Justice and Law (the " **Colombia Ministry of Justice**"), and the National Narcotics Fund. The Colombia Ministry of Health is the entity responsible for granting licenses for the production of cannabis derivatives, while the Colombia Ministry of Justice is the entity responsible for granting licenses for the use of seeds for planting, cultivation of psychoactive cannabis plants, and cultivation of non-psychoactive cannabis plants. In addition, the Colombian Agricultural Institute (" **ICA**") is the entity regulating the registration, protection and use of cannabis seeds, and the National Institute for Medicines and Food Overseeing ("**Invima**") is the entity overseeing the production of medicines for human consumption.

The Colombia Ministry of Justice established three resolutions, namely:

(i) Resolution No. 577 of 2017 setting forth the rules for the supervision and monitoring of the licenses for the (a) sowing of cannabis seeds; (b) cultivation of psychoactive cannabis plants; and (c) cultivation of non-psychoactive cannabis plants. Resolution 577 also regulates the basis upon which a license may be amended, the security protocol in harvest areas, and the production and manufacturing quotas;

(ii) Resolution No. 578 of 2017, setting the tariffs applicable to the different processes concerning the cannabis licenses, such as applications, modifications, extraordinary authorizations, and allocation of additional production and manufacturing quotas. These tariffs were updated by the Colombia Ministry of Justice by regulations dated January 2, 2019; and

(iii) Resolution No. 579 of 2017, defining that small and medium licensed growers are those who grow or cultivate cannabis in an area of 0.5 hectares or less. In an effort to ensure the sustainability of small-scale growers, holders of cannabis derivative production licenses, except in the research modality, are required to process at least 10% of their assigned annual cannabis quota from a small or medium licensed grower.

In addition, the Colombia Ministry of Health issued Resolution No. 2891 of 2017 and Resolution No. 2892 of 2017. Resolution No. 2891 establishes the tariff manual for evaluation, monitoring and control applicable to licenses for the manufacture of cannabis derivatives for medicinal and scientific use. Resolution No. 2892 sets out technical regulations for the granting of the license to manufacture cannabis by-products, including additional obligations of the licensee, grounds for modification of the license, and rules related to the production and manufacturing quotas.

The first licenses were issued in Colombia in 2016 (under the prior applicable legal regime set forth in Decree 2467 of 2015). As of November 22, 2018, 170 licenses have been issued by the Colombia Ministry of Justice for the cultivation of psychoactive and non-psychoactive plants, as well as for the use of seeds. As of January 28, 2019, 84 licenses have been issued by the Colombia Ministry of Health for the manufacturing of cannabis derivatives. Colombia's Congress has not indicated any intention of considering the legalization of adult-use cannabis at this time.

NatuEra Licenses

In the second half of 2018, a wholly-owned subsidiary of NatuEra was granted a license to cultivate non-psychoactive cannabis plants for production of seeds for planting and the manufacture of derivative products, and a license to manufacture cannabis derivative products for domestic use and export. NatuEra is awaiting the grant of a license to cultivate psychoactive cannabis.

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 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**"). A 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 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 usually have a three-month validity period (six months for seaborne import). 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 every 30 days.

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 every 30 days. Cannabis oils for patient use may be prepared in pharmacies from oils delivered as starting materials.

Regulatory Framework in Poland for Imports

The use and importation of cannabis for medical purposes in Poland is governed by international, European and Polish law, including:

(1) the UN Single Convention;

(2) Directive 2001/83/EC of the European Parliament and of the Council of November 6, 2001 on the Community Code relating to medical products for human use;

(3) the Pharmaceutical Law (Prawo farmaceutyczne, "**PrFarm**"); and

(4) the Act on prevention of drug abuse (Ustawa o przeciwdziałaniu narkomaniu, " **NarkU**").

The UN Single Convention sets out general rules on trade and use of narcotic drugs for medical purposes. The import and manufacturing of cannabis plants other than fibrous and dried plant parts for medical purposes became legal in Poland on November 1, 2017, by the amendment to NarkU. The NarkU allowed the marketing of cannabis plants other than fibrous extracts of the plants, resin and medical tincture, while cultivation remains prohibited. Therefore, imports or delivery within the European Union is required to facilitate the availability of medical cannabis on the Polish market. This applies to both forms regulated by NarkU: active substance for manufacturing of pharmaceutical raw material and pharmaceutical raw material.

For each of these actions, manufacturing has been defined differently. Manufacturing of an active substance for manufacturing pharmaceutical raw material is defined as fragmentation of dried parts, physicochemical processing (including extraction) and collective packaging, while for raw pharmaceutical material, manufacturing means repackaging of the active substance to smaller packages that are delivered to pharmacies. The final product is prepared and sold by the pharmacies by prescription.

In order to market cannabis in the form of pharmaceutical raw material in Poland, the following administrative approvals are required, in accordance with PrFarm:

(1) Marketing Authorization (MA) issued by the President of the Office for Registration of Medicinal Products, Medical Devices and Biocides (Urząd Rejestracji Produktów Leczniczych, Wyrobów Medycznych i Produktów Biobójczych) in a national procedure; and

(2) an import or manufacturing license issued by the Main Pharmaceutical Inspector (Główny Inspektor Farmaceutyczny, " **GIF**") which should be attached to the application for marketing authorization.

Both administrative approvals are issued in the course of the same process applicable to regular medicinal products. Applications for import authorization are required to include detailed information on the:

(1) applying entity;

(2) cannabis-based product including its form and presentation;

(3) site; and

(4) scope of import.

Import authorizations for an individual medicinal product are typically issued within 90 days of application for an indefinite period of time on condition that the entity applying for authorization fulfills the requirements of GMP and employs a qualified person for the duration of all importation activities. The granting of the import authorization results in the entry to the Register of Manufacturers and Importers of Medicinal Products kept by GIF.

The importation of active substances for manufacturing of pharmaceutical raw material is subject to other provisions of PrFarm and requires a previous registration on the National Register of Manufacturers, Importers and Distributors of Active Substances kept by GIF. The importer is also subject to GMP and multiple disclosure requirements.

Medicinal products, including active substances based on cannabis, are classified as "Rpw" – dispensed on individual physician's prescription, containing narcotic agents. This classification applies to all medicinal products produced in either factories of pharmaceutical companies or the pharmacies from pharmaceutical raw material. This special category allows for stricter control of the trade of medicinal products containing all narcotic agents and psychotropic substances, including cannabis.

Under the applicable regulations, each patient may receive not more than three prescriptions for a period not exceeding 90 days of use in the aggregate. Any such prescription cannot contain any other medicinal products.

Exports to Germany and Poland by Peace Naturals

Peace Naturals exports dried cannabis flower to Germany and it is expected that Peace Naturals will export dried cannabis to Poland pursuant to export permits issued by Health Canada under the Cannabis Act for each shipment. Health Canada requires License Holders to submit, among other things, 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, our German strategic distribution partner, from the BfArM and by Delfarma, our Polish strategic distribution partner, from the GIF, and once such import permits are received, Peace Naturals applies for and obtains (or in the case of expected exports to Poland, expects to apply for and obtain) export permits from Health Canada prior to export to Germany or Poland, as applicable.

Regulatory Framework Applicable to the Ginkgo Strategic Partnership

Ginkgo has undertaken to perform all of its R&D work pursuant to the Ginkgo Collaboration Agreement in compliance with all applicable laws regarding controlled substances. In November 2018, Ginkgo received a DEA Researcher (l) Controlled Substance Registration Certificate and a Researcher Controlled Substance Registration Certification from the Massachusetts Department of Public Health that allow Ginkgo to lawfully conduct the specified research involving cannabinoids, including all “coincident activities” authorized by law. Until such licenses, permits and authorizations were obtained, no R&D work involving or resulting in the creation of controlled substances under the CSA was undertaken. The strategic partnership with Ginkgo is not intended to involve any cannabinoid production activities in the United States beyond what is lawful for a DEA-registered researcher or any cannabinoid production activities in any other jurisdiction in which cannabis is not legalized.

ALTRIA STRATEGIC INVESTMENT

Altria Investment

Pursuant to the Subscription Agreement dated December 7, 2018, on March 8, 2019 the Company issued to certain wholly-owned subsidiaries of Altria, 149,831,154 common shares of the Company and the Altria Warrant, which may be exercised in full or in part at any time on or prior to March 8, 2023, from time to time, and entitles the holder thereof, upon valid exercise in full, to acquire an aggregate of 73,990,693 common shares of the Company (subject to adjustment in accordance with the terms and conditions of the Altria Warrant Certificate) at an initial exercise price of $19.00 per common share. As of the closing date of the Altria Investment, Altria beneficially held an approximately 45% ownership interest in the Company (calculated on a non-diluted basis) and, if exercised in full on such date, the exercise of the Altria Warrant would result in Altria holding a total ownership interest in the Company of approximately 55% (calculated on a non-diluted basis).

Investor Rights Agreement

On March 8, 2019, in connection with the closing of the Altria Investment, the Company and Altria entered into the Investor Rights Agreement pursuant to which Altria received certain governance rights.

Board Representation

The Investor Rights Agreement provides that, for so long as Altria and its affiliates (the " **Altria Group**") continue to beneficially own at least 40% of the issued and outstanding common shares of the Company and the size of the Board is seven directors, the Company agrees to nominate for election as directors to the Board four individuals designated by Altria (the "**Altria Nominees**"). In addition, for so long as Altria Group continues to beneficially own greater than 10% but less than 40% of the issued and outstanding common shares of the Company, Altria shall be entitled to nominate a number of Altria Nominees that represents its proportionate share of the number of directors comprising the Board (rounded up to the next whole number) based on the percentage of the issued and outstanding common shares of the Company beneficially owned by the Altria Group at the relevant time. At least one Altria Nominee shall be independent as long as Atria has the right to designate at least three Altria Nominees and Altria Group beneficially owns less than 50% of the issued and outstanding common shares of the Company.

The Investor Rights Agreement also provides that, subject to certain exceptions, for so long as Altria is entitled to designate one or more Altria Nominees, Altria may appoint to each committee established by the Board such number of Altria Nominees that represents Altria's proportionate share of the number of directors comprising the applicable Board committee based on the percentage of issued and outstanding common shares of the Company beneficially owned by the Altria Group at the relevant time.

Approval Rights

The Investor Rights Agreement also grants Altria, until Altria Group beneficially owns less than 10% of the issued and outstanding common shares of the Company, approval rights over certain transactions that may be taken by the Company. The Company has agreed that it will not, without the prior written consent of Altria:

(i) consolidate or merge into or with another person or enter into any similar business combination;

(ii) acquire any shares or similar equity interests, instruments convertible into or exchangeable for shares or similar equity interests, assets, business or operations with an aggregate value of more than $100,000,000, in a single transaction or a series of related transactions;

(iii) subject to certain exceptions, adopt any plan or proposal for a complete or partial liquidation, dissolution or winding up of the Company or any of its significant subsidiaries, or any reorganization or recapitalization of the Company or any of its significant subsidiaries, or commence any claim seeking relief under any applicable laws relating to bankruptcy, insolvency, conservatorship or relief of debtors;

(iv) sell, transfer, caused to be transferred, exclusively license, lease, pledge or otherwise dispose of any of its or any of its significant subsidiaries' assets, business or operations in the aggregate with a value of more than $60,000,000;

(v) except as required by applicable law, make any changes to the Company's policy with respect to the declaration and payment of any dividends on the Company's common shares;

(vi) subject to certain exceptions, enter into any contract or other agreement, arrangement, or understanding with respect to, or consummate, any transaction or series of related transactions between the Company or any of its subsidiaries, on the one hand, and any related parties, on the other hand, involving consideration or any other transfer of value required to be disclosed pursuant to Item 404 of Regulation S-K promulgated pursuant to the United States Securities Act of 1933, as amended (the " **U.S. Securities Act**");

(vii) enter into any contract or other agreement, arrangement or understanding with respect to, or consummate, any transaction or series of related transactions between the Company or any of its subsidiaries, on the one hand, and certain specified persons; or

(viii) engage in the production, cultivation, advertisement, marketing, promotion, sale or distribution of cannabis or any Related Products and Services (as defined herein) in any jurisdiction, including the United States, where such activity is prohibited by applicable law as of the date of the Investor Rights Agreement (subject to certain limitations).

Exclusivity Covenant

Pursuant to the terms of the Investor Rights Agreement, until the earlier of:

(i) the six-month anniversary of the date that the Altria Group beneficially owns less than 10% of the issued and outstanding common shares of the Company; and

(ii) the six-month anniversary of the termination of the Investor Rights Agreement,

Altria has agreed to make the Company its exclusive partner for pursuing cannabis opportunities throughout the world (subject to certain limited exceptions).

In particular, Altria has agreed not to, directly or indirectly, and shall cause the other members of the Altria Group not to, directly or indirectly:

(i) develop, produce, manufacture, cultivate, advertise, market, promote, sell or distribute any cannabis or products derived from or intended to be used in connection with cannabis or services intended to relate to cannabis (such products and services, collectively, "**Related Products and Services**") anywhere in the world, other than (A) pursuant to any Commercial Arrangement, or (B) pursuant to a contract approved by an independent committee of the Board (or, at any time when Altria Nominees do not represent a majority of the Board, if fully disclosed to and approved by a majority of the independent members of the Board), entered into by and among or by and between, the Company and/or one or more of its subsidiaries, on the one hand, and any one or more members of the Altria Group, on the other hand (such other contract, an "**Approved Company Agreement**");

(ii) acquire or make any investment in or otherwise beneficially own any interests in, or lend any money or provide any guarantee to, any person that develops, produces, manufactures, cultivates, advertises, markets, promotes, sells and/or distributes cannabis or any Related Products and Services, other than (A) pursuant to any Commercial Arrangement, on the terms and subject to the conditions of the Investor Rights Agreement, Subscription Agreement and the Altria Warrant Certificate, or (B) to the Company and/or any of its subsidiaries, so long as any such acquisition or investment is pursuant to an Approved Company Agreement;

(iii) use or allow the use of any of their respective trade names, trademarks, trade-secrets or other intellectual property rights in connection with any person that develops, produces, manufactures, cultivates, advertises, markets, promotes, sells and/or distributes cannabis or any Related Products and Services, other than (A) pursuant to any Commercial Arrangement, or on the terms and subject to the conditions of the Investor Rights Agreement, Subscription Agreement, the Altria Warrant Certificate and the Commercial Arrangement, or (B) to the Company and/or any of its subsidiaries, so long as any such use of trade names, trademarks, trade-secrets or other intellectual property rights with the Company and/or any of its subsidiaries is pursuant to an Approved Company Agreement; or

(iv) contract with or arrange for any third party (other than the Company or any of its subsidiaries) to do any of the foregoing.

Pre-Emptive Rights and Top-Up Rights

Pursuant to the terms of the Investor Rights Agreement, Altria, provided the Altria Group continues to beneficially own at least 20% of the issued and outstanding common shares of the Company, will have a right to purchase, directly or indirectly by another member of Altria Group, upon the occurrence of certain issuances of common shares by the Company (including issuances of common shares to Ginkgo under the Ginkgo Collaboration Agreement (each, a "**Ginkgo Issuance**")) (each, a "**Triggering Event**") and subject to obtaining the necessary approvals, up to such number of common shares issuable in connection with the Triggering Event which will, when added to the common shares beneficially owned by the Altria Group immediately prior to the Triggering Event, result in the Altria Group beneficially owning the same percentage of issued and outstanding common shares of the Company that the Altria Group beneficially owned immediately prior to the Triggering Event (in each case, calculated on a non-diluted basis). The price per common share to be paid by Altria pursuant to the exercise of its pre-emptive rights will be, subject to certain limited exceptions, the same price per common share at which the common shares are sold in the relevant Triggering Event; provided that the price per common share to be paid by Altria pursuant to the exercise of its pre-emptive rights in connection with a Ginkgo Issuance will be $16.25 per common share.

In addition, the Investor Rights Agreement provides Altria with top-up rights, exercisable on a quarterly basis, whereby, subject to obtaining the necessary approvals and for so long as Altria Group beneficially owns at least 20% of the issued and outstanding common shares of the Company, Altria shall have the right to subscribe for such number of common shares in connection with any Top-Up Securities (as defined below) that the Company may, from time to time, issue after the date of the Investor Rights Agreement, as will, when added to the common shares beneficially owned by the Altria Group prior to such issuance, result in the Altria Group beneficially owning the same percentage of issued and outstanding common shares of the Company that the Altria Group beneficially owned immediately prior to such issuance. "**Top-Up Securities**" means any common shares of the Company issued:

(i) on the exercise, conversion or exchange of convertible securities of the Company issued prior to the date of the Investor Rights Agreement or on the exercise, conversion or exchange of convertible securities of the Company issued after the date of the Investor Rights Agreement in compliance with the terms of the Investor Rights Agreement, in each case, excluding any convertible securities of the Company owned by any member of the Altria Group;

(ii) pursuant to any share incentive plan of the Company;

(iii) on the exercise of any right granted by the Company *pro rata* to all shareholders to purchase additional common shares and/or other securities of the Company (other than a right issued in a rights offering in which Altria had the right to participate);

(iv) in connection with *bona fide* bank debt, equipment financing or non-equity interim financing transactions with lenders to the Company, in each case, with an equity component; or

(v) in connection with *bona fide* acquisitions (including acquisitions of assets or rights under a license or otherwise), mergers or similar business combination transactions or joint ventures undertaken and completed by the Company,

in each case, other than (A) common shares issued pursuant to Altria's pre-emptive right and (B) common shares issued pursuant to the Ginkgo Collaboration Agreement.

The price per common share to be paid by Altria pursuant to the exercise of its top-up rights will be, subject to certain limited exceptions, the 10-day volume-weighted average price of the common shares of the Company on the TSX at the time of exercise; provided that the price per common share to be paid by Altria pursuant to the exercise of its top-up rights in connection with the issuance of common shares pursuant to the exercise of options or warrants that were outstanding on the date of closing of the Altria Investment will be $16.25 per common share.

Covenant of Altria

For a period commencing on the date of the Investor Rights Agreement and ending on the earlier of (i) the date on which the Altria Warrant has been exercised in full by Altria, and (ii) the expiry or termination of the Altria Warrant, the Investor Rights Agreement provides that, without the prior approval of an independent committee of the Board, no member of the Altria Group shall, directly or indirectly, acquire common shares of the Company (other than upon settlement of any common shares issued, sold and delivered pursuant to the proper exercise of rights contemplated by the Altria Warrant Certificate or the exercise of pre-emptive rights or top-up rights): (A) on the TSX, the NASDAQ or any other stock exchange, marketplace or trading market on which the common shares are then listed; (B) through private agreement transactions with existing holders of common shares; or (C) in any other manner or take any action which would require any public announcement with respect to any of the foregoing; provided that nothing shall prohibit any member of the Altria Group from making a take-over bid or commencing a tender offer, in each case, to acquire not less than all of the issued and outstanding common shares (other than any such common shares beneficially owned by any member of the Altria Group and its affiliates) in accordance with applicable law.

Registration Rights

The Investor Rights Agreement provides Altria with the right, subject to certain limitations and to the extent permitted by applicable law, to require the Company to use reasonable commercial efforts to file a prospectus under applicable securities laws and/or a registration statement, qualifying common shares of the Company held by Altria for distribution in Canada and/or the United States. In addition, the Investor Rights Agreement provides Altria with the right to require the Company to include common shares of the Company held by Altria in any proposed distribution of common shares in Canada and/or the United States by the Company for its own account.

Commercial Arrangements

In connection with the Altria Investment, the Company and Altria have entered into the Commercial Arrangements, pursuant to which Altria provides the Company with strategic advisory and consulting services on matters which may include research and development, marketing, advertising and brand management, government relations and regulatory affairs, finance, tax planning, logistics and other corporate administrative matters. The services under the Commercial Arrangements are provided on customary terms and for a services fee payable by the Company that is equal to Altria's reasonably allocated costs plus 5%.

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, 2018.

Risks Related to the Industry and the Company's Business

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

Our ability to grow, process, store and sell cannabis in Canada is dependent on our licenses from Health Canada, and in particular the Peace Naturals Licenses and the OGBC Production 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. Although Peace Naturals and OGBC believe they will meet the requirements of the Cannabis Act 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, manufacture and process cannabis-related products, conduct research related to cannabis in Australia, import and sell cannabis in Australia and export cannabis from 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. 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.

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. 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. Our ability to export products from Cronos Israel is also dependent on obtaining the relevant export permits.

Our ability to construct our Cronos GrowCo cannabis facility in Kingsville, Ontario is dependent on Cronos GrowCo being granted the relevant customary building and construction permits from the relevant municipalities and townships. In addition, our ability to grow, transport and process cannabis at the facility depends on being granted the appropriate licenses from Health Canada. However, there is no assurance that Cronos GrowCo will be able to obtain such permits or licenses on commercially reasonable terms, if at all.

Our ability to construct the NatuEra cannabis facility in Colombia is dependent on NatuEra being granted the relevant customary building and construction permits from local authorities. In addition, our ability to propagate, cultivate, process and distribute cannabis in Colombia is dependent on being granted the appropriate licenses from the Ministry of Health and Social Security. However, there is no assurance that NatuEra will be able to obtain such permits or licenses on commercially reasonable terms, if at all. Our ability to export products from NatuEra is dependent on our ability to obtain the relevant export permits.

In the United States, despite cannabis possession and use having been legalized at the state level for medical use in many states and for adult-use in a number of states, most forms of cannabis (other than Hemp) continue to be categorized as a Schedule I controlled substance under the CSA and subject to the Controlled Substances Import and Export Act ("**CSIEA**"). Ginkgo's ability to conduct certain R&D activities under the Ginkgo Collaboration Agreement is conditional on Ginkgo continuing to maintain all necessary licenses, permits and approvals required for Ginkgo to perform such R&D activities. In November 2018, Ginkgo received a DEA Researcher (I) Controlled Substance Registration Certificate and a Researcher Controlled Substance Registration Certificate from the Massachusetts Department of Public Health that allow Ginkgo to lawfully conduct the specified research involving cannabinoids, including all "coincident activities" authorized by law. However, there are no assurances that Ginkgo will be able to maintain such licenses, permits and approvals and, to the extent such licenses, permits and approvals are not maintained, we may not realize the expected benefits of the Ginkgo Strategic Partnership. Violations of any U.S. federal laws and regulations, such as the CSA and the CSIEA, could result in civil, criminal and/or administrative enforcement actions, which could result in fines, penalties, and other sanctions, including but not limited to, cessation of business activities. While the Company has received confirmation from Health Canada that the method of production for the target cannabinoids under the Ginkgo Strategic Partnership is permitted under the Cannabis Act, the Cannabis Act is new legislation and may be subject to changes in interpretation over time. In addition, while the Company intends to produce and distribute the target cannabinoids developed under the Ginkgo Strategic Partnership in all jurisdictions where such distribution is legally permissible, there can be no guarantee that the Company will obtain the relevant licenses, permits and approvals to produce and distribute such products or derivative products in any jurisdiction. See "*Description of the Business – Regulatory Framework Applicable to the Ginkgo Strategic Partnership*".

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 cannabis 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 cannabis industry is still a new industry and, in Canada, in particular the Cannabis Act, 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.

License Holders, 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 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 Cannabis Act and various other laws, regulations and guidelines relating to the marketing, acquisition, manufacture, packaging/labelling, management, transportation, storage, sale and disposal of 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.

While the production of cannabis in Canada is under the regulatory oversight of the Government of Canada, the distribution of adult-use cannabis in Canada is the responsibility of the provincial and territorial governments. The distribution and sale of adult-use cannabis in Ontario is primarily governed by the *Cannabis Control Act, 2017,* the *Cannabis Licence Act*, *2018* and the related regulations. The Ontario Cannabis Retail Corporation is the wholesale distributor of cannabis and conducts all online sales in the province. Private retail is expected to be permitted by April 2019 and will be regulated by the AGCO. Only twenty-five private stores will be licensed by the AGCO for an initial period, with more expected to follow. The Ontario Cannabis Retail Corporation provides online sales of adult-use cannabis in the interim. The impact of this new legislative regime, and of the legislation regulating adult-use cannabis passed in other provinces and territories, on the cannabis industry and our business plans and operations is uncertain. There is no guarantee that the applicable legislation regulating the distribution and sale of cannabis for adult-use purposes will create or allow for the growth opportunities we currently anticipate.

Changes in the regulations governing 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 governing the production, sale and use of cannabis and cannabis-based products, more stringent implementation or enforcement thereof or other unanticipated events, including changes in political regimes or political instability, currency controls, fluctuations in currency exchange rates and rates of inflation, labour unrest, changes in taxation laws, regulations and policies, restrictions on foreign exchange and repatriation, changing political conditions and governmental regulations relating to foreign investment and the cannabis business more generally, and changes in 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. Specifically, our operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on advertising, production, price controls, export controls, controls on currency remittance, increased income taxes, restrictions on foreign investment, land and water use restrictions and government policies rewarding contracts to local competitors or requiring domestic producers or vendors to purchase supplies from a particular jurisdiction. Failure to comply strictly with applicable laws, regulations and local practices could result in additional taxes, costs, civil or criminal fines or penalties or other expenses being levied on our international operations, as well as other potential adverse consequences such as the loss of necessary permits or governmental approvals.

Furthermore, additional countries continue to pass laws that allow for the production and distribution of cannabis 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 legislation governing adult-use cannabis in Canada will allow for growth.

There is no guarantee that the existing federal, provincial and territorial legislation regulating the cultivation, distribution and sale of adult-use cannabis in Canada will not be amended or repealed and new legislation may come into force that may not provide for or may restrict the growth opportunities that are currently anticipated. While the impact of any new legislative framework for the regulation of adult-use cannabis in Canada is uncertain, any of the foregoing could result in a material adverse effect on our business, financial condition and results of operations.

The effect of the legalization of adult-use cannabis in Canada on the medical cannabis industry is still uncertain, and it may have a significant negative effect upon our medical cannabis business if our existing or future medical use customers decide to purchase products available in the adult-use market instead of purchasing medical use products from us.

The Cannabis Act allows individuals over the age of 18 to legally purchase, process and cultivate limited amounts of cannabis for adult-use in Canada, subject to provincial and territorial age restrictions. As a result, individuals who rely upon the medical cannabis market to supply their medical cannabis and cannabis-based products may cease this reliance, and instead turn to the adult-use cannabis market to supply their cannabis and cannabis-based products. Factors that will influence this decision include the price of medical cannabis products in relation to similar adult-use cannabis products, the amount of active ingredients in medical cannabis products in relation to similar adult-use cannabis products, the types of cannabis products available to adult users and limitations on access to adult-use cannabis products imposed by the regulations under the Cannabis Act and the legislation governing distribution of cannabis that has been enacted by the individual provinces and territories of Canada.

The impact of the legalization of adult-use cannabis in Canada on the medical cannabis industry is still being determined. A decrease in the overall size of the medical cannabis market as a result of the adoption of the Cannabis Act and the legal adult-use market in Canada may reduce our medical sales and revenue prospects in Canada.

We may be unsuccessful in competing in the legal adult-use cannabis market in Canada.

We face competition from existing License Holders licensed under the Cannabis Act. Certain of these competitors may have significantly greater financial, production, marketing, R&D and technical and human resources than we do. As a result, our competitors may be more successful than us in gaining market penetration and market share in the adult-use cannabis industry in Canada. Our commercial opportunity in the adult-use market could be reduced or eliminated if our competitors produce and commercialize products for the adult-use market that, among other things, are safer, more effective, more convenient or less expensive than the products that we may produce, have greater sales, marketing and distribution support than our products, enjoy enhanced timing of market introduction and perceived effectiveness advantages over our products and receive more favorable publicity than our products. If our adult-use products do not achieve an adequate level of acceptance by the adult-use market, we may not generate sufficient revenue from these products, and our proposed adult-use business may not become profitable.

The Cannabis Act proposes to allow individuals to cultivate, propagate, harvest and distribute up to four cannabis plants per household, despite certain provincial restrictions, provided that each plant meets certain requirements. If we are unable to effectively compete with other suppliers to the adult-use cannabis market, or a significant number of individuals take advantage of the ability to cultivate and use their own cannabis, our success in the adult-use business may be limited and may not fulfill the expectations of management.

The Cannabis Act also imposes further packaging, labelling and advertising restrictions on License Holders in the adult-use market. 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, then our sales and operating results could be adversely affected. Further, if we fail to comply with the packaging, labelling and advertising restrictions, we will be subject to monetary penalties, required to suspend sale of noncompliant products and/or be disqualified as a vendor by government-run provincial distributors.

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 such 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, political 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.

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 risks; 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 condition 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 other R&D activities outside of Canada, controlled substance and other legislation and treaties 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. For a description of the regulatory framework applicable to the Ginkgo Strategic Partnership, see "*Description of the Business – Regulatory Framework Applicable to Ginkgo Strategic Partnership*".

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.

In the case of the Ginkgo Strategic Partnership, the Company will have, pursuant to the Ginkgo Collaboration Agreement, the exclusive right to use and commercialize the key patented intellectual property related to the production of the target cannabinoids globally. However, there can be no assurance that Ginkgo will be able to develop microorganisms that we will be able to commercialize or to obtain patents relating to production of the target cannabinoids, or that third parties will not develop similar microorganisms or obtain patents that may restrict our ability to commercialize the microorganisms developed by Ginkgo, and, as a result, there can be no assurance that we will be able to realize the expected benefits of the Ginkgo Strategic Partnership. Even if we are able to commercialize, there may not be demand for such products or the cultured cannabinoids developed therefrom.

Pursuant to the Ginkgo Collaboration Agreement, upon Ginkgo's demonstration that the microorganisms are capable of producing the target cannabinoids above a minimum productivity level, the Company will issue to Ginkgo up to approximately 14.7 million common shares in the aggregate. Tranches of these common shares will be issued as each of the Equity Milestone Events is reached. The issuance of such common shares, if any, would dilute holders of common shares.

In addition, pursuant to the Ginkgo Collaboration Agreement, if the Company undergoes a change of control that is approved by the Board, Ginkgo may elect to receive cash payments, totalling up to US$100 million, in lieu of the common shares that would otherwise become issuable in connection with any Equity Milestone Events achieved following such election (the "**Milestone Cash Election**"). If the Company undergoes a change in control that has not been approved by the Board, then Ginkgo will have the ability to terminate the Ginkgo Collaboration Agreement immediately, in which case, among other things: (i) all rights or licenses granted to the Company by Ginkgo under the Ginkgo Collaboration Agreement will terminate; (ii) certain expenses and costs incurred by Ginkgo will be accelerated and become due and payable by the Company; (iii) the then-outstanding and unpaid portion of all cash payments from the Company to Ginkgo for the achievement of R&D milestones by Ginkgo shall be due immediately as if all R&D milestones had been achieved; and (iv) a lump sum cash payment equal to the aggregate of all Milestone Cash Election amounts in respect of which the relevant Equity Milestone Events have not yet been achieved will be immediately due and payable by the Company. We may not have enough cash to pay any cash obligations with respect to any change of control contemplated by the Ginkgo Collaboration Agreement. In such event, we would need to finance such payment through additional debt or equity financing, which might not be available on acceptable terms, or at all. In addition, should Ginkgo terminate the Ginkgo Collaboration Agreement upon a change of control, we will no longer be able to use or commercialize the key patented intellectual property related to the production of the target cannabinoids, which could have a material adverse effect on our business, financial condition and results of operations. See "*Description of Business – Recent Company Developments – Strategic Partnership with Ginkgo*".

In the case of the Technion Research Agreement, the Company will have access to the results of preclinical studies conducted by Technion over a three-year period, focusing on acne, psoriasis and skin repair. However, there can be no assurance that the preclinical studies will provide any actionable findings, as a result, there can be no assurance that we will be able to realize the expected benefits of the Technion Research Agreement. Even if the results are actionable, and we are able to develop commercial products based on such research, there may not be demand for such products. See "*Description of Business – Recent Company Developments – Technion Research Agreement* ".

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 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 existing production facilities in Canada are integral to our operations and any adverse changes or developments affecting our facilities 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 Production Licenses 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. Building 4 may not become fully operational in a timely fashion, or at all. 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 the proposed production facilities of NatuEra and Cronos Australia will be subject to obtaining the relevant building permits and other customary approvals, and the commencement of operations of Cronos GrowCo 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.

The Canadian excise duty framework may affect profitability.

Canada's excise duty framework imposes an excise duty and various regulatory-like restrictions on certain cannabis products sold in Canada. We currently hold all licenses issued by the Canada Revenue Agency ("**CRA**") required to comply with this excise framework. Although we believe we will meet the requirements of the *Excise Act, 2001* and the regulations thereunder for maintenance and extension of our licenses, there can be no guarantee that CRA will extend or renew the licenses or that CRA will not revoke the licenses. Should CRA not extend or renew the licenses, or should we have the licenses revoked, our business, financial condition and results of operations will be materially adversely affected. Additionally, any change in the rates or application of excise duty to cannabis products sold by us, and any restrictive interpretations by the CRA or the courts of the regulatory-like restrictions contained in the *Excise Act, 2001* (which may be different than those contained in the Cannabis Act) may affect our profitability and ability to compete in the market.

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. 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 public perception 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 License Holders generally, which could have a material adverse effect on our business, financial condition and results of operations.

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 shareholders, directors, officers and employees may require security clearance from Health Canada. Under the Cannabis Act, 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 Cannabis Act 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 on our operations and 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 which can respond 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 in Canada 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, and, in the event we are successful, it is possible that there may be little or no demand for the products we develop, 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-existent 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 customers or acquire new customers.

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 many registered patients, the actual number of patients purchasing products from Peace Naturals may vary from time to time. Our failure to acquire and retain customers 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 a delay or indefinite postponement of our current business objectives or cause us to go 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, 2018, 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.

The adult-use cannabis market in Canada may become oversupplied following the recent implementation of the Cannabis Act and the related legalization of cannabis for adult-use.

As a result of the recent implementation of the Cannabis Act and the legalization of adult cannabis use, numerous additional cannabis producers may enter the Canadian market. We and such other cannabis producers may produce more cannabis than is needed to satisfy the collective demand of the Canadian medical and proposed adult-use markets, and we may be unable to export that over-supply into other markets where cannabis use is fully legal under all federal and state or provincial laws. As a result, the available supply of cannabis could exceed demand, resulting in a significant decline in the market price for cannabis. If this were to occur, there is no assurance that we would be able to generate sufficient revenue from the sale of adult-use cannabis to result in profitability, which could have a material adverse effect on our business, financial condition and results of operations.

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 cannabis industry in Canada or in other international jurisdictions. 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 breaches, which may cause our customers to lose confidence in our security and data protection measures and may expose us to 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 customers from choosing our products.

In addition, we collect and store personal information about our customers 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 customer 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 or 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 or those of our third-party suppliers, even if no breach has been attempted or occurred, could adversely impact our brand and reputation and customers could lose confidence in our security measures and reliability, which would harm our ability to retain customers 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 may be subject to, or prosecute, litigation in the ordinary course of business.

We are subject to litigation, claims and other legal and regulatory proceedings from time to time in the ordinary course of business, some of which may adversely affect our business, financial condition and results of operations. Plaintiffs in class action and other lawsuits against us may seek very large or indeterminate amounts, including punitive damages, which may remain unknown for substantial periods of time. 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, which could have an adverse effect on our business, financial condition and results of operations.

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. While our revenue has grown in recent years, our ability to manage and sustain revenue growth will depend on a number of factors, many of which are beyond our control, including, but not limited to, the availability of sufficient capital on suitable terms, changes in laws and regulations respecting the production of cannabis products, competition from other License Holders, the size of the black market and the proposed legal adult-use market, and our ability to produce sufficient volumes of our cannabis-based pharmaceutical products to meet patient demand. In addition, we are subject to a variety of business risks generally associated with developing companies. 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, that 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 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 the domestic front, the number of licenses granted and the number of License Holders 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 Cannabis Act 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 that we are prohibited from offering to individuals as they are not currently permitted by the Cannabis Act. 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. Further, the adult-use market may detract from medical sales. To remain competitive, we will require a continued high level of investment in R&D, sales and customer support. We may not have sufficient resources to maintain R&D, sales and customer support efforts on a competitive basis which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, the federal authorization of home cultivation, outdoor grow, and the easing of other barriers to entry into a Canadian adult-use 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.

We rely on third-party distributors to distribute our products, and those distributors may not perform their obligations.

We rely on third-party distributors, including pharmaceutical distributors and other courier services, and may in the future rely on other third parties, to distribute our products. If these distributors do not successfully carry out their contractual duties, if there is a delay or interruption in the distribution of our products or if these third parties damage our products, it could negatively impact our revenue. In addition, any damage to our products, such as product spoilage, could expose us to potential product liability, damage our reputation and the reputation of our brands or otherwise harm our business.

We may not supply the provinces and territories of Canada with our products in the quantities anticipated, or at all.

We have entered into binding Master Supply Agreements with the Ontario Cannabis Retail Corporation and the British Columbia Liquor Distribution Branch, have secured listings and Supplier Terms and Conditions with the Nova Scotia Liquor Corporation and Prince Edward Island Liquor Corporation and have secured listings with various private retailers in Saskatchewan. The Master Supply Agreements, each of which we understand to be substantially similar in all material respects with the master supply agreements entered into with the other License Holders in the cannabis industry, do not contain any binding minimum purchase obligations on the part of the relevant provincial purchaser. Such Master Supply Agreements contain provisions stating that the relevant provincial purchaser has no obligation to purchase any products from us. Similarly, the Supplier Terms and Conditions, which we understand to be substantially similar in all material respects with the supplier terms and conditions provided to other License Holders in the cannabis industry, do not contain any minimum purchaser obligations from either of the relevant provincial purchasers.

Given that the above-mentioned arrangements are intended to facilitate purchases on a continuing basis, rather than provide for one-time purchases, we expect purchase orders to be primarily driven by end-consumer demand for our products and the relevant provincial purchaser supply at the relevant time. Accordingly, we cannot predict the quantities of our products that will be purchased by the provincial purchasers, or if our products will be purchased at all. Any inability to secure purchase orders with the various provincial purchasers could have a material adverse effect on our business, financial condition or 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 or engaging any third-party supplier with a substantial presence where cannabis is not federally legal (including the U.S.). 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.

U.S. border officials could deny entry into the U.S. to our management, employees and/or investors.

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with cannabis businesses. Entry happens at the sole discretion of the U.S. Customs and Border Protection officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. Travellers attempting to enter the U.S. for reasons related to the cannabis industry may be deemed inadmissible, and business or financial involvement in the legal cannabis industry in Canada or in the U.S. could also be reason enough for U.S. border guards to deny entry.

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 we 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 are 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 brought 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 the 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 we face, 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 our potential liabilities.

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.

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

On May 23, 2018, our common shares commenced trading on the TSX. Being listed on the TSX creates exposure for us at a higher level than what we experienced under the TSX-V. We must comply with the TSX guidelines when conducting business, especially when pursuing international opportunities.

On October 16, 2017, the TSX provided clarity regarding the application of Section 306 (Minimum Listing Requirements), Section 325 (Management) and Part VII (Halting of Trading, Suspension and Delisting of Securities) of the TSX Company Manual (collectively, the "**Requirements**") to TSX-listed issuers with business activities in the cannabis sector. In TSX Staff Notice 2017- 0009, the TSX notes that issuers with ongoing business activities that violate U.S. federal law regarding cannabis are not in compliance with the Requirements. The TSX reminded issuers that, among other things, should the TSX find that a listed issuer is engaging in activities contrary to the Requirements, the TSX has the discretion to initiate a delisting review. Failure to comply with the Requirements could have a material adverse effect on our business, financial condition and results of operations.

Failure to establish and maintain effective internal control over financial reporting may result in us not being able to accurately report our financial results, which could result in a loss of investor confidence and adversely affect the market price of our common shares.

We are responsible for establishing and maintaining adequate internal control over financial reporting, which is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Because of our inherent limitations and the fact that we are now a non-venture company and are implementing new financial control and management systems, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A failure to prevent or detect errors or misstatements may result in a decline in the price of our common shares and harm our ability to raise capital in the future.

If our management is unable to certify the effectiveness of our internal controls or if material weaknesses or significant deficiencies in our internal controls are identified, we could be subject to regulatory scrutiny and a loss of public confidence, which could harm our business and cause a decline in the price of our common shares. In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to accurately report our financial performance on a timely basis, which could cause a decline in the price of our common shares and harm our ability to raise capital. Failure to accurately report our financial performance on a timely basis could also jeopardize our listing on the TSX or NASDAQ. Delisting of our common shares on any exchange would reduce the liquidity of the market for our common shares, which would reduce the price of and increase the volatility of the price of our common shares.

We do not expect that our disclosure controls and procedures and internal control over financial reporting will prevent all error or fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results could be materially adversely affected, which could also cause investors to lose confidence in our reported financial information, which in turn could result in a reduction in the trading price of the common shares.

We are 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 protection 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.

We license some intellectual property rights, and the failure of the owner of such intellectual property to properly maintain or enforce the intellectual property underlying such licenses could have a material adverse effect on our business, financial condition and performance.

We are party to a number of licenses, including through MedMen Canada and the Ginkgo Strategic Partnership, that give us rights to use third-party intellectual property that is necessary or useful to our business. Our success will depend, in part, on the ability of the licensor to maintain and enforce its licensed intellectual property, in particular, those intellectual property rights to which we have secured exclusive rights. Without protection for the intellectual property we have licensed, other companies might be able to offer substantially similar products for sale or utilize substantially similar processes, which could have a material adverse effect on our business, financial condition and results of operations.

Any of our licensors may allege that we have breached our license agreement, whether with or without merit, and accordingly seek to terminate our license. If successful, this could result in our loss of the right to use the licensed intellectual property, which could adversely affect our ability to commercialize our products or services, as well as have a material adverse effect on our business, financial condition and results of operations.

Conflicts of interest may arise between us and our directors and officers, including as a result of the continuing involvement of certain of our directors with Altria and its affiliates.

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, including business obligations related to the employment or involvement of certain of our directors with Altria and its affiliates. These business interests could require significant time and attention of our directors and executive officers and could lead to conflicts of interests between us and our directors and officers, as described below.

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 of our 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 the Altria Investment

Altria has significant influence over us following closing of the Altria Investment.

Altria is our single largest shareholder. As of the closing date of the Altria Investment, Altria beneficially owned approximately 45% of the Company's issued and outstanding common shares (calculated on a non-diluted basis). In light of such ownership, Altria is in a position to exercise significant influence over matters affecting shareholders or requiring shareholder approval, including the election of the Board, amendments to the articles and by-laws of the Company and the determination of significant corporate actions. In addition, pursuant to the Investor Rights Agreement, Altria has certain rights, including the right to nominate a specified number of directors to the Board, approval rights over certain Company actions and pre-emptive and top-up rights entitling Altria to maintain its *pro rata* beneficial ownership in the Company. Further, as of the date hereof, four of the seven directors on the Board are Altria Nominees. For more information see "*Description of the Business – Arrangements with Altria – The Investor Rights Agreement*".

Upon exercise of the Altria Warrant in full, assuming no other securities of the Company are issued, Altria will beneficially hold in excess of a majority of the voting rights of the issued and outstanding common shares and would have the right to elect the entire Board and be able to exercise a controlling influence over our business and affairs, including the selection of our senior management, the acquisition or disposition of our assets, the payment of dividends and any change of control of us, such as a merger or take-over.

Accordingly, Altria currently has significant influence over us and has the ability to increase this influence at any time upon the exercise of the Altria Warrant. There can be no assurance that Altria's interests will align with our interests or the interests of other shareholders. In addition, such influence could limit the price that an acquirer might be willing to pay in the future for common shares and it may have the effect of delaying or preventing a change of control of us, such as a merger or take-over.

We have discretion in the use of net proceeds from the Altria Investment and may not use them effectively.

Under the Subscription Agreement, we have discretion in the use of net proceeds from the Altria Investment, subject to our obligation to consult with Altria, approval of Altria (such approval not to be unreasonably conditioned, withheld or delayed) and certain other limitations regarding the use of net proceeds set forth in the Subscription Agreement. Accordingly, shareholders may not agree with the manner in which management chooses to allocate and spend the net proceeds. Our failure to apply the funds effectively could have a material adverse effect on our business and financial condition.

As a result of the Altria Investment, we have cash on hand of approximately $2,419,669,635. There can be no assurance that we will be able to deploy the available cash in an effective manner that is accretive to us, or at all. Until such time as we are able to deploy the cash available to us, we anticipate holding the net proceeds as cash balances in our bank account or investing in certificates of deposit and other instruments issued by banks or obligations of or guaranteed by the Government of Canada or any province thereof or in U.S. Treasury securities or other obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities. Until such time as the cash from the Altria Investment is deployed, there can be no assurance that we will earn any material revenue from the invested cash.

We may not realize the benefits of our strategic partnership with Altria, which could have an adverse effect on our business and results of operations.

We believe that the strategic partnership between us and Altria provides us with additional financial resources, product development and commercialization capabilities, and deep regulatory expertise to better position us to compete, scale and lead the rapidly growing global cannabis industry. We believe that the growth opportunities for us are significant and extend across the globe as markets open. With Altria's resources, we expect to be even better positioned to support cannabinoid innovation, create differentiated products and brands across medical and adult-use categories, and expand our global footprint and growing production capacity. Nevertheless, a number of risks and uncertainties are associated with the expansion into such markets and the pursuit of these other growth opportunities. The successful implementation of the Altria Investment is critical to our growth and capital funding. The failure to successfully implement any of these strategic initiatives could have a material adverse effect on our business and results of operations.

Any common shares issued pursuant to the exercise of the Altria Warrant will dilute shareholders.

The Altria Warrant may be exercised in full or in part at any time on or prior to March 8, 2023, from time to time, and entitles the holder thereof, upon valid exercise in full thereof, to acquire, accept and receive from the Company an aggregate of 73,990,693 common shares of the Company (subject to adjustment in accordance with the terms of the Altria Warrant Certificate), which represents 40% of the issued and outstanding common shares as of December 31, 2018 or 22% of the issued and outstanding common shares immediately following the closing of the Altria Investment (on a non-diluted basis). Any issuance of common shares pursuant to the exercise of the Altria Warrant would dilute all other shareholders of the Company.

Altria's significant interest in the Company may impact the liquidity of the common shares.

Our common shares may be less liquid and trade at a discount relative to the trading that could occur in circumstances where Altria did not have the ability to significantly influence or determine matters affecting us. Additionally, Altria's significant voting interest in us may discourage transactions involving a change of control of us, including transactions in which an investor, as a shareholder, might otherwise receive a premium for its common shares over the then-current market price.

The change of control provisions in certain of our existing or future contractual arrangements may be triggered upon the exercise of the Altria Warrant in part or in full.

Certain of our existing or future contractual arrangements may include change of control provisions requiring us to make certain payments if the change of control trigger is fulfilled. The change of control provisions in certain of our existing arrangements, including, but not limited to, compensatory arrangements, or agreements we may enter into in the future, may be triggered upon the exercise of the Altria Warrant in part or in full.

Future sales of our common shares by Altria could cause the market price for our common shares to fall.

Sales of a substantial number of our common shares in the public market by Altria could occur at any time. Such sales, or the market perception of such sales, could significantly reduce the market price of our common shares. We cannot predict the effect, if any, that future public sales of the common shares of the Company beneficially owned by Altria or the availability of these common shares for sale will have on the market price of our common shares. If the market price of our common shares were to drop as a result, this might impede our ability to raise additional capital and might cause a significant decline in the value of the investments of our other shareholders.

The intentions of Altria regarding its long-term economic ownership of our common shares are subject to change as a result of changes in the circumstances of Altria or its affiliates, changes in our management and operation and changes in tax laws, market conditions and our financial performance.

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.

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 (see " – *Future sales of our common shares by Altria could cause the market price for our common shares to fall*");
- 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;
- reports by industry analysts, investor perceptions, and market rumours or speculation;
- negative announcements by our customers, competitors, suppliers regarding their own performance; 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**").

For example, reports by industry analysts, investor perceptions, market rumors or speculation could trigger a sell-off in our common shares. Any sales of substantial numbers of the common shares in the public market or the perception that such sales might occur may cause the market price of the common shares to decline. In addition, to the extent that other large companies within the cannabis industry experience declines in their stock price, the share price of the common shares may decline as well. Moreover, when the market price of a company's shares drops significantly, shareholders often institute securities class action lawsuits against the company. Lawsuits against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources.

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 listing of our common shares on the NASDAQ may increase the trading price volatility on the TSX 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 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 have been the target of such litigation and may in the future be the target of similar litigation. Regardless of merit, such 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. See " *– Risks Related to the Industry and Our Business - We may be subject to or prosecute litigation in the ordinary course of business ".*

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 securities 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 we are deemed to be a "large accelerated filer" (as defined in Rule 12b-2 under the Exchange Act) 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. 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 incur increased costs as a result of being a public company in the U.S., and our management is 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. These 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 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 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 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 have undertaken 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 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.

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 are 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 do not file the same reports that a U.S. domestic issuer would file with the SEC, although we are 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 are exempt from the rules and regulations under the Exchange Act related to the furnishing and content of proxy statements. We are also exempt from Regulation FD, which prohibits issuers from making selective disclosures of material non-public information. While we 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, 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.

As of the closing date of the Altria Investment, Altria beneficially owned approximately 45% of the issued and outstanding common shares of the Company (calculated on a non-diluted basis) and, if exercised in full on such date, the exercise of the Altria Warrant would result in Altria holding a total ownership interest in the Company of approximately 55% of the issued and outstanding common shares of the Company (calculated on a non-diluted basis).

We will in the future lose our foreign private issuer status if a majority of our common shares are held by persons in the United States and we fail to meet any of the additional requirements necessary to avoid loss of foreign private issuer status, such as if: (i) a majority of our directors or executive officers are U.S. citizens or residents; (ii) a majority of our assets are located in the United States; or (iii) our business is administered principally in the United States. Although we have elected to comply with certain U.S. regulatory provisions, our loss of foreign private issuer status would make such provisions mandatory and would impose additional requirements.

The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer would be greater than the costs incurred as a Canadian foreign private issuer. If we are not a foreign private issuer, we would need to begin preparing our financial statements in compliance with U.S. Generally Accepted Accounting Principles rather than International Financial Reporting Standards ("**IFRS**"), 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 foreign private issuers. 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 our securities.

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 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 our securities are owned by a limited number of existing shareholders.

Our management, directors and employees own a substantial number of our outstanding common shares (on a fully diluted basis). In addition, as of the closing date of the Altria Investment, Altria beneficially owned approximately 45% of our outstanding common shares (calculated on a non-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 and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that our Board 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 our common shares.

Based on current business plans and financial expectations, the Company does not expect to be a passive foreign investment company ("**PFIC**") for the current taxable year ending December 31, 2019 and does not expect to become a PFIC in the foreseeable future. However, 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 the current taxable year or 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. 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.

If we are a PFIC for any taxable year during which a U.S. Holder (as defined below) holds common shares of the Company, 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 common shares of the Company, 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 common shares of the Company 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 not declared any 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 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 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 332,979,577 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 stock option plan (the "**Option Plan**") of the Company is administered by the Board, which is responsible for establishing the limitations, restrictions and conditions of option grants, including 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 12,853,136 common shares pursuant to the Option Plan are granted and outstanding.

MARKET FOR SECURITIES

The Company's common shares are listed and traded on the TSX and on the NASDAQ under the trading symbol "CRON".

The following table sets forth the reported intraday high and low prices and monthly trading volumes of the common shares on the TSX for the period from May 23, 2018, the first trading day of the common shares on the TSX, to the close of trading on March 22, 2019:

Period	High Trading Price ($)	Low Trading Price ($)	Total Volume for Period
March 1 to March 22, 2019	32.60	25.81	38,461,850
February, 2019	32.95	24.85	68,367,608
January, 2019	26.74	13.97	49,437,976
December, 2018	18.56	11.22	51,768,332
November, 2018	13.04	9.45	31,064,847
October, 2018	16.84	8.47	59,680,507
September, 2018	19.81	12.05	103,679,117
August, 2018	16.89	7.33	63,587,728
July, 2018	9.45	7.37	7,513,535
June, 2018	10.79	8.05	20,160,444
May 23 to May 31, 2018	8.66	7.65	3,395,781

(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 TSX-V for the period from January 1, 2018 to May 22, 2018, the last trading day of the common shares on the TSX-V:

Period	High Trading Price ($)	Low Trading Price ($)	Total Volume for Period
May 1 to May 22, 2018	8.74	7.06	8,588,409
April, 2018	9.94	6.57	15,180,117
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

(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 from February 27, 2018, the first trading day of the common shares on the NASDAQ, to the close of trading on March 22, 2019:

Period	High Trading Price (US$)	Low Trading Price (US$)	Total Volume for Period
March 1 to March 22, 2019	24.37	19.22	30,613,802
February, 2019	25.10	18.72	94,436,672
January, 2019	20.35	10.25	60,970,883
December, 2018	13.95	8.51	47,501,780
November, 2018	9.95	7.23	29,651,373
October, 2018	13.00	6.50	55,934,041
September, 2018	15.30	9.26	111,605,230
August, 2018	12.89	5.61	65,939,495
July, 2018	7.18	5.66	7,428,955
June, 2018	8.15	6.09	18,312,567
May, 2018	6.85	5.50	9,469,318
April, 2018	7.92	5.13	8,467,268
March, 2018	10.38	6.36	12,029,187
February 27 to February 28, 2018	9.17	7.17	2,348,425

(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, 2018 and the date hereof.

Date of Issuance	Security	Issuance/Exercise Price Per Security ($)	Number of Securities
January 30, 2018	Options	8.40	280,000
January 31, 2018	Options	9.00	150,000
May 17, 2018	Options	7.57	1,195,000
June 28, 2018	Options	8.22	180,000
September 13, 2018	Options	14.70	25,000
October 12, 2018	Options	11.80	30,000
December 14, 2018	Options	15.29	50,000
March 8, 2019	Warrant	19.00	73,990,693

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.

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 Group Since	Position Held with Cronos Group	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly[3]
Michael Gorenstein New York, New York, United States	May 2016 to Present CEO of Cronos Group 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] (0.52%)
Jason Adler[2] New York, New York, United States	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] (2.14%)

Name and Municipality Residence	Principal Occupation for Last Five Years	Director/Officer of Cronos Group Since	Position Held with Cronos Group	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly(3)
James Rudyk(1)(2) Toronto, Ontario, 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	Nil
Kevin C. Crosthwaite Jr. Richmond, Virginia, United States	June 2018 to Present, Senior Vice President and Chief Growth Officer at Altria April 2017 to June 2018 President & Chief Executive Officer of Philip Morris USA Inc. November 2013 to April 2017 Vice President & General Manager of Philip Morris USA Inc.	March 8, 2019	Director	Nil
Bronwen Evans Toronto, Ontario, Canada	February 2019 to Present Principal, Evans Consulting September 2012 to February 2019 Founding Director and Chief Executive Officer at True Patriot Love Foundation	March 8, 2019	Director	Nil

Name and Municipality Residence	Principal Occupation for Last Five Years	Director/Officer of Cronos Group Since	Position Held with Cronos Group	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly(3)
Murray R. Garnick Richmond, Virginia, United States	January 2017 to Present Executive Vice President and General Counsel at Altria February 2008 to January 2017 Deputy General Counsel at Altria Client Services, Inc.	March 8, 2019	Director	Nil
Bruce A. Gates Alexandria, Virginia, United States	November 2017 to Present Founding Partner at Three Oaks Strategies LLC and Three Oaks Asset Management LLC May 2008 to November 2017 Senior Vice President, External Affairs at Altria Client Services	March 8, 2019	Director	Nil
William Hilson Toronto, Ontario, 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(5)	960,438 (0.29%)

Name and Municipality Residence	Principal Occupation for Last Five Years	Director/Officer of Cronos Group Since	Position Held with Cronos Group	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly(3)
David Hsu Toronto, Ontario, Canada	June 2018 to Present Chief Operating Officer of Cronos Group September 2016 to June 2018 Head of Operations at Cronos Group September 2016 Vice President at Deloitte/CRG Partners May 2012 to September 2016 Director at Deloitte/CRG Partners	June 12, 2018	Chief Operating Officer	333,318 (0.10%)
Xiuming Shum Toronto, Ontario, Canada	October 2017 to Present General Counsel of Cronos Group 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	Nil

Name and Municipality Residence	Principal Occupation for Last Five Years	Director/Officer of Cronos Group Since	Position Held with Cronos Group	Number of Common Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly(3)
Jerry Barbato Richmond, Virginia, United States	February 2019 to Present Senior Director, Strategy and Business Development at Altria Ventures Inc. June 2018 to February 2019 Senior Director of Corporate Strategy at Altria March 2017 to June 2018 Finance Director – U.S. Smokeless Tobacco Company at Altria April 2016 to March 2017 Senior Finance Manager – Corporate Planning at Altria August 2014 to April 2016 Senior Brand Manager – Philip Morris USA Inc. at Altria July 2012 to August 2014 Assistant General Manager at Richmark GmbH	April 15, 2019(5)	Chief Financial Officer(5)	Nil

(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.

(5) Effective April 15, 2019, Jerry Barbato will assume the role of Chief Financial Officer of the Company, and William Hilson will assume the newly created role of Chief Commercial Officer.

As of the date of this AIF, in aggregate, the directors and officers beneficially own, directly or indirectly, 9,712,763 or 2.92% 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 Company'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, President and CEO

Mike Gorenstein is the Chairman, President and CEO of Cronos Group. Mr. Gorenstein is also a Co-founder and Member of Gotham Green Partners. Before joining the Company, Mr. Gorenstein was the VP and General Counsel at Alphabet Partners, LP, a New York City based multi-strategy investment management firm, focused on identifying mispriced assets across various industries, asset classes and geographies. Prior to Alphabet Partners, LP, he was a corporate attorney at Sullivan & Cromwell LLP where he focused on mergers and acquisitions and capital markets transactions. Mr. Gorenstein graduated from the University of Pennsylvania Law School with a Juris Doctor (JD), the Wharton School at University of Pennsylvania with a certificate in Business Economics and Public Policy and the Kelley School of Business at Indiana University with a Bachelor of Science Business in Finance.

Jason Adler
Director

Jason Adler is the Co-founder and Managing Member of Gotham Green Partners, a private equity firm focused primarily on early-stage investing in companies in the cannabis industry. Prior to co-founding Gotham Green, Mr. Adler was the co-founder and Chief Executive Officer of Alphabet Partners, LP, a New York City based multi-strategy investment management firm, focused on identifying mispriced assets across various industries, asset classes and geographies. Prior to Alphabet Partners, LP, Mr. Adler also founded Geronimo, LLC, a broker dealer and member of the American Stock Exchange, that made markets in equity options, and he began his career as a Market Maker at G&D Trading. Mr. Adler graduated with a B.A. from the University of Rhode Island.

James Rudyk
Director

James Rudyk is currently the Chief Financial Officer of Roots Corporation (“ **Roots**”), a position he has held since January 2016. Mr. Rudyk is a seasoned executive with more than 25 years of financial and operational experience, and a track record of supporting ambitious growth plans. Prior to joining Roots, Mr. Rudyk 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 to over $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 Limited from 2004 to 2009. He received his Bachelor of Arts and Master of Accounting degree from the University of Waterloo. Mr. Rudyk is also a Chartered Professional Accountant and holds an ICD.D designation from the Institute of Corporate Directors.

Kevin C. Crosthwaite Jr.
Director

Kevin “K.C.” Crosthwaite, Jr. serves as Senior Vice President and Chief Strategy and Growth Officer at Altria. In this role, Mr. Crosthwaite identifies and pursues Altria’s strategic and innovative product growth priorities. Since joining Philip Morris USA in 1997, Mr. Crosthwaite has held several leadership positions across Altria’s family of companies, including President and Chief Executive Officer for Philip Morris USA, where he oversaw operations for Philip Morris USA and John Middleton, as well as Vice President, Strategy and Business Development, and Vice President & General Manager at Marlboro. Mr. Crosthwaite also led Altria Ventures’ international efforts with innovative tobacco products. Mr. Crosthwaite currently serves on the Board of Directors for United Negro College Fund and the Richmond Forum. Mr. Crosthwaite received his Bachelor of Arts from Marquette University and his Master of Business Administration (MBA) from Providence College.

Bronwen Evans
Director

Bronwen Evans is an independent consultant drawing on 20 years of experience in the charitable, corporate and government sectors to provide clients with business development and brand strategies for transformational growth. Ms. Evans was a Founding Director of the True Patriot Love Foundation, where she served as its first CEO from 2012 to 2019 and raised record funds to support 25,000 Canadian military and veteran families. Before that, Ms. Evans was the Vice President of Marketing and Corporate Affairs at Medcan Health Management, and became the company's first Chief Privacy Officer. She is a recipient of The Queen's Diamond Jubilee Medal (2012) and currently serves as Director, Secretary and Chair of the Governance Committee of Kingsway College School. Ms. Evans holds a Bachelor of Arts in Philosophy with Honors from McGill University, and a Master of Arts in Philosophy with a concentration in Biomedical Ethics from Carleton University.

Murray R. Garnick
Director

Murray Garnick serves as Executive Vice President and General Counsel of Altria. In his role since 2017, he leads the company's Law Department, Regulatory Affairs and Regulatory Sciences. Mr. Garnick previously served as Deputy General Counsel for Altria Client Services, a subsidiary of Altria, which provides professional services and support to Altria and its operating companies. At Altria, Mr. Garnick has led the legal support for sales, marketing, regulation, and product development and intellectual property matters. He has also supervised the management of tobacco, health and all other litigations brought against Altria and its operating companies. Prior to joining Altria in 2008 as Senior Vice President, Litigation and Associate General Counsel, Mr. Garnick served for more than two decades as a senior litigation partner at the law firm of Arnold & Porter in Washington, D.C. and currently serves on the Board of Trustees of Newseum in Washington, D.C. Mr. Garnick received his Bachelor of Arts from the University of Georgia and his Juris Doctor (JD) from the University of Georgia School of Law.

Bruce A. Gates
Director

Bruce Gates is a Founding Partner of Three Oaks Strategies LLC, a management, policy and communications consulting firm based in Alexandria, Virginia. He is also the founding partner of Three Oaks Asset Management LLC, a family office/venture capital firm. Prior to his retirement from Altria in November 2017, Mr. Gates served as a Senior Vice President of External Affairs for Altria Client Services. In his role, he led the Government Affairs and Corporate Affairs departments and directed the company's strategies involving governments, corporate communications, philanthropic programs and corporate social responsibility. Before assuming that role in 2011, Mr. Gates was Altria's Senior Vice President of Government Affairs. He currently serves on the board of a private company, Aliro, and also on a number of non-profit boards, including The Boulder Crest Retreat for Wounded Warriors and Veteran Wellness, D.C. Sail, and the Congressional Institute. Recently, he joined the Board of Trustees for the Ford's Theatre. Mr. Gates received his Bachelor of Arts from the University of Georgia.

William Hilson
Chief Financial Officer

William Hilson oversees accounting, financial reporting, payroll, procurement, tax, and treasury among other functions. Prior to joining Cronos Group, William was the President of Hillhurst Management Inc. and CFO for EMD Inc. and Serono Canada Inc. and Director of Finance for Hemosol Inc. William's specialty is in pharmaceuticals with a proven track record of driving business objectives and growth, increasing efficiencies, mitigating risk, and increasing profit. William graduated from the University of Western Ontario with an Honors Bachelor of Science in Genetics, from the University of Toronto with a Master of Science Clinical Biochemistry. His academic work has been published internationally. William is a member of the Board of Directors of EMD Inc., Canada; and EMD Crop Bioscience and he is also a member of Chartered Professional Accountants of Canada. Effective April 15, 2019, William will serve as Chief Commercial Officer of Cronos Group, a newly created role. As Chief Commercial Officer, William will report to the Chief Executive Officer and be responsible for further enhancing the commercial strategy as well as the product and research development priorities of the Company.

David Hsu
Chief Operating Officer

David oversees all of Cronos Group's operations including construction, cultivation and manufacturing as Chief Operating Officer. David is focused on continuous improvement by testing and integrating new technologies and automation to establish best practices in the cannabis industry. Prior to joining Cronos Group, David spent over ten years consulting with Deloitte and CRG Partners, a premier turnaround consulting firm, where he operated and managed distressed companies with revenues more than $500M. His expertise includes financial and operational restructuring, growth creation, and lean manufacturing gleaned from experience working in various sectors including consumer packaged goods, manufacturing, distribution, media, and transportation. David graduated from Babson College with a Bachelor of Science in Business Management and is a certified Lean Six Sigma Black Belt.

Xiuming Shum
General Counsel

Xiuming manages all legal and regulatory functions at Cronos Group, which informs the company's strategy and execution. Xiuming has a decade of transactional and in-house experience in mergers and acquisitions and regulatory change management. Prior to joining Cronos Group, Xiuming served as in-house counsel at BNP Paribas' Corporate and Institutional Banking division in New York and London, where she provided 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 Juris Doctor (JD) from Columbia Law School where she was a Harlan Fiske Stone Scholar and a first-class Bachelor of Laws degree from University College London in the U.K.

Jerry Barbato

Chief Financial Officer (effective April 15, 2019)

Jerry Barbato will assume the role of Chief Financial Officer of Cronos Group effective April 15, 2019. Jerry joins Cronos Group with 20 years of experience in strategic planning, corporate financial analysis and services, and brand management. Prior to joining Cronos Group, he held various roles within the Altria family of companies. Jerry joined Altria in 2003 and served in leadership roles within the Finance, Strategy & Business Development and Marketing functions, and most recently held the role of Senior Director of Corporate Strategy. He has broad experience in both finance and operating roles, as well as managing operations in regulated international markets. Jerry supported the *Marlboro* brand and provided analysis that shaped brand strategies for Altria's smokeable segment. He also served as Assistant General Manager for a joint venture, Richmark GmbH, in Zurich, Switzerland. Jerry holds a BS in Accounting from Marquette University and an MBA from the University of Maryland, University College.

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 is, as at the date of this 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:

(a) 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;

(b) 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;

(c) 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

(d) 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 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 former director of the Company, may have been considered a "promoter" of the Company under applicable Canadian securities laws within the Company's two most recently completed financial years 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, 122,602 common shares, comprising 0.04% of the issued and outstanding common shares. Mr. Friedman served as a director of the Company from August 21, 2012 to March 8, 2019, when he resigned as part of the reconstitution of the Board following the closing of the Altria Investment.

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 which is ongoing.

Wrongful Termination Claims

On October 31, 2017, a former Peace Naturals employee (Ms. Jennifer Caldwell) commenced a wrongful termination claim against Peace Naturals, Cronos Group and certain directors before the Ontario Superior Court of Justice, for $580,000 and 30,000 options in Cronos Group. On January 17, 2018, Peace Naturals and Cronos Group filed a counterclaim against Jennifer Caldwell and Mark Gobuty, the former CEO of Peace Naturals, for damages for conspiracy, fraud, conversion, breach of trust and/or fiduciary duty. On July 18, 2018, Jennifer Caldwell filed an amended statement of claim in which, among other things, the plaintiff discontinued the action against the directors. 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 Group 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. On April 30, 2018, the plaintiff filed an amended statement of claim which, among other things, discontinued the action against the directors. On January 30, 2019, the parties and Mandelbaum Spergel Inc., in its capacity as bankruptcy trustee of Mark Gobuty, agreed to settle the claims for a total of $643,732.30, net of applicable statutory deductions and withholdings, which Peace Naturals paid out of the amount held in escrow in connection with the purchase of Peace Naturals pursuant to the Share Purchase Agreement, dated July 14, 2016 between Cronos Group, Hortican Inc., the Barnes Family Trust, Anna Barnes and Peace Naturals and pursuant to the separation agreement which set out the terms and conditions of Mark Gobuty's resignation from Peace Naturals and which terms he has resiled. Mark Gobuty has filed a notice of discontinuance to discontinue the proceedings.

Evergreen Equity Litigation

On April 21, 2017, Cronos Group 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. On June 20, 2018, the plaintiff filed a notice of discontinuance in the Supreme Court of British Columbia to discontinue the proceeding against Hortican.

US Securities Class Action Claims

In September 2018, shortly following the publication by a firm identifying itself as a short-seller of a document alleging that our disclosure regarding our provincial supply agreements and our sales to our German distributor is misleading, two purported shareholders of Cronos Group each filed a putative class action in the United States District Court for the Southern District of New York against the Company and its CEO alleging that Cronos Group's continuous disclosure omitted material information with respect to the matters raised in the short-seller's publication, thus rendering our disclosure false and misleading in violation of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 thereunder. The complaints purport to seek, among other things, compensatory damages and a reasonable allowance for plaintiff attorneys' and experts' fees. On January 28, 2019, the lead plaintiff filed a notice of voluntary dismissal to discontinue the actions against the Company and its CEO.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Company considers its related parties to consist of: (i) key members or former members of its Board and senior officers, including their close family members; (ii) persons or companies that beneficially own, control or direct, directly or indirectly, more than 10 percent of any class or series of outstanding voting securities of the Company; and (iii) any associate or affiliate of any of the persons or companies referred to in (i) or (ii) (each, a "**Related Party**"). Other than as disclosed below, no Related Parties have had a material interest in any transaction within the three most recently completed financial years of the Company or during the current financial year of the Company that has had a material effect on the Company or is reasonably expected to materially affect the Company.

Pursuant to the Subscription Agreement dated December 7, 2018, upon closing of the Altria Investment on March 8, 2019, the Company issued to certain wholly-owned subsidiaries of Altria 149,831,154 common shares of the Company and the Altria Warrant. As a result of the Altria Investment, as of the closing date of the Altria Investment, Altria beneficially held an approximately 45% ownership interest in the Company (calculated on a non-diluted basis) and, if exercised in full on such date, the exercise of the Altria Warrant would result in Altria holding a total ownership interest in the Company of approximately 55% (calculated on a non-diluted basis). See "*General Development of the Business – Three Year History – Altria Investment*".

In addition, pursuant to the Investor Rights Agreement entered into in connection with the Altria Investment, four of the seven directors currently on the Board, namely Kevin C. Crosthwaite, Bronwen Evans, Murray R. Garnick and Mr. Bruce A. Gates, were nominated for election to the Board by Altria.

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:

(a) Investor Rights Agreement dated March 8, 2019 between the Company and Altria pursuant to which Altria has certain governance rights, so long as Altria and its affiliates collectively meet certain specified beneficial ownership thresholds of the then issued and outstanding common shares of the Company, including the right to nominate a specified number of directors to the Board, approval rights over certain Company actions and pre-emptive and top-up rights entitling Altria to maintain its *pro rata* beneficial ownership in the Company. See " *Description of the Business – Arrangements with Altria – Investor Rights Agreement*".

(b) Subscription Agreement dated December 7, 2018, by and between the Company, Altria Summit LLC, a wholly owned subsidiary of Altria, and, solely for certain limited purposes set forth therein, Altria, pursuant to which Altria made an approximately $2.4 billion equity investment in the Company on a private placement basis in exchange for common shares in the capital of the Company and the Altria Warrant. See "*Description of the Business – Arrangements with Altria – Altria Investment*".

(c) Ginkgo Collaboration Agreement dated September 1, 2018, by and between the Company and Ginkgo pursuant to which Ginkgo will work with the Company on the R&D of microorganisms capable of producing certain target cannabinoids in a scalable and highly efficient manner. Under the Ginkgo Collaboration Agreement, the Company agreed to issue a specified number of common shares in tranches subject to Ginkgo's achievement of certain production milestones. See "*Description of the Business – Research and Development Activities – Ginkgo Collaboration Agreement*".

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 James Rudyk, Jason Adler and Bronwen Evans. The Board believes that 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 to be "independent" and "financially literate" as such terms are defined under *National Instrument 52-110 – Audit Committees* ("**N I 52-110**"). The Board 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:

James Rudyk is currently the Chief Financial Officer of Roots, a position he has held since January 2016. Mr. Rudyk is a seasoned executive with more than 25 years of financial and operational experience, and a track record of supporting ambitious growth plans. Prior to joining Roots, Mr. Rudyk 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 to over $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 Limited from 2004 to 2009. He received his Bachelor of Arts and Master of Accounting degree from the University of Waterloo. Mr. Rudyk is also a Chartered Professional Accountant and holds an ICD.D designation from the Institute of Corporate Directors.

Jason Adler is the Co-founder and Managing Member of Gotham Green Partners, LLC a private equity firm focused primarily on early-stage investing in companies in the cannabis industry. Prior to co-founding Gotham Green, Mr. Adler was the co-founder and Chief Executive Officer of Alphabet Partners, LP, a New York City based multi-strategy investment management firm, focused on identifying mispriced assets across various industries, asset classes and geographies. Prior to Alphabet Partners, LP, Mr. Adler also founded Geronimo, LLC, a broker dealer and member of the American Stock Exchange, that made markets in equity options, and he began his career as a Market Maker at G&D Trading. Mr. Adler graduated with a B.A. from the University of Rhode Island.

Bronwen Evans is an independent consultant drawing on 20 years of experience in the charitable, corporate and government sectors to provide clients with business development and brand strategies for transformational growth. Ms. Evans was a Founding Director of the True Patriot Love Foundation, where she served as its first CEO from 2012 to 2019 and raised record funds to support 25,000 Canadian military and veteran families. Before that, Ms. Evans was the Vice President of Marketing and Corporate Affairs at Medcan Health Management, and became the company's first Chief Privacy Officer. She is a recipient of The Queen's Diamond Jubilee Medal (2012) and currently serves as Director, Secretary and Chair of the Governance Committee of Kingsway College School. Ms. Evans holds a Bachelor of Arts in Philosophy with Honors from McGill University, and a Master of Arts in Philosophy with a concentration in Biomedical Ethics from Carleton University.

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 to the Company by the external auditors for professional services provided to the Company and its subsidiaries:

	2018 ($)	2017 ($)
Audit Fees	130,000	130,000
Tax Fees(1)	25,000	20,000
Audit-Related Fees(2)	154,000	63,800
Other Fees	Nil	Nil
Total	309,000	213,800

Notes:

(1) 2017 and 2018 tax fees were related to Scientific Research and Development Credits input tax credit work.

(2) Audit-related fees in 2018 increased predominantly due to listing on NASDAQ, review of prospectuses in relation to the Company's common share offerings, and quarterly reviews of financial statements. Audit-related fees in 2017 included 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.

INTERESTS OF EXPERTS

MNP LLP was the independent auditor of the Company for the fiscal years ended December 31, 2017 and 2016 and was 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.).

In May 2018, the Board appointed KPMG LLP as auditor of the Company. KPMG LLP 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 Corporate Secretary 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 March 25, 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) engage advisors as necessary, and

(j) 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) 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.

Exhibit 99.2



CRONOS GROUP INC.

Consolidated Financial Statements

For the Years Ended December 31, 2018 and December 31, 2017

(in thousands of Canadian dollars)

Cronos Group Inc.
Consolidated Financial Statements
For the Years Ended December 31, 2018 and December 31, 2017

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Private and Confidential

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Cronos Group Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statement of financial position of Cronos Group Inc. (the Company) as of December 31, 2018, and the related consolidated statements of operations and comprehensive income (loss), changes in equity, and cash flows for the year then ended, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the financial performance and its cash flows for the year then ended, in conformity with International Financial Reporting Standards (IFRS).

We also have audited the adjustments to the 2017 consolidated financial statements to retrospectively apply the change in accounting policy to capitalize the direct and indirect costs attributed to the biological asset transformation, as described in Note 6(b). In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2017 consolidated financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2017 consolidated financial statements taken as a whole.

Other matter

Another auditor audited, in accordance with Canadian generally accepted auditing standards, the consolidated financial statements of the Company, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statements of operations and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. In their auditors' report dated April 27, 2018, they expressed an unmodified audit opinion on those consolidated financial statements.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have served as the Company's auditor since 2018.

KPMG LLP

Vaughan, Canada

March 25, 2019

Cronos Group Inc.
Consolidated Statements of Financial Position
As at December 31, 2018 and December 31, 2017
(in thousands of CDN $)

	Notes	2018	2017
Assets			
Current assets			
Cash	25(a)	$ 32,634	$ 9,208
Accounts receivable	25(a)	4,163	1,140
Sales taxes receivable		3,419	3,114
Prepaids and other receivables	25(a)	3,876	790
Biological assets	7(a)	9,074	3,722
Inventory	7(b)	11,584	8,416
Loan receivable	8,25(a)	314	314
Total current assets		65,064	26,704
Advances to joint ventures	9,25(a)	6,941	-
Investments in equity accounted investees	10	3,492	3,807
Other investments	11,25(c)	705	1,347
Property, plant and equipment	12	171,891	56,172
Intangible assets	6(a),13(a)	11,234	11,207
Goodwill	13(b)	1,792	1,792
Total assets		$ 261,119	$ 101,029
Liabilities			
Current liabilities			
Accounts payable and other liabilities	25(b)	$ 15,532	$ 7,848
Holdbacks payable	25(b)	7,887	-
Government remittances payable	25(b)	1,123	30
Construction loan payable	15,25(b)	20,951	-
Total current liabilities		45,493	7,878
Construction loan payable	15,25(b)	-	5,367
Due to non-controlling interests	14,25(b)	2,136	-
Deferred income tax liability	22	1,850	1,416
Total liabilities		49,479	14,661
Shareholders' equity			
Share capital	16	225,500	83,559
Warrants	17(a)	1,548	3,364
Stock options	17(b)	6,241	2,289
Accumulated deficit		(22,715)	(3,724)
Accumulated other comprehensive income		930	880
Total equity attributable to shareholders of Cronos Group		211,504	86,368
Non-controlling interests	14	136	-
Total shareholders' equity		211,640	86,368
Total liabilities and shareholders' equity		$ 261,119	$ 101,029
Commitments and contingencies	21		
Subsequent events	28		

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

Approved on behalf of the Board of Directors:

"Michael Gorenstein"	*"James Rudyk"*
Director	Director

Cronos Group Inc.
Consolidated Statements of Operations and Comprehensive Income (Loss)
For the Years Ended December 31, 2018 and December 31, 2017
(in thousands of CDN $, except share and per share amounts)

	Notes	2018	2017
Gross revenue	18	$ 17,145	$ 4,082
Excise taxes		(1,442)	-
Net revenue		15,703	4,082
Cost of sales			
Cost of sales before fair value adjustments	6(b)	7,654	2,040
Gross profit before fair value adjustments		8,049	2,042
Fair value adjustments			
Unrealized change in fair value of biological assets	6(b)	(11,568)	(7,637)
Realized fair value adjustments on inventory sold in the year	6(b)	8,349	2,449
Total fair value adjustments		(3,219)	(5,188)
Gross profit		11,268	7,230
Operating expenses			
Sales and marketing		4,111	575
Research and development		2,350	-
General and administrative		17,421	6,360
Share-based payments	17(b),20	4,238	1,862
Depreciation and amortization	12,13(a)	1,256	541
Total operating expenses		29,376	9,338
Operating loss		(18,108)	(2,108)
Other income (expense)			
Interest income (expense)		107	(126)
Share of income (loss) from investments in equity accounted investees	10	(936)	165
Gain on other investments	11	221	4,858
Total other income (expense)		(608)	4,897
Income (loss) before income taxes		(18,716)	2,789
Income tax expense	22	489	298
Net income (loss)		$ (19,205)	$ 2,491
Net income (loss) attributable to:			
Cronos Group		$ (18,970)	$ 2,491
Non-controlling interests	14	(235)	-
		$ (19,205)	$ 2,491
Other comprehensive income (loss)			
Gain on revaluation and disposal of other investments, net of tax	11,22	$ 46	$ 947
Foreign exchange gain on translation of foreign operations	2(d),14	4	-
Unrealized gains reclassified to net income	11	n/a	(1,651)
Total other comprehensive income (loss)		50	(704)
Comprehensive income (loss)		$ (19,155)	$ 1,787
Comprehensive income (loss) attributable to:			
Cronos Group		$ (18,920)	$ 1,787
Non-controlling interests	14	(235)	-
		$ (19,155)	$ 1,787
Net income (loss) per share			
Basic	19	$ (0.11)	$ 0.02
Diluted	19	$ (0.11)	$ 0.01
Weighted average number of outstanding shares			
Basic	19	172,269,170	134,803,542
Diluted	19	172,269,170	176,789,161

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, 2018 and December 31, 2017
(in thousands of CDN $, except number of share amounts)

	Notes	Number of shares	Share capital	Share-based reserve		Accumulated deficit	Accumulated other comprehensive income	Non-controlling interests	Total
				Warrants	Stock options				
Balance at January 1, 2017		121,725,748	$ 33,590	$ 3,983	$ 735	$ (6,215)	$ 1,584	$ -	$ 33,677
Shares issued	16	19,852,301	49,594	-	-	-	-	-	49,594
Share issuance costs		-	(2,767)	-	-	-	-	-	(2,767)
Vesting of options	17(b)	-	-	-	1,862	-	-	-	1,862
Options exercised	17(b)	571,246	899	-	(308)	-	-	-	591
Warrants exercised	17(a)	7,211,308	2,243	(619)	-	-	-	-	1,624
Net income		-	-	-	-	2,491	-	-	2,491
Other comprehensive loss		-	-	-	-	-	(704)	-	(704)
Balance at December 31, 2017		149,360,603	$ 83,559	$ 3,364	$ 2,289	$ (3,724)	$ 880	$ -	$ 86,368
Shares issued	16	15,677,143	146,032	-	-	-	-	-	146,032
Share issuance costs		-	(9,577)	-	-	-	-	-	(9,577)
Vesting of options	17(b)	-	-	-	4,238	-	-	-	4,238
Options exercised	17(b)	377,698	746	-	(162)	-	-		584
Warrants exercised	17(a)	13,114,336	4,616	(1,816)	-	-	-	-	2,800
Share appreciation rights exercised	17(b)	190,242	124	-	(124)	(21)	-	-	(21)
Contribution by non-controlling interests	14	-	-	-	-	-	-	371	371
Net loss		-	-	-	-	(18,970)	-	(235)	(19,205)
Other comprehensive income		-	-	-	-	-	50	-	50
Balance at December 31, 2018		178,720,022	$225,500	$ 1,548	$ 6,241	$ (22,715)	$ 930	$ 136	$211,640

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, 2018 and December 31, 2017
(in thousands of CDN $)

	Notes	2018	2017
Operating activities			
Net income (loss)		$ (19,205)	$ 2,491
Items not affecting cash:			
Unrealized change in fair value of biological assets	6(b)	(11,568)	(7,637)
Realized fair value adjustments on inventory sold in the year	6(b)	8,349	2,449
Share-based payments	17(b),20	4,238	1,862
Depreciation and amortization	12,13(a)	2,510	996
Share of loss (income) from investments in equity accounted investees	10	936	(165)
Gain on other investments	11	(221)	(4,858)
Deferred income tax expense	22	489	298
Foreign exchange gain		(11)	-
Net changes in non-cash working capital	24	4,744	(984)
Cash flows used in operating activities		(9,739)	(5,548)
Investing activities			
Repayment of purchase price liability		-	(2,590)
Investments in equity accounted investees	10	(621)	(1,076)
Investment in ABcann Global Corporation	11	-	(1,016)
Proceeds from sale of other investments	11	967	10,879
Payment to exercise ABcann Global Corporation warrants	11	(113)	(2,268)
Advances to joint ventures	9	(6,941)	-
Purchase of property, plant and equipment	12	(114,407)	(42,701)
Purchase of intangible assets	13(a)	(360)	-
Cash flows used in investing activities		(121,475)	(38,772)
Financing activities			
Proceeds from exercise of warrants	17(a)	2,800	1,624
Payments from share appreciation rights	17(b)	(21)	-
Proceeds from exercise of options	17(b)	584	591
Proceeds from share issuance	16	146,032	49,594
Share issuance costs		(9,577)	(2,767)
Proceeds from construction loan payable	15	15,007	6,304
Payment of accrued interest on construction loan payable	15	(185)	-
Repayment of mortgage payable		-	(4,000)
Transaction costs paid on construction loan payable	15	-	(1,282)
Cash flows provided by financing activities		154,640	50,064
Net change in cash		23,426	5,744
Cash - beginning of year		9,208	3,464
Cash - end of year		$ 32,634	$ 9,208
Supplemental cash flow information			
Interest paid		$ 870	$ 200
Interest received		$ -	$ 22

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

1. Nature of business

Cronos Group Inc. (the **"Cronos Group"** or the **"Company"**) was incorporated under the *Business Corporations Act* (Ontario). Cronos Group is a public 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 Toronto Stock Exchange (**"TSX"**) and Nasdaq Global Market under the ticker symbol (**"CRON"**).

Cronos Group is an innovative global cannabinoid company, with international production and distribution across five continents. Cronos Group is committed to building disruptive intellectual property by advancing cannabis research, technology and product development. With a passion to responsibly elevate the consumer experience, Cronos Group is building an iconic brand portfolio. Cronos Group's brand portfolio includes PEACE NATURALS™, a global health and wellness brand, and two adult-use brands, COVE™ and Spinach™. The Company operates two wholly-owned license holders (**"License Holders"**) under the *Cannabis Act* (Canada) and its relevant regulations (the **"Cannabis Act"**). Our License Holders are 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 Group sells dried cannabis, pre-rolls and cannabis oils through wholesale and direct-to-consumer channels under its PEACE NATURALS™, COVE™ and Spinach™ brands.

Cronos Group has also entered into five strategic joint ventures in Canada, Israel, Australia, and Colombia, and holds minority interests in cannabis-related companies and License Holders. One of these strategic joint ventures is considered a subsidiary for financial reporting purposes, refer to Note 2(a).

2. Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (" **IFRS**") as issued by the International Accounting Standards Board (**"IASB"**) and interpretations issued by the IFRS Interpretations Committee (**"IFRIC"**). The accounting policies adopted in the preparation of the consolidated financial statements are those in effect as of January 1, 2018. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

These consolidated financial statements were approved by the Board of Directors (the **"Board"**) on March 25, 2019.

2. Basis of presentation (continued)

(a) Basis of consolidation

These consolidated financial statements include the accounts of Cronos Group Inc. and its subsidiaries, summarized in the following chart.

Subsidiaries	Jurisdiction of incorporation	Incorporation date	Ownership interest
Hortican Inc. (**"Hortican"**)	Canada	January 17, 2013	100%
Peace Naturals Project Inc.	Canada	November 21, 2012	100%
Original BC Ltd.	Canada	March 15, 2013	100%
Cronos Canada Holdings Inc.	Canada	March 13, 2018	100%
Cronos Global Holdings Inc.	Canada	April 25, 2017	100%
Cronos Israel G.S. Cultivations Ltd. (i)	Israel	February 4, 2018	70%
Cronos Israel G.S. Manufacturing Ltd. (i)	Israel	September 4, 2018	90%
Cronos Israel G.S. Store Ltd. (i)	Israel	June 28, 2018	90%
Cronos Israel G.S. Pharmacies Ltd. (i)	Israel	February 15, 2018	90%
Cronos Group Celtic Holdings Ltd.	Ireland	February 6, 2018	100%
Cronos Malta Holdings Ltd.	Malta	October 25, 2018	100%

(i) These Israeli entities are collectively known as **"Cronos Israel"**.

In the consolidated statements of operations and comprehensive income (loss), profit or loss and other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Non-controlling interests in the equity of Cronos Israel are presented separately in the shareholders' equity section of the consolidated statements of financial position and consolidated statements of changes in equity.

(b) Investments in equity accounted investees

Investees in which the Company has significant influence or joint control are accounted for using the equity method. The Company's investments in equity accounted investees are summarized in the following chart.

Equity accounted investees	Jurisdiction of incorporation	Ownership interest
Whistler Medical Marijuana Company (**"Whistler"**)	Canada	19% (2017 - 20.3%)
Cronos Australia Limited (**"Cronos Australia"**)	Australia	50%
MedMen Canada Inc. (**"MedMen Canada"**)	Canada	50%
Cronos Growing Company Inc. (**"Cronos GrowCo"**)	Canada	50%
NatuEra S.à r.l	Luxembourg	50%

(c) Basis of measurement

Apart from biological assets and other investments, which are measured at fair value, the consolidated financial statements have been presented and prepared on the basis of historical cost.

2. Basis of presentation (continued)

(d) 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, with the exception of Cronos Israel which has a functional currency of the Israeli Shekel (**"ILS"**).

(e) 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, and 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.

(i) Business combinations

In determining the appropriate basis of accounting for an acquisition, judgment is used to determine if an acquisition is a business combination or an asset acquisition.

(ii) Control, joint control, or level of influence

In determining the appropriate basis of accounting for the Company's interests in investees, judgment is applied regarding the degree to which the Company has the ability to exert influence directly or indirectly over the investees' financial and operating activities.

(iii) Warrants and stock options

Warrants and stock options are initially valued 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 stock option and expected risk-free interest rate.

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

Long-lived assets are defined as property, plant and equipment and intangible assets with finite lives. Depreciation and amortization are 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.

(v) 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 on assumptions used to estimate future cash flows, the cash flow growth rate and the discount rate.

2. Basis of presentation (continued)

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

(vi) Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate 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.

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 harvest yield from the cannabis plants, the value associated with each stage of the plants' growth cycle, estimated selling price, processing costs to convert harvested cannabis into finished goods, selling costs, the equivalency factor to convert dry cannabis into cannabis oil and the multiples of crude extract and isolate mass in diluted cannabis oil. The Company's estimates are, by their nature, subject to change. Refer to Note 7.

Inventory is valued at the lower of cost and net realizable value. Determining the net realizable value requires the Company to make assumptions about the estimated selling price in the ordinary course of business, the estimated costs of completion and the estimated variable costs to sell.

(viii) Expected credit losses on financial assets

Determining an allowance for expected credit losses (**"ECLs"**) for all debt financial assets not held at fair value through profit or loss requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management’s judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

(ix) Variable consideration in revenue from contracts with customers

Determining the amount of variable consideration to recognize, and whether the amount of variable consideration should be constrained, is dependent on management's estimate of the most likely amount to which the Company will be entitled and the probability of a significant reversal in that amount. These determinations require management to make estimates based on historical amounts received, current economic conditions, and current industry conditions, in Canada and abroad, adjusted for forward looking information.

(x) Returns from customers

Revenue is measured net of returns. As a result, the Company is required to estimate the amount of returns based on the historical data by customer and product type, adjusted for forward-looking information.

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 transaction price, which is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer. Gross revenue includes excise taxes, which the Company pays as principal, but excludes duties and taxes collected on behalf of third parties. Net revenue from sale of goods, as presented in the consolidated statement of operations and comprehensive income (loss), represents revenue from the sale of goods less applicable excise taxes, expected price discounts, and allowances for customer returns. Excise taxes are a production tax which become payable when a cannabis product is delivered to the customer and are not directly related to the value of revenue.

The Company's contracts with customers for the sales of dried cannabis and cannabis oil consist of one performance obligation. The Company has concluded that revenue from the sale of these products should be recognized at the point in time when control is transferred to the customer, which is on shipment or delivery, depending on the contract.

Customer contracts for international sales of dry cannabis include profit sharing arrangements with distributors which give rise to variable consideration. If the consideration in a contract includes a variable amount, the Company estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated as the most likely amount, based on the Company's historical information, at contract inception.

The Company's payment terms vary by the type of customer. For individual consumer sales, payment is due prior to the transfer of control. For domestic non-consumer sales, payment is due 60 days after the transfer of control. For international sales, fixed consideration is due 30 days, and variable consideration is due a maximum of 120 days, after transfer of control, respectively.

(b) Investments in equity accounted investees

An associate is an entity over which the Company has significant influence. 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.

A joint venture is a type of joint arrangement whereby the Company has joint control over, and rights to the net assets of the joint arrangement. 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.

Investments in associates and joint ventures 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 the net assets of the investee, less any impairment in the value of individual investments, and 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.

(c) Biological assets and inventory

The Company measures biological assets consisting of cannabis plants, at fair value less costs to sell up to the point of harvest. Costs incurred to transform biological assets to the point of harvest (**"production costs"**) are capitalized as they are incurred, which become the cost basis of the biological assets. While the Company's biological assets are within the scope of IAS 41 Agriculture, the Company applies a similar approach to IAS 2 Inventories in capitalizing direct and indirect costs of biological assets. These costs include direct costs such as nutrients, soil, seeds, and direct labour, as well as other indirect costs such as utilities, an allocation of indirect labour, property taxes, and depreciation of equipment used in the growing process. The biological assets are then revalued to fair value less costs to sell at the end of the period. Gains or losses arising from changes in fair value less costs to sell are included under fair value adjustments within the consolidated statement of operations and comprehensive income (loss).

3. Significant accounting policies (continued)

(c) Biological assets and inventory (continued)

Inventories of finished goods and work-in-process are valued at the lower of cost and net realizable value. Inventories of harvested cannabis 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 ("**processing costs**"), including direct costs attributable to processing and related overhead, are capitalized to inventory as they are incurred, 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. Inventories of raw materials, supplies and consumables are valued at the lower of cost and net realizable value, with cost determined using the weighted average cost basis.

Upon the sale of inventory, the capitalized production costs and processing costs are recorded in cost of sales before fair value adjustments in the consolidated statement of operations and comprehensive income (loss). The related realized fair value adjustments on inventory sold in the year is recorded separately in the consolidated statement of operations and comprehensive income (loss)

(d) Intangible assets

Intangible assets are recorded at cost less any accumulated amortization and accumulated impairment losses. Impairment for intangible assets with finite lives is tested if there is any indication of impairment. Intangible assets acquired through a business combination are measured at fair value at the acquisition date.

Intangible assets with finite useful lives are amortized over their estimated useful lives using the following methods and rates:

	Method	Rate
Software	Double declining	50%
Health Canada Licenses	Straight-line	Useful life of corresponding facilities
Israeli Codes	Straight-line	Useful life of corresponding facilities

Amortization begins when assets become available for use. The estimated useful life, amortization method, and rate are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(e) Research and development costs

Research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends, and has sufficient resources, to complete development and use or sell the product or process. All other development costs are expensed as incurred.

3. Significant accounting policies (continued)

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. 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
Equipment under finance lease	Straight-line	Lesser of term of lease and useful life of equipment

The estimated residual value, useful life and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. 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 transferred to the appropriate asset class when the building is available for use, which is defined as the point at which the building receives the Health Canada licenses to (i) possess cannabis, (ii) to obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis, and (iii) to produce cannabis, other than obtaining it by cultivating, propagating, or harvesting. Depreciation commences at the point the assets are classified as available for use.

(g) Provisions

A provision is recorded when it becomes probable that a present obligation arising from a past event will require an outflow of resources that can be reliably estimated. The amount of the provision recorded, if any, is management's best estimate of the outflow of resources required to settle the obligation. Where a potential obligation resulting from past events exists, but occurrence of the outflow of resources is not probable or the estimate is not reliable, these contingent liabilities are disclosed as contingencies.

(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.

(i) Foreign exchange translation

Translation of foreign currency transactions

Transactions in foreign currencies are translated into the functional currency using 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. Exchange differences arising from operating transactions are recorded in profit or loss for the period; exchange differences related to financing transactions are recognized in finance income or directly in equity.

Translation of foreign operations

The assets and liabilities of Cronos Israel are translated into Canadian dollars at year-end exchange rates. Income and expenses, and cash flows are translated into Canadian dollars using average exchange rates. Differences resulting from translating foreign operations are reported as translation differences in other comprehensive income, and accumulated in equity. When a foreign operation is disposed of, the translation differences previously recognized in equity are reclassified to profit or loss.

3. Significant accounting policies (continued)

(j) Income taxes

The Company accounts for its income taxes using the liability 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, except for changes related to the components of other comprehensive income or equity, in which case the tax expense is recognized in other comprehensive income or equity, respectively. 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 recorded when their recoverability is considered probable and are reviewed at the end of each reporting period. Deferred income tax assets and liabilities are not discounted.

(k) Share-based payments

Equity instruments granted are initially measured at fair value at the grant date. Where equity instruments are granted to employees, they are measured at the fair value of the equity instruments granted, determined using the Black-Scholes valuation model, which is recognized in the consolidated statement of operations and comprehensive income (loss) over the vesting period. Where equity instruments are granted to non-employees, they are measured at the fair value of the goods or services received.

The related costs 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 the share-based reserve is, along with any proceeds paid upon exercise, credited to share capital.

(l) Earnings (loss) per share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) 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 (loss) 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, stock options, and share appreciation rights.

3. Significant accounting policies (continued)

(m) Financial instruments

All financial instruments are initially recorded at fair value at the time of acquisition. The Company aggregates its financial instruments in accordance with IFRS 9, Financial Instruments, into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized, which is normally the date of the transaction. The Company's accounting policy for each class of financial instruments is as follows:

Classification	Financial instruments	Accounting policy
Amortized cost	Cash, accounts receivable, other receivables, loan receivable, advances to joint ventures, accounts payable and other liabilities, holdbacks payable, construction loan payable, due to non-controlling interests	These financial instruments are initially recognized at fair value plus directly attributable transaction costs. Subsequently, these instruments are measured at amortized cost using the effective interest method. Financial assets are adjusted for any ECLs.(i) The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.
Fair value through profit or loss	Other investments (investment in warrants of AbCann Global Corp.)	These financial instruments are initially recognized at fair value; all transaction costs are recognized immediately in profit or loss. Subsequently, these instruments are recognized at fair value at each reporting date. Any changes in fair value, and gains or losses upon disposition of the financial instruments are recognized in profit or loss.
Fair value through other comprehensive income (equity instruments)	Other investments (investments in Canopy Growth Corporation, Evergreen Medicinal Supply Inc.)	These equity instruments are irrevocably classified in this category, and are initially recognized at fair value, plus directly attributable transaction costs. Subsequently, these instruments are recognized at fair value at each reporting date. Any changes in fair value and gains or losses upon disposition of the financial instruments are recognized in other comprehensive income in the period during which the change occurs.

(i) Critical to the determination of ECLs is the definition of default and the definition of a significant increase in credit risk. The definition of default is used in measuring the amount of ECLs and in the determination of whether the loss allowance is based on a 12-month or lifetime ECLs. The Company considers the following as constituting an event of default: the borrower is past due more than 90 days on any material credit obligation, or the borrower is unlikely to pay its credit obligations to the Company in full. The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on lifetime rather than 12-month ECLs. In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial asset at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial asset was first recognized.

(n) Business combinations and consolidation

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at fair value at acquisition date, and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred. All intercompany transactions and balances are eliminated upon consolidation.

4. Adoption of new accounting pronouncements

(a) Amendments to IFRS 2 Share-based payments

The amendments to IFRS 2 clarify 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 was January 1, 2018. 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.

(b) 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 became effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has adopted this new standard as of its effective date using the full retrospective method of adoption, and has assessed no significant changes as a result of the adoption of this new standard.

Under IFRS 15, the revenue recognition model has changed from one based on the transfer of risks and rewards of ownership, to one based on the transfer of control. The Company's contracts with customers for the sales of dried cannabis and cannabis oil include one performance obligation, a promise in a contract with a customer to transfer a good. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, upon shipment or delivery, depending on the contract, the timing and amount of revenue considering discounts, returns, and variable consideration, recognized from this principal revenue stream has not changed as a result of the adoption of this new standard.

(c) 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 three categories: amortized cost, fair value through other comprehensive income, 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 was January 1, 2018. The Company has adopted this new standard as of its effective date on a retrospective basis with the exception of financial assets that were derecognized at the date of initial application, January 1, 2018. The 2017 comparatives were not restated. As a result of the new classification model and measurement requirements under IFRS 9, the Company has elected to classify the available-for-sale equity investments as fair value through other comprehensive income investments, as they are not held for trading by the Company. Under this classification, there is no recycling of gains or losses from accumulated other comprehensive income to profit or loss. Due to the adoption of IFRS 9, during the year ended December 31, 2018, a net gain of approximately $294 on the disposition of investments classified as fair value through other comprehensive income was recorded in other comprehensive income rather than profit or loss. These investments had a fair value of $961 immediately prior to disposition. The new classification and measurement of the Company's financial assets are as follows:

(i) Equity instruments at fair value through other comprehensive income (**"FVOCI"**)

This category only includes equity instruments, which the Company intends to hold for the foreseeable future and which the Company has irrevocably elected to so classify upon initial recognition or transition. The Company classified its quoted and unquoted equity instruments as equity instruments at FVOCI. Equity instruments in this category are subsequently measured at fair value with changes recognized in other comprehensive income, with no recycling of gains or losses to profit or loss upon derecognition. Dividend income is recognized in earnings. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.

4. Adoption of new accounting pronouncements (continued)

(c) IFRS 9 Financial instruments (continued)

(ii) Amortized cost

This category includes financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the solely principal and interest (**"SPPI"**) criterion. Financial assets classified in this category are measured at amortized cost using the effective interest method.

(iii) Fair value through profit or loss (**"FVTPL"**)

This category includes derivative instruments as well as quoted equity instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Financial assets in this category are recorded at fair value with changes recognized in profit or loss.

The assessment of the Company's business models was made as of the date of initial application, January 1, 2018, and then applied retrospectively to those financial instruments that were not derecognized before January 1, 2018.

	IFRS 9	**IAS 39**
Financial assets		
Cash	Amortized cost	FVTPL
Accounts receivable	Amortized cost	Amortized cost
Other receivables	Amortized cost	Amortized cost
Loan receivable	Amortized cost	Amortized cost
Advances to joint ventures	Amortized cost	Amortized cost
Other investments (Refer to Note 11)	FVTPL - ABcann share warrants FVOCI - Canopy, ABcann shares, Evergreen	FVTPL - ABcann share warrants Available-for-sale - Canopy, ABcann shares, Evergreen
Financial liabilities		
Accounts payable and other liabilities	Amortized cost	Amortized cost
Holdbacks payable	Amortized cost	Amortized cost
Construction loan payable	Amortized cost	Amortized cost

There were no changes in the carrying amounts of the financial instruments as a result of the adoption of IFRS 9 as at the date of initial application.

(iv) Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Company's accounting of impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach. There were no impairment losses recognized in these consolidated financial statements as a result of the adoption of IFRS 9 as at the date of initial application.

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

(a) 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 has reviewed all of the Company's leasing arrangements outstanding as at December 31, 2018, in respect of the new lease standard. The standard will primarily affect the accounting for the Company's operating leases. At the reporting date, the Company has non-cancellable operating lease commitments of $5,950, see Note 21(a). The Company intends to apply the simplified transition approach and will not restate comparative amounts to the year prior to adoption. In respect of these lease commitments, the Company expects to recognize right-of-use assets of approximately $1,722, current lease liabilities of $303 and non-current lease liabilities of $1,642 as at January 1, 2019. Pursuant to the application of the simplified transition approach, the Company expects a one-time adjustment to increase the opening accumulated deficit as at January 1, 2019 of $223. The Company expects that profit or loss will decrease by approximately $98 for the year ended December 31, 2019 as a result of the application of IFRS 16.

(b) IFRIC 23 Uncertainty over income tax treatments

IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, Income taxes, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and how an entity considers changes in facts and circumstances. IFRIC 23 will be effective for the Company's fiscal year beginning on January 1, 2019, with earlier application permitted. The Company will adopt this interpretation as of its effective date. The Company has performed a preliminary analysis and has not assessed any significant impact as a result of the adoption of this standard.

6. Accounting changes

(a) Change in estimate

During the three months ended March 31, 2018, the Company revised its estimate of the useful life of the Health Canada Licenses, and assessed that the licenses have an estimated useful life equal to the remaining useful life of the corresponding facilities described in Note 13(a). Previously, the Company estimated that the Health Canada licenses had an indefinite life. The change in estimate was accounted for prospectively.

(b) Change in accounting policy

During the three months ended June 30, 2018, the Company made a voluntary change in accounting policy to capitalize the direct and indirect costs attributable to the biological asset transformation. The previous accounting policy was to expense these costs as period costs. The new accounting policy is included in Note 3(c).

The new accounting policy provides more reliable and relevant information to users as the gross profit before fair value adjustments only considers the costs incurred on inventory sold during the year, and excludes costs incurred on the biological transformation until the related harvest is sold. The following demonstrates the change for each prior period presented. There is no impact of this policy change on gross profit, net income (loss), basic and diluted earnings per share, the consolidated statement of financial position, or the consolidated the statement of changes in equity on the current or any prior period, upon retrospective application.

6. Accounting changes (continued)

(b) Change in accounting policy (continued)

	2018		2017	
	Original accounting policy	New accounting policy	Original accounting policy	New accounting policy
Consolidated statement of operations and comprehensive income (loss)				
Cost of sales				
Cost of sales before fair value adjustments	$ 2,942	$ 7,654	$ 609	$ 2,040
Production costs	7,145	-	3,983	-
Total cost of sales	10,087	7,654	4,592	2,040
Gross profit (loss) before fair value adjustments	5,616	8,049	(510)	2,042
Fair value adjustments:				
Unrealized change in fair value of biological assets	(18,713)	(11,568)	(11,620)	(7,637)
Realized fair value adjustments on inventory sold in the year	13,061	8,349	3,880	2,449
Total fair value adjustments	(5,652)	(3,219)	(7,740)	(5,188)
Gross profit	$ 11,268	$ 11,268	$ 7,230	$ 7,230

	2018		2017	
	Original accounting policy	New accounting policy	Original accounting policy	New accounting policy
Consolidated statement of cash flows				
Operating activities				
Items not affecting cash:				
Unrealized change in fair value of biological assets	$ (18,713)	$ (11,568)	$ (11,620)	$ (7,637)
Realized fair value adjustments on inventory sold in the year	13,061	8,349	3,880	2,449
Net changes in non-cash working capital:				
Biological assets	13,361	6,216	9,693	5,710
Inventory	(16,229)	(11,517)	(10,388)	(8,957)
Net effect on cash flows used in operating activities	$ (8,520)	$ (8,520)	$ (8,435)	$ (8,435)

7. Biological assets and inventory

(a) Biological assets

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

	2018 (Note 6)	2017 (Note 6)
Biological assets - beginning of year	$ 3,722	$ 1,795
Capitalization of production costs	7,145	3,983
Unrealized change in fair value of biological assets	11,568	7,637
Transferred to inventory upon harvest	(13,361)	(9,693)
Biological assets - end of year	$ 9,074	$ 3,722

As of December 31, 2018, it is expected that the Company's biological assets will ultimately yield approximately 6,303 kg of dry cannabis (2017 - 1,695 kg). As at December 31, 2018, the Company has 46,004 plants (2017 - 7,353 plants) classified as biological assets.

The Company measures its biological assets at fair value less costs to sell. This valuation is based on the expected harvest yield (in grams) for plants currently being cultivated, adjusted for the expected selling price less post-harvest costs attributable to bringing a harvested gram of cannabis to a saleable condition and ultimate sale (on a per gram basis). The Company accretes the fair value of each cannabis plant on a straight-line basis over the expected growing cycle. As at December 31, 2018, the plants were on average 6 weeks (2017 - 7 weeks) into the growing cycle 37% complete (2017 - 46%) and were ascribed approximately 37% (2017 - 46%) of their expected fair value at harvest date.

(b) Inventory

Inventory as at December 31, 2018 consisted of the following:

	2018		2017	
	kg	$	kg	$
Dry cannabis				
Finished goods	187 kg	$ 972	815 kg	$ 6,145
Work-in-process	1,789 kg	7,733	243 kg	1,630
		8,705		7,775
Cannabis oils				
Finished goods	115 kg	656	18 kg	332
Work-in-process	220 kg	1,250	nil kg	-
		1,906		332
Raw materials	(i)	171	(i)	183
Supplies and consumables		802		126
		$ 11,584		$ 8,416

(i) Raw materials consisted of 0.267 kg (2017 - 0.288 kg) of seeds held by the Company as at December 31, 2018.

As at December 31, 2018, the Company held 29 kg (2017 - 4 kg) of dry cannabis and 4 kg (2017 - 1 kg) of cannabis oils as retention samples. These samples are recorded at a value of $nil on the consolidated statements of financial position as they are not saleable.

7. Biological assets and inventory (continued)

(c) Direct and indirect cost allocations

The direct and indirect costs related to biological assets and inventory are allocated as follows. The allocation basis was consistent for the years ended December 31, 2018 and 2017, unless otherwise specified.

Nature of cost	Allocation basis
Consumables (insect control, fertilizers, soil)	100% allocated to production costs; incurred to support plant growth
Labour costs (including salaries and benefits)	Allocated based on job descriptions of various personnel; 30% allocated to processing costs; 40% allocated to production costs; 30% allocated to operating expenses (2017 - 20%; 70%; and 10%; respectively)
Supplies and small tools	80% allocated to production costs; 20% allocated to processing costs
Utilities	Allocated based on estimates of usage, 10% allocated to processing costs; 90% allocated to production costs
Property taxes, depreciation, security	Allocated based on estimates of square footage, 20% allocated to processing costs; 50% allocated to production costs; 30% allocated to operating expenses
Packaging costs	100% allocated to processing costs

(d) Significant inputs and sensitivity analyses

The Company has made the following estimates related to significant inputs in the valuation model:

Significant inputs	Allocation basis
Net selling price per gram	Estimated net selling price per gram of dry cannabis based on historical sales and anticipated prices, after adjustment for excise taxes
Harvest yield per plant	Expected grams of dry cannabis to be harvested from a cannabis plant, based on the weighted average historical yields by plant strain
Stage of growth	Weighted average plant age (in weeks) out of the 16 week growing cycle as of the period end date
Processing costs per gram	Estimated post-harvest costs per gram to bring a gram of harvested cannabis to its saleable condition, including drying, curing, testing and packaging, and overhead allocation; estimated based on post-harvest costs incurred during the period divided by number of grams processed during the period
Selling costs per gram	Estimated shipping, order fulfillment, and labelling costs per gram; calculated as selling costs incurred during the period divided by number of grams sold during the period
Equivalency factor	Estimated grams of dry cannabis required to produce one milliliter of cannabis oil; estimated based on historical results
Mass multipliers	Estimated multiples of crude extract and isolate mass in diluted cannabis oil products

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.

7. Biological assets and inventory (continued)

(d) Significant inputs and sensitivity analyses (continued)

The following table quantifies each of the significant unobservable inputs described above and provides a sensitivity analysis of the impact on the reported values of biological assets and inventory. The sensitivity analysis for each significant input is performed by assuming a 5% decrease in the input while other significant inputs remain constant at management's best estimate as of the period end date.

		Increase (decrease) as at December 31, 2018			Increase (decrease) as at December 31, 2017	
	As at December 31, 2018	Biological assets	Inventory	As at December 31, 2017	Biological assets	Inventory
Net selling price per gram	$5.58/g	$ (673)	$ (640)	$8.50/g	$ (227)	$ (443)
Harvest yield per plant	137 g	(446)	-	182 g	(181)	-
Stage of growth	6 weeks	(446)	-	7 weeks	(181)	-
Processing costs per gram	$1.98/g	175	65	$0.82/g	22	9
Selling costs per gram	$0.43/g	52	50	$0.97/g	227	443
Equivalency factor	0.3 g/mL	(45)	104	0.3 g/mL	(1)	(17)
Mass multipliers	30x - 50x	(5)	(24)	n/a	n/a	n/a

8. Loan receivable

	2018	2017
Loan receivable from Evergreen Medicinal Supply Inc. (**"Evergreen"**) (i)	$ 265	$ 265
Add: Accrued interest	49	49
Loan receivable	$ 314	$ 314

(i) The loan is due on demand. The loan accrued interest at 8% per year, up to March 31, 2017, calculated and payable annually in arrears. Refer to Note 11(ii) for details.

9. Advances to joint ventures

	2018	2017
Cronos Australia (i)	$ 990	$ -
Cronos GrowCo (ii)	4,080	-
MedMen Canada (ii)	1,871	-
	$ 6,941	$ -

(i) $940 ($1,000 Australian dollars, **"AUD"**) is governed by an unsecured loan bearing interest at a rate of 12% per annum, calculated and compounded daily, in arrears, on the amounts advanced from the date of each advance. The loan is due on December 1, 2020. If the loan is overdue, the outstanding amount bears interest at an additional 2% per annum. Advances in excess of the loan amount are unsecured, non-interest bearing, and there are no terms of repayment. Refer to Note 10(iv) for details regarding the Company's investment in Cronos Australia.

(ii) Advances are unsecured, non-interest bearing, and there are no terms of repayment. Refer to Note 10(ii) and (iii) for details regarding the Company's investments in MedMen Canada and Cronos GrowCo, respectively.

10. Investments in equity accounted investees

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

	Whistler [(i)]	MedMen Canada [(ii)]	Cronos GrowCo[(iii)]	Cronos Australia [(iv)]	Total
As at January 1, 2017	$ 2,566	$ -	$ -	$ -	$ 2,566
Capital contributions	1,076	-	-	-	1,076
Share of net income	165	-	-	-	165
As at December 31, 2017	$ 3,807	$ -	$ -	$ -	$ 3,807
Capital contributions	-	101	100	420	621
Share of net income (loss)	231	(276)	(129)	(762)	(936)
As at December 31, 2018	$ 4,038	$ (175)	$ (29)	$ (342)	$ 3,492

(i) Whistler was incorporated in British Columbia, Canada and is a License Holder with production facilities in British Columbia, Canada. Although the Company held less than 20% of the ownership interest and voting control of Whistler, the Company had the ability to exercise significant influence through both its power to elect board members, and aggregately, with affiliated shareholders, the Company held over 20% of the voting control of Whistler. Subsequent to December 31, 2018, the Company fully divested of its investment in Whistler. Refer to Note 28(e).

(ii) MedMen Canada was incorporated under the Canada Business Corporations Act ("**CBCA**") on March 13, 2018, with the objective of distribution, sale, and marketing of cannabis products in Canada. MedMen Canada holds the exclusive license to the MedMen brand in Canada for a minimum term of 20 years.

(iii) Cronos GrowCo was incorporated under the CBCA on June 14, 2018, with the objective of building a cannabis production greenhouse, applying for cannabis licenses under the Cannabis Act, and growing, cultivating, extracting, producing, selling, and distributing cannabis in accordance with such licenses.

(iv) Cronos Australia Pty. Ltd. was incorporated under the Corporations Act 2001 (Australia) on December 6, 2016. On September 27, 2018, Cronos Australia Pty. Ltd. underwent a restructuring, resulting in the incorporation of Cronos Australia Limited on that date, which became the ultimate holding company of the group, owning 100% of Cronos Australia Group Pty. Ltd., which owns 100% of Cronos Australia - Marketing & Distribution Pty. Ltd., Cronos Australia - Operations Pty. Ltd, and Cronos Australia – New Zealand Ltd. Cronos Group has committed to provide 50% of the capital expenditure and operating expense funding requirements, amounting to approximately $10,000. The timing of these funding obligations has not been determined as of December 31, 2018.

The following is a summary of financial information for the Company's significant associates and joint ventures as at December 31:

	Whistler	MedMen Canada	Cronos GrowCo	Cronos Australia	2018
Current assets	$ 6,307	$ 1,521	$ 603	$ 1,280	$ 9,711
Non-current assets	26,743	-	9,762	491	36,996
Current liabilities	1,191	-	2,200	1,718	5,109
Non-current liabilities	6,841	1,871	8,233	1,058	18,003
Revenue	$ 6,923	$ -	$ -	$ -	$ 6,923
Income (loss) from continuing operations	1,213	(552)	(269)	(1,524)	(1,132)

10. Investments in equity accounted investees (continued)

	Whistler	MedMen Canada	Cronos GrowCo	Cronos Australia	2017
Current assets	$ 4,163	$ -	$ -	$ -	$ 4,163
Non-current assets	13,645	-	-	-	13,645
Current liabilities	3,676	-	-	-	3,676
Non-current liabilities	-	-	-	-	-
Revenue	$ 3,813	$ -	$ -	$ -	$ 3,813
Income from continuing operations	814	-	-	-	814

11. Other investments

Other investments consist of investments in common shares and warrants of several companies in the cannabis industry. These investments, with the exception of shares of Evergreen and warrants of ABcann Global Corporation (now known as "VIVO Cannabis Inc.") (**"ABcann"**), were quoted in an active market as of the relevant period end date and, as a result, had a reliably measurable fair value as of such period end dates. Refer to Note 4(c) on the adoption of IFRS 9 as of January 1, 2018.

	2018	2017
Fair value through other comprehensive income investments		
Canopy Growth Corporation (**"Canopy"**) (i)	$ 405	$ 877
Evergreen (ii)	300	300
	$ 705	$ 1,177
Fair value through profit or loss investment		
ABcann - share warrants (iii)(v)	-	170
	$ 705	$ 1,347

The gains (losses) recognized upon the increase (decrease) in the fair value of other investments were as follows:

	2018	2017
Gain recognized in net income (loss)		
Canopy (i)	$ -	$ 36
ABcann - shares (iii)	-	4,160
ABcann - share warrants (iii)(v)	221	5
The Hydropothecary Corporation (**"Hydropothecary"**) (iv)	-	657
	$ 221	$ 4,858

	2018	2017
Gain (loss) recognized in other comprehensive income (loss) before taxes		
Canopy (i)	$ 215	$ 608
ABcann - shares (iii)	(224)	-
	$ (9)	$ 608

11. Other investments (continued)

(i) During the year ended December 31, 2018, the Company sold 18,436 shares of Canopy (2017 - 7,374) for proceeds of $687 (2017 - $88). Subsequent to December 31, 2018, the Company fully divested of its investment in Canopy. Refer to Note 28(a).

(ii) On March 16, 2017, Evergreen received a cultivation license under the Cannabis Act. 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 and Evergreen has filed a statement of defense. The Company intends to vigorously pursue the enforcement of its rights to acquire equity in Evergreen.

(iii) During the year ended December 31, 2017, ABcann completed a reverse takeover with Panda Capital Inc. As a result of this transaction, ABcann began trading on the TSX. The Company subscribed for additional shares of ABcann of $1,016 and sold 8,770,001 shares of ABcann for proceeds of $9,859 during the year ended December 31, 2017.

During the year ended December 31, 2018, the Company exercised 182,927 share warrants for aggregate consideration of $113, for additional shares of ABcann. Prior to the exercise, the share warrants were revalued to fair value using the Black-Scholes option pricing model. During the year ended December 31, 2018, the Company sold all 182,927 shares of ABcann for proceeds of $280.

(iv) During the year ended December 31, 2017, BFK Capital Corp. acquired all of the outstanding shares of Hydropothecary (currently operating as HEXO Corp. and trading as TSX: HEXO). As a result of this transaction, Hydropothecary executed a 6:1 stock split. During the year ended December 31, 2017, the Company sold all 550,002 shares of Hydropothecary for proceeds of $932. The cumulative gain previously recognized as other comprehensive income on these shares was reclassified to income during 2017.

(v) During the year ended December 31, 2017, the Company exercised 3,658,537 warrants for aggregate consideration of $2,268 for additional shares of ABcann. As at December 31, 2017, the fair value of the 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 per share; expected life: 0.76 years; and dividend yield: nil%.

12. Property, plant and equipment

Cost	As at January 1, 2018	Additions (i)	Transfers	As at December 31, 2018
Land	$ 1,558	$ 1,649	$ -	$ 3,207
Building structures	11,518	5,417	4,717	21,652
Furniture and equipment	134	542	-	676
Computer equipment	148	316	-	464
Security equipment	886	99	-	985
Production equipment	2,481	2,342	-	4,823
Road	137	-	-	137
Leasehold improvements	1,497	87	-	1,584
Equipment under finance lease (iii)	-	217	-	217
Construction in progress	39,337	106,853	(4,717)	141,473
	$ 57,696	$ 117,522	$ -	$ 175,218

12. Property, plant and equipment (continued)

Accumulated depreciation	As at January 1, 2018	Additions (ii)	Transfers	As at December 31, 2018
Building structures	$ 433	$ 751	$ -	$ 1,184
Furniture and equipment	43	78	-	121
Computer equipment	75	94	-	169
Security equipment	196	188	-	384
Production equipment	431	465	-	896
Road	10	7	-	17
Leasehold improvements	336	174	-	510
Equipment under finance lease (iii)	-	46	-	46
	$ 1,524	$ 1,803	$ -	$ 3,327
Net book value	$ 56,172			$ 171,891

Cost	As at January 1, 2017	Additions (i)	Transfers	As at December 31, 2017
Land	$ 1,558	$ -	$ -	$ 1,558
Building structures	2,761	2,723	6,034	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	39,337	(6,034)	39,337
	$ 14,650	$ 43,046	$ -	$ 57,696

Accumulated depreciation	As at January 1, 2017	Additions (ii)	Transfers	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

(i) During the year ended December 31, 2018, there were non-cash additions from the amortization of capitalized transaction costs and the capitalization of accrued interest to construction in progress and building structures amounting to $762 (2017 - $345). Refer to Note 15. In addition, there were land clearing costs and construction costs amounting to $2,092 that were paid by non-controlling interests, and outstanding as at December 31, 2018 in the form of advances. These advances accrued interest of $44 which was capitalized to construction in progress. Refer to Note 14.

(ii) During the year ended December 31, 2018, $484 (2017 - $455) of depreciation expense was recorded as part of cost of sales. An additional $770 of depreciation expense remained capitalized in biological assets and inventory, as at December 31, 2018 (2017 - $nil).

(iii) As at December 31, 2018 the net carrying amount of property, plant, and equipment includes equipment held under finance lease with a net carrying amount of $171 (2017 - $nil).

13. Intangible assets and goodwill

(a) Intangible assets

Cost	As at January 1, 2017	Additions	As at December 31, 2017	Additions	As at December 31, 2018
Software	$ -	$ -	$ -	$ 360	$ 360
Health Canada Licenses - OGBC	1,611	-	1,611	-	1,611
Health Canada Licenses - Peace Naturals	9,596	-	9,596	-	9,596
Israeli Code - Cronos Israel G.S. Cultivations Ltd. (i)	-	-	-	156	156
Israeli Code - Cronos Israel G.S. Manufacturing Ltd. (i)	-	-	-	218	218
	$ 11,207	$ -	$ 11,207	$ 734	$ 11,941

(i) Israeli Codes were transferred by non-controlling interests to Cronos Israel in exchange for their equity interests in the Cronos Israel entities specified above. Refer to Note 14. Thus, these capital contributions are considered non-cash additions and have been excluded from the consolidated statement of cash flows.

Accumulated amortization	As at January 1, 2017	Additions	As at December 31, 2017	Additions	As at December 31, 2018
Software	$ -	$ -	$ -	$ 73	$ 73
Health Canada Licenses - OGBC	-	-	-	101	101
Health Canada Licenses - Peace Naturals	-	-	-	533	533
	$ -	$ -	$ -	$ 707	$ 707
Net book value	$ 11,207		$ 11,207		$ 11,234

(b) Goodwill

	As at January 1, 2017	Additions	As at December 31, 2017	Additions	As at December 31, 2018
OGBC	$ 392	$ -	$ 392	$ -	$ 392
Peace Naturals	1,400	-	1,400	-	1,400
	$ 1,792	$ -	$ 1,792	$ -	$ 1,792

13. Intangible assets and goodwill (continued)

(c) Impairment

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"**). For the year ended December 31, 2018, there were no intangible assets with an indefinite life. Refer to Note 6(a). The Health Canada licenses issued to OGBC and Peace Naturals enable the entities to produce and sell dry cannabis and cannabis oils under the Cannabis Act, 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 (**"EBITDA"**) 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)	12%	12%
Average growth rate*	0%	14%

* The average growth rate is the annualized average of the expected year-over-year growth rate (in EBITDA) over five years.

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 goodwill at December 31, 2018 and no impairment of goodwill or indefinite life intangible assets at December 31, 2017.

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.

14. Subsidiaries with non-controlling interests

During the year ended December 31, 2017, the Company announced a strategic joint venture in Israel, consisting of four legal entities, with the Israeli agricultural collective settlement Kibbutz Gan Shmuel, for the production, manufacturing and distribution of medical cannabis. The Company has subscribed for its equity interest in all four of the Israeli entities comprising Cronos Israel, accounted for as an asset acquisition as the Israeli entities did not meet the definition of a business at the respective dates Cronos Group acquired control. As a result of this acquisition, the Company paid $6,400 ILS ($2,313) for its interests in Cronos Israel and assumed cash of $486 ILS ($176) at the acquisition date. The results of the Israeli entities have been included in these consolidated financial statements as at December 31, 2018, as this transaction provided Cronos Group with control over these entities.

As at December 31, 2018, financial information of significant subsidiaries with non-controlling interests are as follows:

	Cronos Israel G.S. Cultivations Ltd.	Cronos Israel G.S. Manufacturing Ltd.	Total
Percentage interest held by non-controlling interests	30%	10%	
Current assets	$ 713	$ 690	$ 1,403
Non-current assets	4,345	6,705	11,050
Current liabilities	325	76	401
Non-current liabilities	4,775	5,826	10,601
Retained earnings (accumulated deficit)	(42)	1,493	1,451
Attributable to:			
Cronos Group	(29)	1,344	1,315
Non-controlling interests	(13)	149	136
Revenue	-	-	-
Net loss	(556)	(682)	(1,238)
Attributable to:			
Cronos Group	(389)	(614)	(1,003)
Non-controlling interests	(167)	(68)	(235)
Other comprehensive income (loss)	(2)	6	4
Attributable to:			
Cronos Group	(1)	5	4
Non-controlling interests	(1)	1	-

(i) Non-current liabilities include advances from non-controlling interests, in the amount of $2,092 plus accrued interest of $44. These advances are unsecured, bear interest at 5%, with no fixed terms of repayment. Refer to Note 25(d).

The above information represents amounts before intercompany eliminations.

The Company did not have any significant subsidiaries with non-controlling interests as at December 31, 2017.

15. Construction loan payable

	2018	2017
Aggregate advances	$ 21,311	$ 6,304
Less: transaction costs (net of amortization)	(481)	(1,122)
Add: accrued interest	121	185
	$ 20,951	$ 5,367

On August 23, 2017, Peace Naturals, as borrower, signed 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 were limited to $35,000 until the lender received an appraisal valuing the property in British Columbia at an amount of not less than $8,000. The loan bore interest at a rate of 12% per annum, calculated and compounded monthly, in arrears, on the amounts advanced from the date of each advance. The term of the loan was two years, with the borrower's option to extend for another twelve months. The loan was guaranteed by Cronos Group, Hortican, OGBC, the responsible-person-in-charge and the senior-person-in-charge of OGBC and Peace Naturals. Subsequent to December 31, 2018, the construction loan payable was fully repaid. Refer to Note 28(b).

The loan was secured as follows:

(a) first-ranking charge on the lands owned by OGBC, Peace Naturals, and Hortican, (collectively, the **"Property"**) with a net book value of approximately $2,191 as at December 31, 2018 (2017 - $1,558);

(b) first-ranking general assignment of all present and future leases of each Property;

(c) general security agreements creating first-ranking security interests on 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 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;

(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) deficiency and completion guarantee from Peace Naturals and the corporate guarantors;

(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.

16. Share capital

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

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

During the year ended December 31, 2018, the Company issued 15,677,143 (2017 - 13,181,190) common shares for aggregate gross proceeds of $146,032 (2017 - $34,584) through bought deal offerings and nil (2017 - 6,671,111) common shares for aggregate gross proceeds of $nil (2017 - $15,010) through private placements.

17. Share-based payments

(a) Warrants

The following is a summary of the changes in warrants from January 1, 2017 to December 31, 2018:

	Weighted average exercise price	Number of warrants	Share-based reserve
Balance at January 1, 2017	$ 0.24	45,885,172	$ 3,983
Exercise of warrants	0.23	(7,211,308)	(619)
Expiry of warrants	0.70	(19,210)	-
Balance at December 31, 2017	$ 0.24	38,654,654	$ 3,364
Exercise of warrants	0.14	(13,114,336)	(1,816)
Expiry of warrants	0.08	(82,695)	-
Balance at December 31, 2018	$ 0.26	25,457,623	$ 1,548

As at December 31, 2018, the Company had outstanding warrants as follows:

Grant date	Expiry date	Number of warrants	Weighted average exercise price
October 8, 2015 - October 28, 2015	October 8, 2020 - October 28, 2020	4,586,785	$ 0.31
May 13, 2016 - May 27, 2016	May 13, 2021 - May 27, 2021	20,870,838	0.25
		25,457,623	$ 0.26

(b) Stock options

(i) Stock option plans

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

On June 28, 2018, the shareholders of the Company approved a new stock option plan (the **"2018 Stock Option Plan"**) which superseded the 2015 Stock Option Plan. No further awards will be granted under the 2015 Stock Option Plan; however, shares may be purchased via option exercise by the holders of any outstanding stock options previously issued under the 2015 Stock Option Plan.

17. Share-based payments (continued)

(b) Stock options (continued)

(i) Stock option plans (continued)

Participants under the 2018 Option Plan are eligible to be granted options to purchase shares at an exercise price established upon approval of the grant by the Board. When options are granted, the exercise price is, with respect to a particular date, the closing price as reported by the TSX on the immediately preceding trading day (the **"Fair Market Value"**). The 2018 Option Plan does not authorize grants of options with an exercise price below the Fair Market Value.

Vesting conditions for grants of options are determined by the Board. The typical vesting for employee grants is quarterly vesting over five years, and the typical vesting for directors and executive officers is quarterly vesting over three to five years. The term of the options is established by the Board, provided that the term of an option may not exceed seven years from the date of the grant.

The 2018 Option Plan also provides for the issuance of share appreciation rights (**"SARs"**) in tandem with options. Each SAR entitles the holder to surrender to the Company, unexercised, the right to subscribe for shares pursuant to the related option and to receive from the Company a number of shares, rounded down to the next whole share, with a Fair Market Value on the date of exercise of each such SAR that is equal to the difference between such Fair Market Value and the exercise price under the related option, multiplied by the number of shares that cease to be available under the option as a result of the exercise of the SAR, subject to satisfaction of applicable withholding taxes and other source deductions. Each unexercised SAR terminates when the related option is exercised or the option terminates, including upon a change in control. Upon each exercise of a SAR, in respect of a share covered by an option, such option is cancelled and is of no further force or effect in respect of such share.

(ii) Summary of changes

The following is a summary of the changes in options from January 1, 2017 to December 31, 2018:

	Weighted average exercise price	Number of options	Share-based reserve
Balance at January 1, 2017	$ 1.10	6,177,594	$ 735
Issuance of options	2.82	6,402,000	-
Exercise of options	1.03	(571,246)	(308)
Cancellation of options	1.15	(404,598)	-
Vesting of issued options	-	-	1,862
Balance at December 31, 2017	$ 2.05	11,603,750	$ 2,289
Issuance of options	8.23	1,910,000	-
Exercise of options	1.41	(597,379)	(286)
Cancellation of options	2.43	(13,376)	-
Vesting of issued options	-	-	4,238
Balance at December 31, 2018	$ 2.99	12,902,995	$ 6,241

17. Share-based payments (continued)

(b) Stock options (continued)

(ii) Summary of changes (continued)

The weighted average share price at the dates the options were exercised during the year ended December 31, 2018 was $9.37 per share (2017 - $3.66 per share).

As at December 31, 2018, the Company had outstanding and exercisable options as follows:

				Weighted average	
Grant date	**Vesting terms**	**Expiry date**	**Number of options**	**Exercise price**	**Remaining contractual life (in years)**
August 5, 2016	Evenly over 48 months	August 5, 2021	1,058,334	$ 0.50	2.60
October 6, 2016	Evenly over 48 months	October 6, 2021	3,411,699	1.23	2.77
November 21, 2016	Evenly over 48 months	November 21, 2021	182,000	1.84	2.89
April 12, 2017	Evenly over 48 months	April 12, 2022	3,273,020	3.14	3.28
August 23, 2017	Evenly over 48 months	August 23, 2022	2,872,941	2.42	3.65
November 9, 2017	Evenly over 48 months	November 9, 2022	200,000	3.32	3.86
January 30, 2018	Evenly over 48 months	January 30, 2023	275,001	8.40	4.08
January 31, 2018	Evenly over 48 months	January 31, 2023	150,000	9.00	4.09
May 18, 2018	Evenly over 48 months	May 18, 2023	1,195,000	7.57	4.38
June 28, 2018	Evenly over 60 months	June 28, 2023	180,000	8.22	4.49
September 13, 2018	Evenly over 48 months	September 13, 2025	25,000	14.70	6.71
October 12, 2018	Evenly over 48 months	October 12, 2025	30,000	11.80	6.79
December 14, 2018	Evenly over 20 quarters	December 14, 2025	50,000	15.29	6.96
Outstanding at December 31, 2018			12,902,995	$ 2.99	3.35
Exercisable at December 31, 2018			5,648,656	$ 2.28	3.14

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

As at December 31, 2018, the weighted average exercise price of options outstanding was $2.99 per option (2017 - $2.05 per option). The weighted average exercise price of options exercisable was $2.28 per option (2017 - $1.71 per option).

(iii) Fair value of options issued

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

	2018	**2017**
Share price at grant date (per share)	$7.57 - $15.29	$2.42 - $3.27
Exercise price (per option)	$7.57 - $15.29	$2.42 - $3.32
Risk-free interest rate	1.93% - 2.45%	0.96% - 1.59%
Expected life of options (in years)	5 - 7	5
Expected annualized volatility	55%	55%
Expected dividend yield	0%	0%
Weighted average Black-Scholes value at grant date (per option)	$4.09	$1.39

Volatility was estimated by using the historical volatility of the Company, adjusted for the Company's expectation of volatility going forward. The expected life in years represents the period of time that the options granted are expected to be outstanding. The risk-free interest rate was based on Bank of Canada government bonds with a remaining term equal to the expected life of the options.

18. Revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time for the following major product lines and geographical regions:

	2018	2017
Canadian		
Dry cannabis	$ 12,219	$ 3,142
Cannabis oils	3,495	146
Other	232	195
	15,946	3,483
International		
Dry cannabis	$ 1,155	$ 598
Cannabis oils	44	1
	1,199	599
Total gross revenue from contracts with customers	$ 17,145	$ 4,082

During the year ended December 31, 2018, the Company earned a total gross revenue of $2,832 from 1 major customer (2017 - $530 and $780 from 2 major customers, respectively). As at December 31, 2018, $50 (2017 - $nil) in expected credit losses has been recognized on receivables from contract with customers. Refer to Note 25(a)(i).

19. Earnings (loss) per share

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

	2018	2017
Numerator		
Net income (loss) attributable to common shareholders of Cronos Group	$ (18,970)	$ 2,491
Net income (loss) used in the computation of basic and diluted income (loss) per share	$ (18,970)	$ 2,491
Denominator		
Weighted average number of common shares outstanding for computation of basic income (loss) per share	172,269,170	134,803,542
Dilutive effect of warrants	-	38,378,288
Dilutive effect of options and share appreciation rights	-	3,607,331
Weighted average number of common shares for computation of diluted income (loss) per share	172,269,170	176,789,161

For the year ended December 31, 2018, all instruments were anti-dilutive (2017 - all dilutive).

20. 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 executive and non-executive directors. Compensation provided to key management is as follows:

	2018	2017
Short-term employee benefits, including salaries and fees	$ 437	$ 417
Professional fees	343	234
Share-based payments	1,448	899
	$ 2,228	$ 1,550

During the year ended December 31, 2018, a total of 150,000 options (2017 - 3,575,000 options) were issued to key management. Refer to Note 17(b).

As at December 31, 2018 and 2017, there were no balances payable to members of key management.

(b) Director compensation

During the year ended December 31, 2018, a total of 550,000 options (2017 - 1,800,000 options) were issued to directors, excluding a director who was also a member of key management, of the Company and share-based payments of $1,246 (2017 - $601) were recognized. Refer to Note 17(b).

21. Commitments and contingencies

(a) The following is a summary of the Company's minimum payments under operating lease obligations for its premises due in future fiscal years:

2019	$ 810
2020	581
2021	586
2022	592
2023	653
2024 and onwards	2,728
	$ 5,950

In addition to the minimum lease payments, the Company is required to pay realty taxes and other occupancy costs.

21. Commitments and contingencies (continued)

(b) The Company has committed funding to the following R&D projects:

(i) *Ginkgo*. On September 4, 2018, the Company announced a research and development partnership with Ginkgo Bioworks Inc. (**"Ginkgo"**) to develop scalable and consistent production of a wide range of cannabinoids, including THC, CBD and a variety of other lesser known and rarer products. As part of this partnership, Cronos Group has agreed to issue up to 14,700,000 common shares of the Company (aggregate value of approximately $100,000 USD as of July 17, 2018 assuming all milestones are met) in tranches and $22,000 USD in cash subject to Ginkgo's achievement of certain milestones.

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

(c) The following contingencies are related to Peace Naturals:

(i) *MedCann Access Acquisition Claim.* On July 31, 2015, 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, which is ongoing.

(ii) *Warrants Claim.* Jeffrey Gobuty, brother to Mark Gobuty, former CEO of Peace Naturals, brought a claim against Peace Naturals for $300 and for warrants valued at $125 that were purportedly issued by Mark Gobuty, the former CEO of Peace Naturals. This matter remains in the early stages of litigation and has not yet advanced to discovery.

(iii) *Former Employees' Unlawful Termination Claims.* Peace Naturals, Cronos Group and certain directors were served with claims by Jennifer Caldwell, a former employee, for damages of $580 and 30,000 options of the Company, and Mark Gobuty, 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. Both plaintiffs have amended their pleadings to discontinue the claims against the individual directors. Subsequent to December 31, 2018, the claim by the former CEO of Peace Naturals has been settled and discontinued. Refer to Note 28(d).

(d) The following contingency is related to Cronos Group:

(i) *U.S. Securities Class Action Claims.* Two purported shareholders of Cronos Group each filed a putative class action in the United States District Court for the Southern District of New York against the Company and its CEO, alleging that the Company's continuous disclosure omitted material information with respect to matters raised in a document published on a short-seller's website, thus rendering the Company's disclosure false and misleading in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5 thereunder. The complaints purport to seek, among other things, compensatory damages and a reasonable allowance for plaintiff attorneys' and experts' fees. Subsequent to year end, these claims were discontinued. Refer to Note 28(c).

22. Income taxes

The components of the income tax provision include:

	2018	2017
Current	$ -	$ -
Deferred	489	298
	$ 489	$ 298

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2017 - 26.5%) to the effective tax rate is as follows:

	2018	2017
Income (loss) before income taxes	$ (18,716)	$ 2,789
Combined statutory tax rate	26.5%	26.5%
Theoretical tax expense (recovery)	$ (4,960)	$ 739
Non-deductible expenses:		
Share-based payments	1,123	494
Meals and entertainment	18	-
Non-taxable income:		
Non-taxable portion of capital gains	(83)	(762)
Effect of provincial tax rate difference	(4)	5
Changes in unrecognized deferred tax assets	4,395	(178)
Income tax expense	$ 489	$ 298

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.

	2018	2017
Deferred tax assets		
Non-capital losses carried forward	$ 5,175	$ 5,690
Financing fees	315	31
Scientific research and experimental development	55	28
Finance lease obligation	42	-
Provisions	49	-
Deferred tax liabilities		
Biological assets	(1,676)	(986)
Inventory	(1,639)	(1,989)
Investments in equity accounted investees	(41)	(153)
Other investments	(36)	(91)
Property, plant and equipment	(1,285)	(968)
Intangible assets	(2,809)	(2,978)
Net deferred tax liability	$ (1,850)	$ (1,416)

22. Income taxes (continued)

The changes in the net deferred tax liability are provided below:

	2018	2017
Balance - beginning of year	$ 1,416	$ 1,457
Recognized in income	489	298
Recognized in other comprehensive income	(55)	(339)
Balance - end of year	$ 1,850	$ 1,416

Deferred taxes are 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:

	2018	2017
Property, plant and equipment	$ 1,090	$ 684
Share and debt issuance costs (i)	9,488	2,834
Losses carried forward (ii)	25,663	7,814
Equity accounted investments	923	-

(i) Share and debt issuance costs will be fully amortized in 2023. The remaining deductible temporary differences may be carried forward indefinitely.

(ii) For income tax purposes, the Company has non-capital losses carried forward from current and 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	341
2033	2,547
2034	1,782
2035	5,452
2036	4,623
2037	4,502
2038	26,145
	$ 45,446

23. Operating segment information

For the year ended December 31, 2017, the Company was divided into two operating segments corresponding to its two primary business models. One segment related to pursuing equity investments in Licensed Producers in Canada, (**"Investing Segment"**). The second segment related to production and sale of cannabis through the Company's wholly-owned subsidiaries, OGBC and Peace Naturals, (**"Operating Segment"**). For the year ended December 31, 2018, the Company only had one reportable operating segment as the Company substantially divested from its Investing 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, 2018 and 2017, 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	Total
Consolidated statement of operations and comprehensive income (loss)				
Gross revenue	$ -	$ 4,082	$ -	$ 4,082
Share of income from investments in equity accounted investees	165	-	-	165
Unrealized change in fair value of biological assets (Note 6)	-	(7,637)	-	(7,637)
Cost of sales before fair value adjustments (Note 6)	-	2,040	-	2,040
Realized fair value adjustments on inventory sold in the year (Note 6)	-	2,449	-	2,449
Gain on other investments	4,858	-	-	4,858
Intercompany revenue	624	-	(624)	-
Share-based payments	1,862	-	-	1,862
Interest expense	1	600	(475)	126
Depreciation and amortization	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
Additions to property, plant and equipment	139	42,908	-	43,046

24. Supplementary cash flow information

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

	Notes	2018	2017
Accounts receivable	25(a)	$ (3,023)	$ (1,033)
Sales taxes receivable		(305)	(3,114)
Prepaids and other receivables	25(a)	(3,086)	(287)
Biological assets	6(b),7(a)	6,216	5,710
Inventory	6(b),7(b)	(11,517)	(8,957)
Accounts payable and other liabilities	25(b)	7,479	6,697
Holdbacks payable	25(b)	7,887	-
Government remittances payable	25(b)	1,093	-
Net changes in non-cash working capital		$ 4,744	$ (984)

25. Financial instruments

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk from its operating activities, primarily accounts receivable and other receivables, and its investing activities, including cash held with banks and financial institutions, loan receivable, and advances to joint ventures. The Company's maximum exposure to this risk is equal to the carrying amount of these financial assets, which amounted to $44,166 as at December 31, 2018 (2017 - $10,662).

(i) Accounts receivable

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan, and a failure to make contractual payments for a period of greater than 120 days past due. For the year ended December 31, 2018, the Company recognized an approximate expected credit loss allowance of $50 (2017 - $nil).

Provided below is the information about the credit risk exposure on the Company's accounts receivable using a provision matrix of expected credit loss rates against an analysis of the age of accounts receivable:

	Expected credit loss rates	2018	2017
Less than 30 days past billing date	0% to 3%	$ 3,980	$ 1,020
31 to 60 days past billing date	0% to 5%	136	85
61 to 90 days past billing date	0% to 8%	-	35
91 to 120 days past billing date	0% to 12%	19	-
Over 120 days past billing date	0% to 18%	28	-
		$ 4,163	$ 1,140

The Company has assessed that there is a concentration of credit risk, as 87.6% of the Company's accounts receivable were due from 5 customers as at December 31, 2018 (2017 - 89.3% due from 2 customers).

25. Financial instruments (continued)

(a) Credit risk (continued)

(ii) Cash

The Company held cash of $32,634 at December 31, 2018 (2017 - $9,208). The cash is held with central banks and financial institution counterparties that are highly rated.

(iii) Advances to joint ventures

The Company has assessed that there has been no significant increase in credit risk of these advances from initial recognition based on the financial position of the borrowers, and the regulatory and economic environment of the borrowers. As a result, the loss allowance recognized during the period was limited to 12 months expected credit losses. Based on historical information, and adjusted for forward-looking expectations, the Company has assessed an insignificant loss allowance on these advances as at December 31, 2018.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due, and arises principally from the Company's accounts payable and other liabilities, holdbacks payable, government remittances payable, construction loan payable, and due to non-controlling interests. The Company's policy is to review liquidity resources and ensure that sufficient funds are available to meet financial obligations as they become due. Further, the Company's management is responsible for ensuring funds exist and are readily accessible to support business opportunities as they arise. The Company's funding is primarily provided in the form of capital raised through the issuance of shares. As at December 31, 2018, 35% of the Company's payables were due to 1 vendor (2017 - 89.3% due to 2 vendors).

The following represents an analysis of the age of accounts payable:

	2018	2017
Less than 30 days past billing date	$ 1,201	$ 6,725
31 to 60 days past billing date	365	113
61 to 90 days past billing date	29	66
Over 90 days past billing date	-	172
	$ 1,595	$ 7,076

Subsequent to December 31, 2018, the Company received cash inflows from the transaction noted in Note 28(f).

25. Financial instruments (continued)

(c) Market risk

(i) 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, such that, unfavorable market conditions could result in dispositions of investments at less than favorable prices. Further, the revaluation of securities classified as fair value through other comprehensive income, could result in significant write-downs of the Company's investments, which would have an adverse impact on the Company's financial position.

The Company previously managed price risk by having a portfolio of securities from multiple issuers, such that the Company was not singularly exposed to any one issuer. During the year ended December 31, 2018, the Company sold a significant portion of its investments subject to price risk, and subsequent to December 31, 2018, were fully divested. Refer to Note 28(a).

(ii) 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 cannabis industry. As such, the Company's financial results may be adversely affected by the unfavorable performance of those investments or the industry in which they operate. The Company manages concentration risk by investing in the cannabis industry of various countries.

(d) Currency rate risk

Currency rate risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in foreign exchange rates. The Company is exposed to this risk on advances to joint ventures denominated in AUD, refer to Note 9. The Company is further exposed to this risk through subsidiaries operating in Israel, refer to Note 2(d). The Company does not currently use foreign exchange contracts to hedge its exposure to currency rate risk as management has determined that this risk is not significant at this point in time. As such, the Company's financial position and financial results may be adversely affected by the unfavorable fluctuations in currency exchange rates.

The following table provides a summary of foreign currency (in thousands) denominated financial assets and liabilities:

	Currency	2018	2017
Advance to joint ventures	AUD	$ 1,029	$ -
Cash	ILS	₪ 840	₪ -
Sales taxes receivable	ILS	₪ 2,066	₪ -
Accounts payable and other liabilities	ILS	₪ 1,083	₪ -
Due to non-controlling interests	ILS	₪ 5,878	₪ -

A 10% strengthening of the Canadian dollar against the foreign currencies listed above would increase the net loss by $90 and decrease other comprehensive income by $326. A 10% weakening of the Canadian dollar against the foreign currencies listed above would result in an equal, but opposite effect.

It is management's opinion that the Company is not subject to significant interest rate risk.

26. 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, other investments (Canopy, Hydropothecary, and ABcann shares) 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 are included in this category.

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, 2018, there were no transfers between levels.

During the year ended December 31, 2017, Hydropothecary and ABcann became publicly traded. Due to these events, the investment in Hydropothecary and ABcann were transferred out of Level 3 as the inputs for the valuation of the investment were no longer unobservable. The investment in Hydropothecary and ABcann were transferred into Level 1 of the fair value hierarchy, as the valuations of the investments were based on quoted prices in an active market.

For all financial instruments classified as amortized cost, the carrying value approximates fair value.

27. Capital management

The Company's objectives when managing its capital are to maintain a 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.

As at December 31, 2018, the Company managed net assets of $211,640 (2017 - $86,368).

28. Subsequent events

(a) On January 11, 2019, the Company sold all remaining 11,062 shares of Canopy for net proceeds of $471, resulting in a gain of $66 recognized as other comprehensive income.

(b) On January 23, 2019, the Company announced that it had entered into a credit agreement with Canadian Imperial Bank of Commerce, as administrative agent and lender, and the Bank of Montreal, as lender, in respect of a $65 million secured non-revolving term loan credit facility (the **"Credit Facility"**). The Company used the funds available under the Credit Facility to fully repay the construction loan payable, consisting of $21,311 in loan principal and $275 in accrued interest and fees. On March 8, 2019 the Credit Facility was fully repaid. Refer to Note 15.

(c) On January 28, 2019, the U.S. Securities Class Action Claims relating to Cronos Group and its CEO were voluntarily discontinued. Refer to Note 21(d).

(d) On January 30, 2019, the unlawful termination claim by Mark Gobuty was settled and claims discontinued, with total settlement proceeds of $644 payable to Mr. Gobuty. This amount was released from trust on January 31, 2019. Refer to Note 21(c)(iii).

(e) On March 4, 2019, the Company announced that it had sold all 2,563 shares of Whistler, representing approximately 19.0% of Whistler's issued and outstanding common shares, to Aurora Cannabis Inc. (**"Aurora"**), in connection with Aurora's acquisition of Whistler (the **"Whistler Transaction"**). As a result of the closing of the Whistler Transaction, the Company received 2,524,341 Aurora common shares with an aggregate value of approximately $24,700 based on an issue price of $9.77 per Aurora common share, which represents the five-day volume weighted average price (**"VWAP"**) of Aurora common shares immediately prior to the closing of the Whistler transaction. In addition, the Company expects to receive further Aurora common shares valued at an aggregate of approximately $7,600 upon the satisfaction of certain specified milestones. The exact number of Aurora common shares to be issued to the Company following the satisfaction of each such milestone will be determined in reference to the five-day VWAP of Aurora common shares immediately prior to the achievement of the applicable milestone. The closing of the Whistler Transaction resulted in a gain of approximately $20,605 recognized in net income, with the Aurora common shares received being measured at FVTPL. Subsequently, the Company sold all 2,524,341 Aurora common shares received to date, for net proceeds of $25,560, resulting in a gain of $860 recognized in net income.

(f) On March 8, 2019, the Company announced that the previously announced investment in the Company (the **"Altria Investment"**) by Altria Group, Inc. (**"Altria"**), pursuant to a subscription agreement dated December 7, 2018 (the **"Subscription Agreement"**), had closed for proceeds of approximately $2,434,800. At closing, the Company issued to certain wholly-owned subsidiaries of Altria, 149,831,154 common shares of the Company and one warrant of the Company (the **"Altria Warrant"**), which may be exercised in full or in part at any time on or prior to March 8, 2023, from time to time, and entitles the holder thereof, upon valid exercise in full, to acquire an aggregate of 73,990,693 common shares of the Company (subject to adjustment in accordance with the terms and conditions of the warrant certificate representing and evidencing the Altria Warrant (the **"Altria Warrant Certificate"**) at an initial exercise price of $19.00 per common share. As of the closing date of the Altria Investment, Altria beneficially held an approximately 45% ownership interest in the Company (calculated on a non-diluted basis) and, if exercised in full on such date, the exercise of the Altria Warrant would result in Altria holding a total ownership interest in the Company of approximately 55% (calculated on a non-diluted basis). If fully exercised, the Altria Warrant would provide the Company with approximately $1,405,800 of additional proceeds.

(g) Subsequent to December 31, 2018, a total of 47,005 share appreciation rights were exercised, in lieu of the associated options, in exchange for 37,065 common shares. Also, subsequent to December 31, 2018, a total of 375 stock options were exercised for $1 in cash and 2,479 stock options were cancelled. These share appreciation right and stock option exercises had a weighted average exercise price of $2.18 per common share.

(h) Subsequent to December 31, 2018, a total of 4,390,961 warrants were exercised in exchange for $1,180 in cash. These warrants had a weighted average exercise price of $0.27 per common share.

Exhibit 99.3

CRONOS GROUP INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Three Months and Year Ended December 31, 2018

(in thousands of Canadian dollars)

GENERAL MATTERS

This management's discussion and analysis of financial condition and results of operations (" **MD&A**") of Cronos Group Inc. is current as of March 25, 2019 and provides financial information for the three months and year ended December 31, 2018. This MD&A should be read in conjunction with the audited consolidated financial statements for the fiscal years ended December 31, 2018 and December 31, 2017, including the related notes thereto (the "**Annual Financial Statements**").

Unless otherwise noted or the context indicates otherwise, the "Company", "Cronos Group", "we", "us" and "our" refer to Cronos Group Inc., its direct and indirect wholly-owned subsidiaries and, if applicable, its joint ventures and investments accounted for by the equity method.

Our board of directors, on the recommendation of the audit committee, approved the Annual Financial Statements and this MD&A on March 25, 2019.

Basis of Presentation

The Company's 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 are calculated using the rounded numbers as they appear in the tables. All currency amounts herein are expressed in thousands of Canadian dollars, unless otherwise noted.

All references in this MD&A to "**Q4 2018**" and "**Q4 2017**" are to the fiscal quarters for the three months ended December 31, 2018 and December 31, 2017, respectively. All references in this MD&A to "**FY 2018**" and "**FY 2017**" are to the fiscal years ended December 31, 2018 and December 31, 2017, respectively.

Non-IFRS Measures

This MD&A refers to certain non-IFRS measures. These measures are not recognized under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as a supplement to those IFRS measures to provide additional information regarding the Company's results of operations from management's perspective. Accordingly, non-IFRS measures should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with IFRS. All non-IFRS measures presented in this MD&A are reconciled to their closest reported IFRS measure.

Gross Profit before Fair Value Adjustments and Gross Margin before Fair Value Adjustments

Gross profit before fair value adjustments and gross margin before fair value adjustments are used by management to provide a better representation of performance in the period by excluding non-cash fair value measurements as required by IFRS. Management believes these measures provide useful information as they represent the gross profit or gross margin for management purposes based on the Company's complete cost to produce inventory sold, exclusive of any fair value measurements as required by IFRS. Gross profit before fair value adjustments is defined as gross profit excluding any non-cash fair value adjustments on biological assets or inventory sold as required by IFRS. Gross margin before fair value adjustments is defined as gross profit before fair value adjustments divided by net revenue.

Adjusted EBITDA

Adjusted earnings before interest, tax, depreciation and amortization (" **Adjusted EBITDA**") is used by management as a supplemental measure to review and assess operating performance and trends on a comparable basis. Adjusted EBITDA is defined as net income or loss, excluding interest expense, interest income, income tax expense or recovery, depreciation and amortization, share-based payments, unrealized change in the fair value of biological assets, realized fair value adjustments on inventory sold in the year, share of income or loss from investments in equity accounted investees and gain or loss on other investments.

The Company believes that Adjusted EBITDA provides a useful tool for assessing the comparability between periods of its ability to generate cash from operations. See *"Results of Operations – Adjusted EBITDA Reconciliation (Non-IFRS Measure)"* for a reconciliation of Adjusted EBITDA to its closest reported IFRS measure.

Definitions

Kilogram or gram equivalents

Kilogram or gram equivalents refer to the equivalent number of kilograms or grams of dried cannabis required to produce extracted cannabis in the form of cannabis oil. The Company converts its cannabis oil to gram equivalents using a standard 'equivalency factor'

of one gram per four milliliters of cannabis oil. Any reference to “grams” or “kilograms” in this MD&A includes both grams of dried cannabis and gram equivalents, unless otherwise noted and identified as dried grams or gram equivalents.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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

Forward-Looking Statements in this MD&A include, but are not limited to, statements with respect to:

- the performance of our business and operations;
- expectations regarding revenues, expenses and anticipated cash needs;
- 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 customers using our cannabis;
- the expected growth in our growing, cultivation and production capacities;
- expectations with respect to future production costs;
- expectations with respect to future sales and distribution channels, including the ability to secure additional provincial listings;
- the expected methods to be used by the Company to distribute and sell cannabis;
- the competitive conditions of the industry;
- expectations regarding the ongoing impact on the Company of the legalization of cannabis for adult-use in Canada and the Company’s ability to participate in such market;
- the legalization of additional cannabis types and forms for adult-use in Canada, including federal, provincial, territorial and municipal regulations pertaining thereto, the related timing and impact thereof and our intentions to participate in such markets;
- the legalization of the use of cannabis for medical- or adult-use in jurisdictions outside of Canada, the related timing and impact thereof and our intentions to participate in such markets outside of Canada, if and when such use is legalized;
- laws and regulations and any amendments thereto applicable to our business and the impact thereof;
- our ability to execute on our strategy and the anticipated benefits of such strategy;
- 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;
- our future product offerings;
- the anticipated future gross margins of our operations;
- expectations regarding capital expenditures;
- accounting standards and estimates;
- expectations regarding the resolution of litigation and legal proceedings;
- expectations regarding the use of proceeds of equity financings, including the proceeds from the Altria Investment (as defined herein);
- expectations regarding the potential success of, and the costs and benefits associated with, our joint ventures and strategic alliances, including the strategic partnership (the “**Ginkgo Strategic Partnership**”) with Ginkgo Bioworks, Inc. (“**Ginkgo**”);
- the anticipated benefits and impact of the Altria Investment; and
- the potential exercise of the Altria Warrant (as defined herein), including proceeds to the Company that may result therefrom.

Certain of the Forward-Looking Statements contained herein 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 or other information presented herein that 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.

The Forward-Looking Statements contained herein are based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including (i) management's perceptions of historical trends, current conditions and expected future developments; (ii) our ability to generate cash flow from operations and obtain necessary financing on acceptable terms; (iii) general economic, financial market, regulatory and political conditions in which we operate; (iv) the output from Peace Naturals Project Inc. ("**Peace Naturals**"), Original BC Ltd. ("**OGBC**") and our joint ventures and strategic alliances; (v) consumer interest in our products; (vi) competition; (vii) anticipated and unanticipated costs; (viii) government regulation of our activities and products and in the areas of taxation and environmental protection; (ix) the timely receipt of any required regulatory authorizations, approvals, consents, permits and/or licenses; (x) our ability to obtain qualified staff, equipment and services in a timely and cost efficient manner; (xi) our ability to conduct operations in a safe, efficient and effective manner; (xii) our construction plans and timeframe for completion of such plans; and (xiii) other considerations that are believed to be appropriate in the circumstances, including that the foregoing factors, collectively, are not expected to have a material impact on us. While management of the Company considers these assumptions to be reasonable based on information currently available to management, there is no assurance that such expectations will prove to be correct.

By their nature, Forward-Looking Statements are subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, including known and unknown risks, many of which are beyond our control, could cause actual results to differ materially from the Forward-Looking Statements in this MD&A. Such factors include, without limitation, the risk that cost savings and any other synergies from the Altria Investment may not be fully realized or may take longer to realize than expected; disruption from the Altria Investment making it more difficult to maintain relationships with customers, employees or suppliers; future levels of revenues; consumer demand for cannabis products; our ability to manage disruptions in credit markets or changes to our credit rating; future levels of capital, environmental or maintenance expenditures, general and administrative and other expenses; the success or timing of completion of ongoing or anticipated capital or maintenance projects; business strategies, growth opportunities and expected investment; the adequacy of our capital resources and liquidity, including but not limited to, availability of sufficient cash flow to execute our business plan (either within the expected timeframe or at all); the potential effects of judicial or other proceedings on our business, financial condition, results of operations and cash flows; continued or further volatility in and/or degradation of general economic, market, industry or business conditions; compliance with applicable environmental, economic, health and safety, energy and other policies and regulations; the anticipated effects of actions of third parties such as competitors, activist investors or federal (including U.S. federal), state, provincial, territorial or local regulatory authorities, self-regulatory organizations or plaintiffs in litigation; and the factors discussed under the heading *"Risks and Uncertainties"* in this MD&A and under the heading *"Risk Factors"* in our latest Annual Information Form dated March 25, 2019 (the " **AIF**"). Readers are cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on Forward-Looking Statements.

Forward-Looking Statements are provided for the purposes of assisting the reader in understanding our financial performance, financial position and cash flows as at and for periods ended on certain dates and to present information about management's current expectations and plans relating to the future, and the reader is cautioned that the Forward-Looking Statements may not be appropriate for any other purpose. While we believe that the assumptions and expectations reflected in the Forward-Looking Statements are reasonable based on information currently available to management, there is no assurance that such assumptions and expectations will prove to have been correct. Forward-Looking Statements 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 Group is an innovative global cannabinoid company, with international production and distribution across five continents. The Company is engaged in the cultivation, manufacture, and marketing of cannabis and cannabis-derived products for the medical and adult-use markets. Cronos Group is committed to building disruptive intellectual property by advancing cannabis research, technology and product development. With a passion to responsibly elevate the consumer experience, Cronos Group is building an iconic brand portfolio. Cronos Group's brand portfolio includes PEACE NATURALS™, a global health and wellness brand, and two adult-use brands, COVE™ and Spinach™.

Cronos Group's common shares are listed on the Nasdaq Global Market (" **NASDAQ**") and on the Toronto Stock Exchange (" **TSX**") under the ticker symbol "CRON".

The Company operates two wholly-owned license holders (" **License Holders**") under the *Cannabis Act* (Canada) and its relevant regulations (the "**Cannabis Act**"). Our License Holders are Peace Naturals, which has production facilities near Stayner, Ontario, and OGBC, which has a production facility in Armstrong, British Columbia. Cronos Group has also established five strategic joint ventures in Canada, Israel, Australia and Colombia. The Company's ownership interest in each of our License Holders and joint ventures is summarized in the table below.

	Jurisdiction	Ownership Interest[1]
Wholly-Owned License Holders		
Peace Naturals	Canada	100%
OGBC	Canada	100%
Joint Ventures		
Cronos Israel[2]	Israel	90%
Cronos GrowCo	Canada	50%
NatuEra	Colombia	50%
Cronos Australia	Australia	50%
MedMen Canada	Canada	50%

(1) *The Company defines ownership interest as the interest to which the Company is entitled a proportionate share of net income; legal ownership may differ from ownership interest shown above.*

(2) *Cronos Group holds a 70% equity interest in the cultivation company, and a 90% equity interest in each of the manufacturing, distribution and pharmacies companies of Cronos Israel (as defined herein).*

Strategy

Cronos Group is committed to being a leading global cannabinoid company. 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 global sales and distribution network;
- creating and monetizing disruptive intellectual property; and
- growing a portfolio of iconic brands that resonate with consumers.

Altria Strategic Partnership

In March 2019, the Company closed the previously announced $2.4 billion investment in the Company (the " **Altria Investment**") by Altria Group, Inc. ("**Altria**"), pursuant to a subscription agreement dated December 7, 2018. At closing, the Company issued to certain wholly-owned subsidiaries of Altria common shares of the Company and one warrant, which may be exercised in part or in full on or before March 8, 2023 (the "**Altria Warrant**"). Full exercise of the Altria Warrant is expected to provide the Company with approximately $1.4 billion of additional proceeds (subject to adjustment). As of the closing date, Altria beneficially held an approximately 45% ownership interest in the Company (calculated on a non-diluted basis) and, if exercised in full, the exercise of the Altria Warrant would result in Altria holding a total ownership interest of approximately 55% (calculated on a non-diluted basis). The Company's strategic partnership with Altria provides Cronos Group with additional financial resources, product development and commercialization capabilities, and deep regulatory expertise to better position the Company to compete in the global cannabis industry.

In connection with the closing of the Altria Investment, the Company and Altria entered into an investor rights agreement (the " **Investor Rights Agreement**") pursuant to which Altria has certain governance rights, including the right to nominate a specified number of

directors to the Company's board of directors, approval rights over certain Company actions and pre-emptive and top-up rights entitling Altria to maintain its *pro rata* beneficial ownership in the Company. Under the Investor Rights Agreement, Altria has agreed to make Cronos Group its exclusive global partner for pursuing cannabis opportunities (subject to certain limited exceptions). Also in connection with the closing, the Company and Altria entered into certain commercial support arrangements pursuant to which Altria provides the Company with strategic advisory and consulting services on matters which may include research and development ("**R&D**"), marketing, advertising and brand management, government relations and regulatory affairs, finance, tax planning, logistics and other corporate administrative matters.

Global Production Footprint

Cronos Group is focused on establishing an efficient global production footprint by developing industry-leading methodologies and best practices at Peace Naturals, the Company's center of excellence, and leveraging this expertise to create beneficial domestic and international production partnerships.

Facility[1]	Location	Grow Type	Square Footage	Estimated Annual Rated Capacity (in kg)[2]
Existing Capacity[3]				
Peace Naturals – Buildings 1, 2, 3, 4 [4]	Stayner, ON, Canada	Indoor	325,000	38,500
Peace Naturals – Greenhouse	Stayner, ON, Canada	Greenhouse	28,000	1,500
OGBC	Armstrong, BC, Canada	Indoor	2,500	150
Existing Capacity			355,500	40,150
Capacity in Progress				
Cronos Israel – Phase I	Hadera, Israel	Greenhouse	45,000	5,000
Cronos Australia – Phase I	Melbourne, VIC, Australia	Indoor	20,000	2,000
Cronos GrowCo	Kingsville, ON, Canada	Greenhouse	850,000	70,000
NatuEra[5]	Cundinamarca, Colombia	Greenhouse	*	*
Capacity in Progress			915,000	77,000
Pro Forma Capacity			**1,270,500**	**117,150**

(1) See "– General" *for information related to the Company's ownership interest in the above facilities.*

(2) Estimated annual rated capacity is based on the Company's experience growing a variety of cannabis strains at its facilities. Material assumptions to derive estimated rated capacity for a given facility include, but are not limited to: the yield per square foot per harvest, the number of harvests per year and the square feet of cultivation space occupied by the plants immediately prior to harvest.

(3) 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.

(4) Building 4 is expected to become operational in phases. While construction of Building 4 is complete, the GMP-grade and industrial-grade kitchen and certain additional cultivation and processing areas are in the process of being equipped and made operational in phases. Certain research and development laboratory areas in Building 4 are in final design phases. See "– Domestic Production Footprint – Peace Naturals" for more information.

(5) NatuEra is still in the design phase and initial planned capacity is yet to be finalized.

Domestic Production Footprint

Peace Naturals

Situated on approximately 90 acres of land zoned and licensed for cannabis production, Peace Naturals operates four fully-operational production facilities (Building 1, Building 2, Building 3 and a greenhouse (the "**Peace Naturals Greenhouse**")). The Company recently completed the construction of a partially-licensed, 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.

In October 2013, Health Canada issued an initial license to Peace Naturals, which has since been amended, supplemented and transitioned under the Cannabis Act. In connection with this transition, Health Canada issued a standard cultivation license, standard processing license and license for sale for medical purposes (the "**Peace Naturals Production Licenses**"), pursuant to which Peace Naturals has the right to engage in, among other things, the cultivation, processing, distribution and sale of dried cannabis flower, cannabis resin, cannabis seeds, cannabis plants and cannabis oil, among other prescribed activities.

In January 2018, Peace Naturals received a dealer's license pursuant to the Narcotic Control Regulations ("**NCR**") and the Controlled Drug and Substances Act (the "**CDSA**") from Health Canada for the possession, sale, transportation and delivery of controlled substances under the CDSA, including cannabis, tetrahydrocannabinol ("**THC**") and cannabidiol ("**CBD**"), which license has since been

transitioned under the Cannabis Act. In connection with this transition, Health Ca nada issued a cannabis drug license to Peace Naturals under the Cannabis Act (the "**Peace Naturals Drug License**"), pursuant to which Peace Naturals has the right to engage in, among other things, the possession and sale of drugs containing cannabis.

Buildings 1, 2 and 3, totaling approximately 39,000 sq. ft. of production space, are engaged in cultivation, processing, extraction, finishing and packaging and shipping activities. The Peace Naturals Greenhouse is a 28,000 sq. ft. greenhouse providing a year-round, low-cost supply of cannabis flower for extraction. The Peace Naturals Greenhouse is designated as a research facility to pilot various production technologies. Any tests yielding favorable operational improvements may then be disseminated to the Company's other domestic and international facilities.

In August 2018, Peace Naturals received authorization from Health Canada to cultivate cannabis in Building 4, and the building is expected to become operational in phases. Currently, Building 4 engages in the cultivation of cannabis and produced its first harvest in December 2018. The Company expects all flower rooms to be populated in the first half of 2019 and thereafter anticipates further improvements in yields toward full run-rate capacity as a result of increasing efficiencies over time. Building 4 also engages in tissue culture and micro propagation, processing, finishing and packaging, and shipping activities.

It is expected that Building 4 will also engage in extraction, formulation and R&D activities following receipt of the applicable regulatory approvals or license amendments. While construction of Building 4 is complete, the GMP-grade and industrial-grade kitchen and certain additional cultivation and processing areas are in the process of being equipped and made operational in phases. Certain R&D and laboratory areas in Building 4 are in final design phases. In addition to the cultivation areas, Building 4 is expected to include:

- designated areas for proprietary genetic breeding and 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;
- R&D grow and dry areas with compartmentalized chambers to conduct experiments on yield, genetic markers, and metabolite/terpene enhancement techniques; 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 currently engages in inter-company bulk transfers of dried cannabis flower to Peace Naturals, where it is processed and packaged for sale and sold under the Company's brand portfolio.

In February 2014, Health Canada issued an initial cultivation license to OGBC, which license has since been amended, supplemented and transitioned under the Cannabis Act. In connection with this transition, Health Canada issued a standard cultivation and processing license and a license to sell for medical purposes to OGBC under the Cannabis Act (the "**OGBC Production Licenses**"), pursuant to which OGBC has the right to engage in the cultivation, processing, distribution and sale of dried cannabis flower, cannabis seeds, and cannabis plants, among other prescribed activities.

Cronos GrowCo Joint Venture

In July 2018, the Company entered into a strategic joint venture with a group of investors led by Bert Mucci (the " **Greenhouse Partners**"), a leading Canadian large-scale greenhouse operator. Each of the Company and the Greenhouse Partners owns a 50% equity interest in the joint venture, Cronos Growing Company Inc. ("**Cronos GrowCo**"), and has equal representation on the board of directors of Cronos GrowCo. Cronos GrowCo is constructing an 850,000 sq. ft. purpose-built, GMP-standard greenhouse on approximately 100 acres of land acquired by Cronos GrowCo in Kingsville, Ontario. Once fully operational, the greenhouse is expected to produce up to 70,000 kilograms of cannabis annually. Construction of the greenhouse has commenced. The Company expects to complete the superstructure of the greenhouse in the second half of 2019 and expects the greenhouse to become operational in phases in 2020. Completed construction of the greenhouse is subject to obtaining the necessary funding, the relevant building/occupancy permits and other customary approvals. Commencement of operations at Cronos GrowCo will be subject to obtaining the appropriate licenses under applicable law. Cronos GrowCo expects to utilize debt to fund a portion of the facility build-out. See "– *Global Production Footprint*" for further information on the material factors and assumptions related to the projected production capacity of the greenhouse.

International Production Footprint

Cronos Israel Joint Venture

In September 2017, the Company announced a strategic joint venture in Israel (" **Cronos Israel**") with the Israeli agricultural collective settlement Kibbutz Gan Shmuel ("**Gan Shmuel**") for the production, manufacture and distribution of medical cannabis. Cronos Israel

consists of four companies: (i) cultivation (encompassing nursery and cultivation operations), (ii) manufacturing, (iii) distribution and (iv) pharmacies (the "**Cronos Israel Companies**"). The Company holds a 70% equity interest in the cultivation company and a 90% equity interest in each of the manufacturing, distribution and pharmacies companies of Cronos Israel. Gan Shmuel holds the remaining equity interest in each of the four companies. Each of Cronos Group and Gan Shmuel has one board member nominee on the board of directors of each of the Cronos Israel Companies. Cronos Group has the right to nominate a further two members to the board of each company, and, until such time, its nominated director shall have two votes.

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 and R&D. The Company anticipates that construction of the greenhouse will be complete in the first half of 2019, and construction of the manufacturing facility will be complete in the second half of 2019. See *"– Global Production Footprint"* for further information on the material factors and assumptions related to the projected production capacity of the greenhouse.

In early 2017, the Medical Cannabis Unit of the Israeli Ministry of Health (the "**Yakar**") granted Gan Shmuel preliminary licenses ("**Israel Codes**") to establish four distinct cannabis commercial operations: (i) propagation and breeding, (ii) commercial cannabis cultivation, (iii) extraction, formulation and packaging, and (iv) patient care and distribution. The Israel Codes were successfully transferred to Cronos Israel in May 2018. Commencement of cultivation, manufacturing and distribution operations in Cronos Israel is subject to final inspection by the Yakar and the issuance of final cannabis licenses.

In January 2019, the Israeli government approved the export of medical cannabis from Israel, which would allow medical cannabis license holders that meet certain quality standards to export medical cannabis, under the supervision of the Israeli authorities, to United Nations' Single Convention on Narcotic Drugs-signatory countries that have explicitly approved the import of cannabis. Subject to obtaining all necessary licenses and permits, the Company intends to export medical cannabis products from Cronos Israel once production operations have commenced.

NatuEra Joint Venture – Colombia

In August 2018, the Company announced a strategic joint venture with an affiliate of Agroidea SAS ("**AGI**"), a leading Colombian agricultural services provider with over 30 years of research, development and production operations and expertise managing industrial scale horticultural operations for export from Colombia. Each of Company and AGI owns a 50% equity interest in the joint venture, NatuEra S.à r.l. ("**NatuEra**"). Cronos Group will have three manager nominees on the board of managers of NatuEra, while AGI will have four manager nominees on the board of managers. NatuEra intends to develop, cultivate, manufacture and export cannabis-based medical and consumer products for the Latin American and global markets. NatuEra plans to develop its initial cultivation and manufacturing operations with a purpose-built, GMP-standard facility located in Cundinamarca, Colombia. Design of the facility is currently underway, and construction of the facility remains subject to obtaining the relevant permits and other customary approvals. In the second half of 2018, a wholly-owned subsidiary of NatuEra was granted a license to cultivate non-psychoactive cannabis plants for production of seeds for planting and the manufacture of derivative products, and a license to manufacture cannabis derivative products for domestic use and export. NatuEra is awaiting the grant of a license to cultivate psychoactive cannabis. Commencement of operations at the facility will be subject to obtaining the remaining appropriate licenses under applicable law.

Cronos Australia Joint Venture

In February 2018, the Company announced a strategic joint venture, Cronos Australia Pty. Ltd. ("**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 a 50% equity interest in Cronos Australia and has equal representation on the board of directors of Cronos Australia. 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 Australia and Asia-Pacific region. The Company is currently reviewing alternative facility designs given current and anticipated market opportunities, which may include an expansion of the previously announced plans for a 20,000 sq. ft. purpose-built indoor facility.

In February 2018, Cronos Australia was granted a medicinal cannabis cultivation license, and a medicinal cannabis research license, by the Australian Therapeutic Goods Administration and the Office of Drug Control (the "**ODC**"). In June 2018, Cronos Australia was granted a medicinal cannabis manufacture license by the Australian ODC. This is the final license necessary for domestic production in Australia, which includes the medicinal cannabis cultivation license and research license. Cronos Australia has also received an import license from the ODC, together with all necessary permits, to import PEACE NATURALS™ branded products for sale in the Australian medical market while construction of the Cronos Australia production facility is being completed. Arrangements for imports are in progress. Cronos Australia has also received an export license from the ODC to export certain medical cannabis products, subject to receipt of all necessary permits.

Global Sales and Distribution

Cronos Group is developing a diversified global sales and distribution network by leveraging established partners for their scale, salesforce and market expertise. The Company is also building a domestic distribution footprint through the direct-to-client medical market and the adult-use market in Canada.

Domestic Distribution

Medical Market

The Company currently sells dried cannabis and cannabis oils through its health and wellness brand, PEACE NATURALS ™, directly to clients. These clients are typically sourced through physician and clinic referrals or word of mouth recommendations from existing clients.

Adult-Use Market

On October 17, 2018, Canada became the first G7 country and the second country in the world to legalize cannabis sales for adult-use at a federal level. The Company currently sells dried flower, pre-rolls and cannabis oils through its adult-use brands, COVE™ and Spinach™, to cannabis control authorities in Ontario, British Columbia, Nova Scotia and Prince Edward Island, as well as to private-sector retailers in Saskatchewan. These five provinces together represent approximately 58% of the Canadian population. As the Company's production capacity grows, the Company intends to explore expanding its distribution into additional provinces and territories in Canada.

Cura Supply Agreement

In August 2018, Cronos Group announced a supply agreement (the "**Cura Supply Agreement**") with Cura Cannabis Solutions ("**Cura**"), a vertically integrated cannabis operator. Cura signed a five year take-or-pay supply agreement to purchase a minimum of 20,000 kilograms of cannabis per annum from Cronos GrowCo, commencing after Cura receives its production and sales licenses from Health Canada.

MedMen Canada Joint Venture

In March 2018, the Company entered into a strategic joint venture with MedMen Enterprises USA, LLC (" **MedMen**"). Each of the Company and MedMen owns a 50% equity interest in the joint venture, MedMen Canada Inc. ("**MedMen Canada**"), and has equal representation on the board of directors of MedMen Canada. MedMen Canada holds the exclusive license to the MedMen brand in Canada for a minimum term of 20 years. MedMen Canada is currently in the process of obtaining the necessary licenses, permits and retail locations, in provinces where private retail is permitted under applicable law, to create a premium MedMen branded retail chain in Canada modelled after MedMen's iconic retail concept in Los Angeles, Las Vegas and Manhattan. Commencement of operations will be subject to obtaining such licenses and permits.

International Distribution

Germany

In October 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 the German medical market. The Company currently exports dried cannabis to Germany and announced its first shipment to Pohl-Boskamp in December 2017.

Poland

In June 2018, Cronos Group entered into a strategic distribution partnership with Delfarma Sp. Zo.o (" **Delfarma**"). Delfarma is a pharmaceutical wholesaler with a distribution network of over 5,000 pharmacies and more than 200 hospitals that collectively reaches approximately 40% of the Polish domestic market. Under the five-year exclusive distribution agreement, Cronos Group will supply PEACE NATURALS™ branded cannabis products to Delfarma for distribution within the Polish medical market. The Company and Delfarma are currently in the process of obtaining the necessary regulatory approvals to sell cannabis products in Poland.

Other International Markets

The Company intends to supply the medical cannabis markets in Israel, Latin America, and Australia through the operations of Cronos Israel, NatuEra, and Cronos Australia, respectively, once operational. In addition, Cronos Australia has received an import license from the ODC, together with all necessary permits, to import PEACE NATURALS™ branded products for sale in the Australian medical market while construction of the Cronos Australia production facility is being completed. Arrangements for imports are in progress.

Intellectual Property Initiatives

Cronos Group is committed to building disruptive intellectual property, by advancing cannabis and cannabinoid research, technology and product development. Our intellectual property initiatives, among others, include the following publicly-announced partnerships.

Ginkgo Strategic Partnership

In September 2018, the Company launched its R&D partnership with Ginkgo that could ultimately enable the Company to produce certain cultured cannabinoids at commercial scale at a fraction of the cost of traditional cultivation. These cultured cannabinoid molecules are identical to those produced by plants grown with traditional cultivation but are created by leveraging the power of biological manufacturing via fermentation. In addition to THC and CBD, these cultured cannabinoids include rare cannabinoids that are economically impractical or nearly impossible to produce at high purity and scale through traditional cultivation. If the Ginkgo Strategic Partnership is ultimately successful, Cronos Group expects to be able to produce large volumes of these cultured cannabinoids from custom yeast strains by leveraging existing fermentation infrastructure (i.e., breweries or pharmaceutical contract manufacturing operations) without incurring significant capital expenditures to build new cultivation and extraction facilities.

Pursuant to the collaboration and license agreement dated September 1, 2018 between Ginkgo and the Company (the " **Ginkgo Collaboration Agreement**"), Ginkgo will work with the Company on the R&D of microorganisms capable of producing certain target cannabinoids in a scalable and highly efficient manner. The Company will have the exclusive global right to use and commercialize key patented intellectual property related to the production of the target cannabinoids. Assuming all milestones in the Ginkgo Collaboration Agreement are met, the transaction had an aggregate value (as of July 17, 2018) of US$100.0 million in Cronos Group common shares, to be issued in milestone-contingent tranches. These milestones each relate to the production of certain target cannabinoids for less than US$1,000 per kilogram of pure cannabinoid at a scale of at least 200 liters. The Company and Ginkgo have targeted three years to reach the milestone events for each of the target cannabinoids. The Company will fund certain R&D and foundry expenses throughout the development process, which are expected to amount to approximately $22.0 million, subject to the achievement of certain milestones.

Ginkgo has undertaken to perform all of its R&D work in compliance with all applicable laws regarding controlled substances. In November 2018, Ginkgo received from the U.S. Drug Enforcement Agency (the "**DEA**") a DEA Researcher (I) Controlled Substance Registration Certificate and a Researcher Controlled Substance Registration Certificate from the Massachusetts Department of Public Health for the conduct of the specified research involving cannabinoids. The Company intends to produce and distribute the target cannabinoids globally, where legally permissible, and has received confirmation from Health Canada that this method of production is permitted under the Cannabis Act.

Technion Research Partnership

In October 2018, the Company entered into a sponsored research agreement with the Technion Research and Development Foundation of the Technion – Israel Institute of Technology ("**Technion**") to explore the use of cannabinoids and their role in regulating skin health and skin disorders. The preclinical studies will be conducted by Technion over a three-year period and will focus on three skin conditions: acne, psoriasis and skin repair.

Research will be led by Technion faculty members Dr. David "Dedi" Meiri and Dr. Yaron Fuchs, two of the world's leading researchers in cannabis and skin stem cell research, respectively. Dr. Meiri heads the Laboratory of Cannabis and Cancer Research with vast experience in cannabis and endocannabinoid research. Dr. Fuchs heads the Laboratory of Stem Cell Biology and Regenerative Medicine with years of experience in the biology of the skin and its pathologies. Development and implementation of the research will be conducted at Technion's Laboratory of Cancer Biology and Cannabis Research and the Lorry I. Lokey Interdisciplinary Center of Life Sciences and Engineering in Haifa, Israel.

Brand Portfolio

Cronos Group is committed to building a portfolio of iconic brands that responsibly elevate the consumer experience. Currently, Cronos Group sells dried cannabis, pre-rolls and cannabis oils through wholesale and direct-to-client channels under its health and wellness brand, PEACE NATURALS™, and under its two adult-use brands, COVE ™ and Spinach™.

Brand Position	Health and Wellness	Premium Adult-Use, terpene-rich extracts, small batch runs	Mainstream Adult-Use
Product Offering	Dried Cannabis, Oils	Dried Cannabis, Oils, Pre-Rolls	Dried Cannabis, Pre-Rolls

Health and Wellness

The Company distributes products under one health and wellness brand for the Canadian and international medical markets:

- PEACE NATURALS™ is a global health and wellness brand committed to producing high-quality cannabis and cannabis products. PEACE NATURALS™ is focused on building and shaping the global medical cannabis market and promoting a whole health approach to wellness, which emphasizes diet and lifestyle. The brand's goal is to improve the lives of others, one patient at a time.

Adult-Use

The Company has launched two brands for the Canadian adult-use market:

- COVE™ is a premium positioned brand that was born in the Okanagan Valley in British Columbia, which is known for producing some of the world's finest cannabis. COVE™ products are hand-trimmed using only the best colas of each harvest. By avoiding shortcuts like harsh refining processes, COVE™ is able to maintain the natural balance of the plant across all of the brand's terpene-rich cannabis extracts and brings the highest in quality products to its consumers. The goal of this premium brand is to make each experience a discovery.
- Spinach™ is positioned as a mainstream adult-use brand with High Expectations™, geared towards a wide range of consumers that don't take life too seriously and are looking for entertaining, fun ways to enhance activities. A fun, lighthearted and playful brand, Spinach™ is focused on offering Farm-To-Bowl™ products that bring friends together and make experiences more enjoyable. Get Your Greens™.

Minority Investments

The Company has also invested in and made loans to cannabis-related companies and License Holders. As at December 31, 2018, the Company held an approximately 19% equity interest in Whistler Medical Marijuana Corporation ("**Whistler**") and minority equity investments in Evergreen Medicinal Supply Inc. ("**Evergreen**") and Canopy Growth Corporation (" **Canopy**").

In January 2019, the Company sold all remaining shares of Canopy for net proceeds of approximately $0.5 million.

In March 2019, the Company sold all of its approximately 19% equity interest in Whistler to Aurora Cannabis Inc. (" **Aurora**") in an all-share transaction (the "**Whistler Transaction**"). In connection with the closing of the Whistler Transaction, the Company received approximately $24.7 million in value of Aurora common shares, which the Company subsequently sold for approximately $25.6 million in cash. Subject to the satisfaction of certain specified milestones, the Company expects to receive approximately $7.6 million in additional value of Aurora common shares. Assuming all milestones are met, the Company expects, in aggregate, to generate an 8.7x return on its investment in Whistler, based on current market conditions.

INDUSTRY AND MARKET TRENDS AND REGULATORY DEVELOPMENTS

Our business and activities are heavily regulated in all jurisdictions where we carry on business. Our AIF contains a description of the regulatory framework applicable to our business as of the date of the AIF. The following provides a description of certain applicable regulatory developments within the fiscal year ended December 31, 2018 that had the potential to impact the Company's financial performance.

Medical Cannabis Regulatory Framework in Canada

The Cannabis Act, and the *Cannabis Regulations* (the "**Cannabis Regulations**") promulgated thereunder, came into force on October 17, 2018 and provides three primary options for medical patients to obtain cannabis:

- continue to access quality-controlled cannabis by registering with License Holders;
- register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or
- designate someone else to produce cannabis for them.

These three options for access to medical cannabis are similar to those options previously allowed under the Access to Cannabis for Medical Purposes Regulations (the "**ACMPR**"), which was substantively incorporated into the Cannabis Regulations. The new Cannabis Act medical regime improves upon the previous ACMPR requirements by reducing administrative requirements that were identified by patients, patient advocates, and healthcare professionals as being especially burdensome. For example, registered clients may now request the transfer of their medical document from one License Holder to another without having to request a new medical document from a health care practitioner. The validity period of the medical document has also been extended by using the date of registration as the first day of the validity period as opposed to the date on which the medical document was issued by the healthcare practitioner.

Legalization of Regulated Adult-Use Cannabis in Canada

The Cannabis Act legalized adult-use of cannabis across Canada. The Cannabis Act replaced the ACMPR, which previously permitted access to cannabis for medical purposes for those Canadians who had been authorized by their health care practitioner. The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export licenses and permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of certain industrial hemp products.

The Cannabis Act also provides a licensing and permitting scheme for, among other things, the cultivation, processing, testing, packaging, labelling, distribution, sale, possession and disposal of adult-use cannabis, implemented by regulations made under the Cannabis Act. The Cannabis Regulations include, among other things, strict specifications for the plain packaging and labelling and analytical testing of all cannabis products as well as stringent physical and personnel security requirements for all federally licensed cultivation, processing and sales sites.

While the sale of dried cannabis, fresh cannabis, cannabis seeds, plants and oil is currently permitted under the Cannabis Act, the sale of edibles containing cannabis and cannabis concentrates are not. On December 22, 2018, the Canadian federal government published the draft of the proposed Regulations Amending the Cannabis Regulations in the Canada Gazette (the "**Further Regulations**"). The Further Regulations propose to amend the Cannabis Act and Cannabis Regulations to, among other things, allow the production of extracts (including concentrates), edibles and topicals in addition to the currently permitted product forms. The Further Regulations were subject to a 60 day comment period after which they may be further amended before implementation based on comments received.

The Canadian adult-use market is a significant new market for the Company's products. However, it is still uncertain how developments in this new market may impact the medical cannabis market. The impact of the adult-use cannabis market on the Company's business may be negative 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.

Transition of Licenses under the Cannabis Act

As of October 17, 2018, our License Holders are primarily regulated under the Cannabis Act, which includes transitional provisions applicable to licensure. Due to the repeal of the ACMPR and the amendment of the CDSA and NCR, the Cannabis Act provides that certain licenses issued under the ACMPR and the NCR are deemed to be licenses under the Cannabis Act. Our License Holders have successfully transitioned their licenses through the Cannabis Tracking and Licensing System and now hold the following licenses issued under the Cannabis Act:

- the Peace Naturals Production Licenses;
- the Peace Naturals Drug License; and
- the OGBC Production Licenses.

Our License Holders have also received the necessary excise duty licenses from the Canada Revenue Agency.

The Cannabis Act also contains transition provisions that generally provide that certain import/export permits issued under the ACMPR or the NCR relating to cannabis that were in force immediately before the commencement date of the Cannabis Act will be deemed to be permits issued under the applicable provisions of the Cannabis Act. Under the Cannabis Act, licenses and permits authorizing the importation or exportation of cannabis may be issued only in respect of cannabis for medical or scientific purposes or in respect of certain industrial hemp products.

Pursuant to the Cannabis Fees Order, SOR/2018-198, our License Holders are also subject to certain annual regulatory fees and reporting requirements. The annual regulatory fees allow the Minister of Health to recover the aggregate costs of administering the cannabis regulatory program and are payable annually by certain License Holders. The annual regulatory fee for certain of our licenses is based on a percentage of the License Holder's actual revenue in the previous year from the sale of cannabis less the amount purchased from another License Holder subject to the fee, or a minimum flat fee. Specifically, standard cultivation, standard processing and certain medical sales License Holders will be subject to a fee of 2.3% of cannabis revenue or $23,000, whichever is higher, in addition to any other fees that may be payable.

Provincial and Territorial Distribution Frameworks for Regulated Adult-Use Cannabis

While the Cannabis Act and Cannabis Regulations provide for the regulation of the commercial production, processing, distribution and sale (for medical purposes) of cannabis and related matters by the federal government of Canada, the provinces and territories of Canada regulate the distribution, sale and consumption of adult-use cannabis, such as retail licensing, minimum age requirements, places where cannabis can be consumed, and a range of other matters. The governments of every Canadian province and territory have implemented regulatory regimes for the distribution, sale and use of adult-use cannabis within those provinces.

Restrictions on Business Activities in the United States

The Company currently does not engage in any commercial activities related to the cultivation, distribution or possession of cannabis in the U.S. The Ginkgo Strategic Partnership contemplates the performance of licensed R&D activities in the U.S., in order to produce cultured cannabinoids, in full compliance with all applicable laws regarding controlled substances. From time to time, the Company may have minority interests in non-U.S. cannabis companies (as disclosed in the AIF). 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 MD&A.

Additional information with respect to the Company's business and applicable regulatory frameworks are included in the AIF.

FINANCIAL HIGHLIGHTS

($ in 000s, except where noted otherwise)	Three Months Ended December 31,		Change		Year Ended December 31,		Change	
	2018	2017	$	%	2018	2017	$	%
Financial Results								
Net Revenue	$ 5,604	$ 1,611	$ 3,993	*248%*	$ 15,703	$ 4,082	$ 11,621	*285%*
Adjusted EBITDA(1)	(7,943)	(1,452)	(6,491)	*447%*	(14,579)	(4,438)	(10,141)	*229%*
Extract Sales (% of Net Revenue)	*24%*	*9%*			*19%*	*4%*		
Operating Results								
Kilograms Sold	1,040	349	691	*198%*	2,737	635	2,102	*331%*
Avg. Net Selling Price / Gram Sold	$ 5.39	$ 4.62	$ 0.77	*17%*	$ 5.74	$ 6.43	$ (0.69)	*(11%)*
Cost of Sales before Fair Value Adj. / Gram Sold	3.02	3.33	(0.31)	*(9%)*	2.80	3.21	(0.42)	*(13%)*

(1) *See* "General Matters – Non-IFRS Measures" *for information related to Non-IFRS Measures.*

- Net revenue in Q4 2018 increased by $4.0 million, or 248%, from $1.6 million in Q4 2017 to $5.6 million.
- Kilograms sold in Q4 2018 increased by 198% over the prior year period.
- On a sequential quarter-over-quarter basis, net revenue and kilograms sold in Q4 2018 increased 49% and 102%, respectively, over the third quarter of 2018.
- Net revenue in FY 2018 increased by $11.6 million, or 285%, from $4.1 million in FY 2017 to $15.7 million.
- Kilograms sold in FY 2018 increased by 331% over the prior year period.
- Cost of sales before fair value adjustments per gram sold decreased 13% from $3.21 in FY 2017 to $2.80 in FY 2018.
- Continued growth in cannabis oil sales, which represented 24% of total net revenue in Q4 2018.
- Liquidity improved with the closing of the $2.4 billion Altria Investment in March 2019.

ANNUAL BUSINESS HIGHLIGHTS AND RECENT DEVELOPMENTS POST FISCAL YEAR-END

Secured strategic partnership with Altria

In March 2019, the Company closed the previously announced $2.4 billion Altria Investment, giving Altria a 45% ownership interest in the Company (calculated on a non-diluted basis). At closing, Altria also received the Altria Warrant, that if fully exercised, would provide the Company with approximately $1.4 billion of additional proceeds (subject to adjustments) and would result in Altria holding a total ownership interest in the Company of approximately 55% (calculated on a non-diluted basis). The Company's strategic partnership with Altria provides Cronos Group with additional financial resources, product development and commercialization capabilities, and deep regulatory expertise to better position the Company to compete in the global cannabis industry.

Establishing an efficient global production footprint

Formed NatuEra, Cronos Group's cultivation and manufacturing hub for Latin America

In August 2018, the Company announced a strategic joint venture with AGI, a leading Colombian agricultural services provider with over 30 years of research, development and production operations and expertise managing industrial scale horticultural operations for export from Colombia. Each of the Company and AGI owns a 50% equity interest in NatuEra. NatuEra intends to develop, cultivate, manufacture and export cannabis-based medical and consumer products for the Latin American and global markets.

Continued expansion of Peace Naturals, Cronos Group's center of excellence

- *Building 4.* In August 2018, Peace Naturals received authorization from Health Canada to cultivate cannabis in its newly-constructed facility, Building 4, which is expected to become operational in phases. Building 4 produced its first harvest in December 2018, and the Company expects all flower rooms to be populated in the first half of 2019. The Company anticipates further improvements in yields toward full run-rate capacity as a result of increasing efficiencies over time.
- *Peace Naturals Greenhouse.* In the first quarter of 2018, we completed construction of, received the required regulatory approvals for, and commenced cultivation in, the Peace Naturals Greenhouse. The greenhouse's first harvest occurred in June 2018, and the facility is currently fully operational.

Launched Cronos GrowCo for additional domestic greenhouse production capacity

In July 2018, the Company announced a strategic joint venture with the Greenhouse Partners, a leading Canadian large-scale greenhouse operator. Each of the Company and the Greenhouse Partners owns a 50% equity interest in Cronos GrowCo. Cronos GrowCo will develop, construct and operate a state-of-the-art 850,000 sq. ft. purpose-built greenhouse for cannabis production.

Unveiled Cronos Australia, Cronos Group's cultivation and manufacturing hub for Australia and Asia-Pacific

In February 2018, the Company announced the launch of its strategic Australian joint venture, Cronos Australia, for the research, production, manufacture and distribution of medical cannabis. Each of the Company and NewSouthern owns a 50% equity interest in Cronos Australia. During the fiscal year, Cronos Australia was granted all licenses necessary for domestic production in Australia, including a medicinal cannabis cultivation license, medicinal cannabis manufacture license and a cannabis research license. Cronos Australia also received an import license, together with all necessary permits, to import PEACE NATURALS™ branded products for sale in Australia. Cronos Australia additionally received a license to export certain medical cannabis products, subject to receipt of all necessary permits.

Secured the Peace Naturals Drug License

In January 2018, Peace Naturals received a dealer's license pursuant to the NCR and CDSA, which license has since been transitioned under the Cannabis Act. In connection with the transition, Health Canada issued the Peace Naturals Drug License, pursuant to which Peace Naturals has the right to engage in, among other things, the possession and sale of drugs containing cannabis.

Continued progress of Cronos Israel

Construction of the Cronos Israel purpose-built greenhouse and manufacturing facility, each designed to GMP standards, commenced in the second quarter of 2018 and continues to progress on schedule. The Company anticipates that construction of the greenhouse will be complete in the first half of 2019 and construction of the manufacturing facility will be complete in the second half of 2019.

In January 2019, the Israeli government approved the export of medical cannabis products from Israel. Subject to obtaining all necessary licenses and permits, the Company intends to export medical cannabis products from Cronos Israel once production operations have commenced.

Developing a diversified global sales and distribution network

Entered the Canadian adult-use market

By August 2018, the Company secured listings with the Ontario Cannabis Retail Corporation, the BC Liquor Distribution Branch, the Nova Scotia Liquor Corporation and Prince Edward Island Liquor Corporation. In January 2019, the Company also secured listings with various private retailors in Saskatchewan. Together, these five provinces represent approximately 58% of the Canadian population. As the Company's production capacity grows, the Company intends to explore expanding its distribution into additional provinces and territories in Canada.

Secured take-or-pay commitment with Cura Supply Agreement

In August 2018, Cronos Group announced the Cura Supply Agreement, a five year take-or-pay supply agreement to purchase a minimum of 20,000 kilograms of cannabis per annum from Cronos GrowCo, starting after Cura receives all necessary licenses from Health Canada.

Secured Polish distribution channel with Delfarma distribution agreement

In June 2018, Cronos Group entered into a five-year exclusive strategic distribution partnership with Delfarma, a pharmaceutical wholesaler with a distribution network of over 5,000 pharmacies and more than 200 hospitals, that collectively reaches approximately 40% of the Polish domestic market.

Establishing Canadian retail presence with MedMen joint venture

In March 2018, the Company announced its strategic joint venture, MedMed Canada, focused on developing MedMen-branded products and a MedMen-branded Canadian retail chain in provinces that permit private retailers. Each of the Company and MedMen owns a 50% equity interest in MedMen Canada.

Creating and monetizing disruptive intellectual property

Ginkgo Strategic Partnership

In September 2018, the Company launched the Ginkgo Strategic Partnership that could ultimately enable the Company to produce certain cultured cannabinoids at commercial scale at a fraction of the cost of traditional cultivation. If the Ginkgo Strategic Partnership is ultimately successful at developing such cultured cannabinoids, Cronos Group expects to be able to produce large volumes of the target cannabinoids from custom yeast strains by leveraging existing fermentation infrastructure (i.e., breweries or pharmaceutical contract manufacturing operations) without incurring significant capital expenditures to build new cultivation and extraction facilities.

R&D in the role of, and use of, cannabinoids in skin health

In October 2018, the Company entered into a sponsored research agreement with Israeli-based Technion to explore the use of cannabinoids and their role in regulating skin health and skin disorders. The preclinical studies will be conducted by Technion over a three-year period and will focus on three skin conditions: acne, psoriasis and skin repair.

Growing a portfolio of iconic brands that resonate with consumers

Launched two adult-use brands, COVE™ and Spinach™

The Company launched two brands for the Canadian adult-use market. COVE™ is a premium positioned brand that was born in the Okanagan Valley in British Columbia, which is known for producing some of the world's finest cannabis. COVE™ products are hand-trimmed, using only the best colas of each harvest. Spinach™ is positioned as a mainstream adult-use brand with High Expectations™ geared towards a wide range of consumers that don't take life too seriously and are looking for entertaining, fun ways to enhance activities.

Enhancing liquidity

Secured industry-leading balance sheet with Altria Investment

In March 2019, in connection with the closing of the Altria Investment, the Company issued 149,831,154 common shares to Altria at a price of $16.25 per common share for aggregate gross proceeds of approximately $2.4 billion.

Monetized minority investment in Whistler

In March 2019, the Company sold all of its approximately 19% equity interest in Whistler to Aurora. In connection with closing of the Whistler Transaction, the Company received approximately $24.7 million in value of Aurora common shares, which the Company subsequently sold for approximately $25.6 million in cash. Subject to the satisfaction of certain specified milestones, the Company expects to receive approximately $7.6 million in additional value of Aurora common shares. Assuming all milestones are met, the Company expects to generate, in aggregate, an 8.7x return on its investment in Whistler, based on current market conditions.

Uplisted to TSX

In May 2018, the Company's common shares in Canada were elevated from the TSX Venture Exchange to the TSX. The Company's common shares trade on the TSX under the ticker symbol "CRON".

Raised $100 million in April 2018 bought deal

In April 2018, the Company closed 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 "**April 2018 Bought Deal**").

Listed on NASDAQ as the first pure play cannabis company on a major U.S. stock exchange

In February 2018, Cronos Group 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".

Raised $46 million in January 2018 bought deal

In January 2018, the Company closed 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 "**January 2018 Bought Deal**").

Enhancing our leadership team, governance and control

New Chief Financial Officer and Chief Commercial Officer

In March 2019, the Company announced that Jerry Barbato, most recently Senior Director of Corporate Strategy at Altria, will succeed William Hilson as Chief Financial Officer, effective April 15, 2019. Mr. Hilson will continue to serve the Company as Chief Commercial Officer, a newly created role responsible for enhancing the Company's commercial strategy as well as product and R&D priorities.

Appointments to the board of directors in connection with the Altria Investment

In connection with the Altria Investment, on March 8, 2019, the Company expanded its board of directors from five to seven members and appointed four new members to the board of directors, as set forth below:

- *Mr. Kevin "K.C." Crosthwaite, Jr.* Mr. Crosthwaite serves as Senior Vice President and Chief Strategy and Growth Officer at Altria. In this role, Mr. Crosthwaite identifies and pursues Altria's strategic and innovative product growth priorities. Since joining Philip Morris USA in 1997, Mr. Crosthwaite has held several leadership positions across Altria's family of companies, including President and Chief Executive Officer for Philip Morris USA.

- *Ms. Brownen Evans*. Ms. Evans is an independent consultant drawing on 20 years of experience in the charitable, corporate and government sectors to provide clients with business development and brand strategies for transformational growth. Ms. Evans was a Founding Director of the True Patriot Love Foundation, where she served as its first Chief Executive Officer from 2012 to 2019 and raised record funds to support 25,000 Canadian military and veteran families.
- *Mr. Murray Garnick.* Mr. Garnick serves as Executive Vice President and General Counsel of Altria. In his role since 2017, he leads the company's Law Department, Regulatory Affairs and Regulatory Sciences.
- *Mr. Bruce Gates.* Mr. Gates is a Founding Partner of Three Oaks Strategies LLC, a management, policy and communications consulting firm based in Alexandria, Virginia. He is also the founding partner of Three Oaks Asset Management LLC, a family office/venture capital firm. Prior to his retirement from Altria in November 2017, Mr. Gates served as a Senior Vice President of External Affairs for Altria Client Services.

On March 8, 2019, Mr. Michael Coates and Mr. Alan Friedman resigned as directors of the Company. Mr. Coates will continue to serve as a Canadian regulatory advisor to the board of directors.

Appointment of KPMG as auditor

In May 2018, the board of directors approved the appointment of KPMG LLP as auditor of the Company, which was subsequently approved by a majority of votes cast by shareholders at the Company's Annual and Special Meeting of Shareholders on June 28, 2018.

Appointment of James Rudyk to board of directors

In February 2018, the Company announced the appointment of Mr. James Rudyk to the board of directors. Mr. Rudyk is currently the Chief Financial Officer of Roots Corporation, a position he has held since January 2016.

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	
	2018	2017	$	%	2018	2017	$	%
Net Revenue	$ 5,604	$ 1,611	$ 3,993	*248%*	$ 15,703	$ 4,082	$ 11,621	*285%*
Cost of Sales	4,704	(1,458)	6,162	*(423%)*	4,435	(3,148)	7,583	*(241%)*
Gross Profit	900	3,069	(2,169)	*(71%)*	11,268	7,230	4,038	*56%*
Operating Expenses	12,443	2,904	9,539	*328%*	29,376	9,338	20,038	*215%*
Operating Income (Loss)	(11,543)	165	(11,708)	*(7,096%)*	(18,108)	(2,108)	(16,000)	*759%*
Other Income (Expense)	(772)	2,294	(3,066)	*(134%)*	(608)	4,897	(5,505)	*(112%)*
Income (Loss) before Income Taxes	(12,315)	2,459	(14,774)	*(601%)*	(18,716)	2,789	(21,505)	*(771%)*
Income Tax Expense (Recovery)	(708)	396	(1,104)	*(279%)*	489	298	191	*64%*
Net Income (Loss)	(11,607)	2,063	(13,670)	*(663%)*	(19,205)	2,491	(21,696)	*(871%)*
Other Comprehensive Income (Loss)	(190)	(1,396)	1,206	*(86%)*	50	(704)	754	*(107%)*
Comprehensive Income (Loss)	(11,797)	667	(12,464)	*(1,869%)*	(19,155)	1,787	(20,942)	*(1,172%)*

Net Revenue

The following table sets forth net revenue, kilograms sold and average net selling price per gram sold by product type for the periods indicated.

($ in 000s)	Three Months Ended December 31,		Change		Year Ended December 31,		Change	
	2018	2017	$	%	2018	2017	$	%
Net Revenue								
Dried Cannabis	$ 4,222	$ 1,451	$ 2,771	*191%*	$12,734	$ 3,922	$ 8,812	*225%*
Cannabis Oil	1,345	147	1,198	*815%*	2,965	147	2,818	*1,917%*
Other	37	13	24	*185%*	4	13	(9)	*(69%)*
Total Net Revenue	5,604	1,611	3,993	*248%*	15,703	4,082	11,621	*285%*
Kilograms Sold								
Dried Cannabis	775	331	444	*134%*	2,072	617	1,455	*236%*
Cannabis Oil	265	18	247	*1,372%*	665	18	647	*3,594%*
Total Kilograms Sold	1,040	349	691	*198%*	2,737	635	2,102	*331%*
Avg. Net Selling Price Per Gram Sold								
Dried Cannabis	$ 5.45	$ 4.38	$ 1.07	*24%*	$ 6.15	$ 6.36	$ (0.21)	*(3%)*
Cannabis Oil	5.08	8.17	(3.09)	*(38%)*	4.46	8.17	(3.71)	*(45%)*
Avg. Net Selling Price Per Gram Sold	5.39	4.62	0.77	*17%*	5.74	6.43	(0.69)	*(11%)*

Results for Q4 2018 compared to Q4 2017

For Q4 2018, the Company reported net revenue of $5.6 million as compared to $1.6 million for Q4 2017, representing an increase of $4.0 million, or 248%. This change was primarily due to:

- shipments into the domestic adult-use market;
- growth in cannabis oil revenue, which represents approximately 24% of net revenue in the current quarter; and
- strong sales of the pre-roll format, which represents 14% of net revenue in the current quarter.

Results for FY 2018 compared to FY 2017

For FY 2018, the Company reported net revenue of $15.7 million as compared to $4.1 million for FY 2017, representing an increase of $11.6 million, or 285%. This change was primarily due to:

- commencement of shipments into the domestic adult-use market;
- growth of the Company's medical client base and growth in cannabis oil revenue; and

- increased production capacity and yield development.

Cost of Sales and Gross Profit

Cost of sales and gross profit for the periods indicated are as follows:

($ in 000s)	Three Months Ended December 31,		Change		Year Ended December 31,		Change	
	2018	2017	$	%	2018	2017	$	%
Cost of Sales								
Cost of Sales before Fair Value Adjustments	$ 3,145	$ 1,163	$ 1,982	*170%*	$ 7,654	$ 2,040	$ 5,614	*275%*
Gross Profit before Fair Value Adjustments (1)	2,459	448	2,011	*449%*	8,049	2,042	6,007	*294%*
Fair Value Adjustments								
Change in Fair Value of Biological Assets	(460)	(2,458)	1,998	*(81%)*	(11,568)	(7,637)	(3,931)	*51%*
Fair Value Adjustments on Inventory Sold	2,019	(163)	2,182	*(1,339%)*	8,349	2,449	5,900	*241%*
Total Fair Value Adjustments	1,559	(2,621)	4,180	*(159%)*	(3,219)	(5,188)	1,969	*(38%)*
Gross Profit	900	3,069	(2,169)	*(71%)*	11,268	7,230	4,038	*56%*
Gross Margin before Fair Value Adjustments (1)	*44%*	*28%*			*51%*	*50%*		
Gross Margin	*16%*	*191%*			*72%*	*177%*		
Cost of Sales before Fair Value Adj. / Gram Sold	$ 3.02	$ 3.33			$ 2.80	$ 3.21		

(1) See "General Matters – Non-IFRS Measures" *for information related to Non-IFRS Measures.*

Cost of sales before fair value adjustments consists of two main categories:

- *Production costs.* These costs are capitalized to biological assets as costs directly attributable to growing the plants to the point of harvest, transferred to inventory upon harvest and recognized in cost of sales when the inventory is sold. These costs include direct costs such as nutrients, soil, and seeds, as well as other indirect costs such as utilities, an allocation of indirect labor, property taxes, and depreciation of equipment used in the growing process.
- *Processing costs.* These costs are capitalized to inventory and then recognized in cost of sales when the inventory is sold. These costs represent post-harvest costs incurred to bring harvested cannabis to its saleable condition, which include drying and curing, testing and packaging, and overhead allocation.

Fair value adjustments included in gross profit consist of two main categories:

- *Unrealized Change in Fair Value of Biological Assets.* This line item represents the effect of the non-cash fair value adjustments of biological assets produced in the period, excluding capitalized production costs.
- *Realized Fair Value Adjustments on Inventory Sold.* This line item represents the effect of the non-cash fair value adjustments capitalized to inventory being recognized in the statement of operations as the corresponding inventory is sold.

Results for Q4 2018 compared to Q4 2017

For Q4 2018, the Company reported gross profit before fair value adjustments of $2.5 million as compared to $0.4 million for Q4 2017, representing an increase of $2.0 million, or 449%. Gross margin before fair value adjustments increased from 28% for Q4 2017 to 44% for Q4 2018. Drivers of these variances are set forth below:

- increase in gross profit before fair value adjustments was largely driven by an increase in kilograms sold in Q4 2018 over the comparable prior year period;
- increase in gross margin before fair value adjustments was largely driven by lower production costs for Q4 2018 as compared to the prior year period as more product output is associated with onboarding new production facilities while actual production output from those new facilities is realized over time; and
- during Q4 2017, the Company reviewed and updated its estimates of cost drivers and allocations, resulting in higher production and processing costs, and a corresponding lower gross margin.

Results for FY 2018 compared to FY 2017

For FY 2018, the Company reported gross profit before fair value adjustments of $8.0 million as compared to $2.0 million for FY 2017, representing an increase of $6.0 million, or 294%. Gross margin before fair value adjustments increased from 50% for FY 2017 to 51%

for FY 2018. Drivers of these variances are set forth below:

- increase in gross profit before fair value adjustments was largely driven by the increase in kilograms sold during the period;
- increase in gross margin before fair value adjustments was driven by a lower unit cost of sales as new production facilities were onboarded with unit output being realized over time; and partially offset by a lower average selling price.

Operating Expenses

Operating expenses for the periods indicated are as follows:

($ in 000s)	Three Months Ended December 31,		Change		Year Ended December 31,		Change	
	2018	2017	$	%	2018	2017	$	%
Operating Expenses								
Sales and Marketing	$ 2,563	$ 269	$ 2,294	*853%*	$ 4,111	$ 575	$ 3,536	*615%*
Research and Development	2,350	—	2,350	*NA*	2,350	—	2,350	*NA*
General and Administrative	5,921	2,086	3,835	*184%*	17,421	6,360	11,061	*174%*
Share-Based Payments	1,291	692	599	*87%*	4,238	1,862	2,376	*128%*
Depreciation and Amortization	318	(143)	461	*(322%)*	1,256	541	715	*132%*
Total Operating Expenses	12,443	2,904	9,539	*328%*	29,376	9,338	20,038	*215%*
As a Percentage of Revenue								
Sales and Marketing	*46%*	*17%*			*26%*	*14%*		
Research and Development	*42%*	*NA*			*15%*	*NA*		
General and Administrative	*106%*	*129%*			*111%*	*156%*		
Share-Based Payments	*23%*	*43%*			*27%*	*46%*		
Depreciation and Amortization	*6%*	*(9%)*			*8%*	*13%*		
Total Operating Expenses	*222%*	*180%*			*187%*	*229%*		

Results for Q4 2018 compared to Q4 2017

For Q4 2018, the Company reported total operating expenses of $12.4 million as compared to $2.9 million for Q4 2017, representing an increase of $9.5 million, or 328%. This change was primarily due to:

- an increase in professional and consulting fees for services rendered in connection with various strategic initiatives, including the Altria Investment, as well as strengthening the Company's governance and internal controls;
- talent acquisition and bringing on new dedicated functions in procurement, information technology, sales and marketing and operations; and
- an increase in R&D expenses.

Results for FY 2018 compared to FY 2017

For FY 2018, the Company reported total operating expenses of $29.4 million as compared to $9.3 million for FY 2017, representing an increase of $20.0 million, or 215%. This change was primarily due to:

- an increase in professional and consulting fees for services rendered in connection with various strategic initiatives, expenditures associated with the Company's NASDAQ listing and Altria Investment, and strengthening the Company's governance and internal controls;
- talent acquisition and bringing on new dedicated functions in procurement, information technology, sales and marketing and operations; and
- increase in R&D activities, including the Ginkgo Strategic Partnership.

Other Income (Expense)

Other income (expense) for the periods indicated are as follows:

($ in 000s)	Three Months Ended December 31,		Change		Year Ended December 31,		Change	
	2018	2017	$	%	2018	2017	$	%
Other Income (Expense)								
Interest Income (Expense)	$ 228	$ 33	$ 195	*591%*	$ 107	$ (126)	$ 233	*(185%)*
Share of Income (Loss) from Investments in Equity Accounted Investees	(1,000)	(198)	(802)	*405%*	(936)	165	(1,101)	*(667%)*
Gain on Other Investments	—	2,459	(2,459)	*(100%)*	221	4,858	(4,637)	*(95%)*
Total Other Income (Expense)	(772)	2,294	(3,066)	*(134%)*	(608)	4,897	(5,505)	*(112%)*

Results for Q4 2018 compared to Q4 2017

For Q4 2018, the Company reported total other expense of $0.7 million as compared to total other income of $2.3 million for Q4 2017, representing a decrease in income of $3.1 million, or (134%). This change was primarily due to the gain recognized in Q4 2017 on other investments disposed of during the quarter, as well as a larger share of loss from investments in equity accounted investees.

Results for FY 2018 compared to FY 2017

For FY 2018, the Company reported total other expense of $0.6 million as compared to total other income of $4.9 million for FY 2017, representing a decrease in income of $5.5 million, or (112%). This change was primarily due to a lower gain on other investments and increased share of loss from investments in equity accounted investees.

Income Tax Expense

Results for Q4 2018 compared to Q4 2017

The Company recorded an income tax recovery of $0.7 million in Q4 2018 as compared to an income tax expense of $0.4 million in Q4 2017. The effective tax rate for Q4 2018 was 6% as compared to 16% in Q4 2017. The change in effective tax rate in Q4 2018 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, and an increase in taxable temporary differences on biological assets and inventory.

Results for FY 2018 compared to FY 2017

The Company recorded an income tax expense of $0.5 million in FY 2018 as compared to an income tax expense of $0.3 million in FY 2017. The effective tax rate for FY 2018 was (3%) as compared to 11% in FY 2017. The change in effective tax rate in FY 2018 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, and an increase in taxable temporary differences on biological assets and inventory.

Other Comprehensive Income (Loss)

Other comprehensive income for the periods indicated are as follows:

($ in 000s)	Three Months Ended December 31,		Change		Year Ended December 31,		Change	
	2018	2017	$	%	2018	2017	$	%
Other Comprehensive Income (Loss)	$ (190)	$ (1,396)	$ 1,206	*(86%)*	$ 50	$ (704)	$ 754	*(107%)*

Results for Q4 2018 compared to Q4 2017

For Q4 2018, the Company reported other comprehensive loss of $0.2 million as compared to $1.4 million for Q4 2017, representing an increase of $1.2 million primarily due to lower revaluation adjustments on other investments.

Results for FY 2018 compared to FY 2017

For FY 2018, the Company reported other comprehensive income of $0.05 million as compared to a $0.7 million loss for FY 2017, representing an increase of $0.8 million. This change was primarily due to the reclassification of unrealized gains out of other comprehensive income and into net income when the other investments were sold in 2017. This accounting treatment was required in 2017 in accordance with IAS 39, but not permitted in 2018 in accordance with IFRS 9.

Comprehensive Income (Loss)

Comprehensive income (loss) for the periods indicated are as follows:

($ in 000s)	Three Months Ended December 31,		Change		Year Ended December 31,		Change	
	2018	2017	$	%	2018	2017	$	%
Total Comprehensive Income (Loss)	$(11,797)	$ 667	$(12,464)	*(1,869%)*	$(19,155)	$ 1,787	$(20,942)	*(1,172%)*

Results for Q4 2018 compared to Q4 2017

For Q4 2018, the Company reported a comprehensive loss of $11.8 million as compared to comprehensive income of $0.7 million for Q4 2017, representing a decrease of $12.5 million. The change in total comprehensive income results from the factors described in the immediately preceding section above.

Results for FY 2018 compared to FY 2017

For FY 2018, the Company reported a comprehensive loss of $19.2 million as compared to income of $1.8 million for FY 2017, representing a decrease of $20.9 million. The change in total comprehensive income results from the factors described in the immediately preceding section above.

Adjusted EBITDA Reconciliation (Non-IFRS Measure)

A reconciliation of Adjusted EBITDA to net income, the most comparable financial measure, is presented in the following table.

($ in 000s)	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Net Income (Loss)	$ (11,607)	$ 2,063	$ (19,205)	$ 2,491
Adjustments				
Interest Income (Expense)	(228)	(33)	(107)	126
Income Tax Expense	(708)	396	489	298
Depreciation and Amortization	750	312	2,510	996
Share-Based Payments	1,291	692	4,238	1,862
Unrealized Change in Fair Value of Biological Assets	(460)	(2,458)	(11,568)	(7,637)
Realized Fair Value Adjustments on Inventory Sold	2,019	(163)	8,349	2,449
Share of Income from Investments in Equity Accounted Investees	1,000	198	936	(165)
Gain on Other Investments	—	(2,459)	(221)	(4,858)
Adjusted EBITDA	(7,943)	(1,452)	(14,579)	(4,438)

SELECTED ANNUAL FINANCIAL INFORMATION

The following table summarizes selected annual information for the last three years.

($ in 000s, except per share data)	Year Ended December 31,		
	2018	2017	2016
Income Statement Data			
Net Revenue	$ 15,703	$ 4,082	$ 554
Net Income (Loss)	(19,205)	2,491	(1,190)
Total Comprehensive Income (Loss)	(19,155)	1,787	394
Basic Earnings Per Share	$ (0.11)	$ 0.02	$ (0.02)
Diluted Earnings Per Share	(0.11)	0.01	(0.02)
Balance Sheet Data			
Current Assets			
Cash	$ 32,634	$ 9,208	$ 3,464
Other Current Assets	32,430	17,496	4,622
Total Current Assets	65,064	26,704	8,086
Non-Current Assets	196,055	74,325	34,814
Total Assets	261,119	101,029	42,900
Current Liabilities	45,493	7,878	7,766
Non-Current Liabilities			
Long-Term Debt	—	5,367	—
Other Non-Current Liabilities	3,986	1,416	1,457
Total Non-Current Liabilities	3,986	6,783	1,457
Total Liabilities	49,479	14,661	9,223
Shareholders' Equity	211,640	86,368	33,677

Total assets increased $218.2 million or 509% from $42.9 million in fiscal year 2016 (“ **FY 2016**”) to $261.1 million in FY 2018. This increase was largely due to an increase in property, plant and equipment from the continued expansion of production capacity at Peace Naturals and Cronos Israel, as well as an increase in general working capital levels to fund the Company’s growth and expansion activities. The Company funded this capacity expansion primarily through the issuance of common stock, resulting in shareholders’ equity increasing from $33.7 million in FY 2016 to $211.6 million in FY 2018.

With increased production capacity, the Company has been able to produce and sell more product over time, resulting in net revenue increasing from $0.5 million in FY 2016 to $15.7 million in FY 2018.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table summarizes selected quarterly financial information for the last eight quarters.

($ in 000s, except per share data)	FY 2018				FY 2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net Revenue	$ 5,604	$ 3,760	$ 3,394	$ 2,945	$ 1,611	$ 1,314	$ 643	$ 514
Net Income (Loss)	(11,607)	(7,271)	723	(1,050)	2,063	1,098	174	(844)
Total Comprehensive Income (Loss)	(11,797)	(7,035)	762	(1,085)	667	1,096	185	(161)
Basic Earnings Per Share	$ (0.06)	$ (0.04)	$ —	$ (0.01)	$ 0.01	$ 0.01	$ —	$ (0.01)
Diluted Earnings Per Share	(0.06)	(0.04)	—	(0.01)	0.01	0.01	—	(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”* in this MD&A.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

As of December 31, 2018, the Company had $32.6 million in cash. Subsequent to December 31, 2018, Cronos Group's cash position improved with the closing of the $2.4 billion Altria Investment in March 2019.

Summary of Cash Flows

The major components of the Company's statements of cash flows for the periods indicated are as follows:

($ in 000s)	Three Months Ended December 31,			Year Ended December 31,		
	2018	2017	$ Change	2018	2017	$ Change
Cash Provided (Used) in Operating Activities	$ 23,528	$ (2,535)	$ 26,063	$ (9,739)	$ (5,548)	$ (4,191)
Cash Used in Investing Activities	(47,264)	(19,875)	(27,389)	(121,475)	(38,772)	(82,703)
Cash Provided by Financing Activities	14,888	15,083	(195)	154,640	50,064	104,576
Net Change in Cash	(8,848)	(7,327)	(1,521)	23,426	5,744	17,682

Q4 2018 Cash Flows

Operating Activities. During Q4 2018, $23.5 million of cash was provided by operating activities as compared to $2.5 million of cash used in operating activities in Q4 2017, representing an increase of $26.1 million in cash provided. This change is primarily driven by a $6.0 million decrease in net income adjusted for non-cash items and a $32.0 million increase in the net change in non-cash working capital.

Investing Activities. During Q4 2018, the Company used $47.3 million of cash in investing activities, primarily due to $4.3 million in advances to joint ventures, namely Cronos GrowCo, and $42.5 million in capital expenditures related to Cronos Israel and Building 4.

Financing Activities. During Q4 2018, cash provided by financing activities was $14.9 million, primarily due to $15.0 million in debt advances.

FY 2018 Cash Flows

Operating Activities. During FY 2018, the Company used $9.7 million of cash in operating activities as compared to $5.5 million in FY 2017, representing an increase of $4.2 million in cash used. This change is primarily driven by a $9.6 million decrease in net income adjusted for non-cash items and a $5.4 million increase in the net change in non-cash working capital.

Investing Activities. During FY 2018, the Company used $121.5 million of cash in investing activities, primarily due to $6.9 million in advances to our Cronos Australia, Cronos GrowCo and MedMen Canada joint ventures and $114.4 million in capital expenditures to fund expansion efforts at Cronos Israel and Peace Naturals, namely Building 4 and the Peace Naturals Greenhouse.

Financing Activities. During FY 2018, cash provided by financing activities was $154.6 million, primarily due to $15.0 million in debt advances and $136.5 million in net proceeds from the January 2018 Bought Deal and the April 2018 Bought Deal.

Capital Resources

Debt

In August 2017, the Company entered into a senior secured loan, to be funded by way of multiple advances, for up to $40.0 million in committed capital (the "**Romspen Construction Loan**") with Romspen Investment Corporation (" **Romspen**"). In January 2019, the Romspen Construction Loan was fully repaid.

The Romspen Construction Loan bore a 12% annual interest rate and carried a two-year term, with a one-year extension option in favor of the Company subject to certain terms and conditions. The Romspen Construction Loan contained customary affirmative and negative covenants and events of default. As at December 31, 2018, we were in material compliance with all covenants contained in the Romspen Construction Loan. As of December 31, 2018, $21.3 million had been funded under the Romspen Construction Loan. See note 15 *"Construction loan payable"* to the Annual Financial Statements for additional information.

In January 2019, the Company entered into a credit agreement with Canadian Imperial Bank of Commerce, as administrative agent and lender, and the Bank of Montreal, as lender, in respect of a $65.0 million secured non-revolving term loan credit facility (the "**Credit Facility**"). In connection with closing the Credit Facility, the Company used funds available under the Credit Facility to fully repay the Romspen Construction Loan. In March 2019, the Credit Facility was repaid in full by the Company with a portion of the proceeds from the Altria Investment.

Contractual Obligations

As of December 31, 2018, the Company had the following contractual obligations:

($ in 000s)	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long Term Debt Obligations	$ 25,646	$ —	$ 25,646	$ —	$ —
Capital (Finance) Lease Obligations	205	72	107	26	—
Operating Lease Obligations	5,951	810	1,167	1,246	2,728
Purchase Obligations	30,129	11,813	18,234	82	—
Other Long Term Liabilities	2,136	—	—	2,136	—
Total Contractual Obligations	64,067	12,695	45,154	3,490	2,728

Long term debt obligations relate to the outstanding balance under the Romspen Construction Loan due August 2020. Finance lease obligations relate to equipment leases maturing in June 2022. Operating lease obligations relate to office equipment and vehicle leases, as well as the Company's lease for its headquarters, which terminates in November 2026. Purchase obligations relate to R&D commitments associated with the Ginkgo Strategic Partnership and the Technion strategic partnership.

Equity

During FY 2018, we raised $146.0 million in gross proceeds (not taking into account any commissions, fees or expenses) through two common share offerings:

- In January 2018, the Company closed the January 2018 Bought Deal 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.
- In April 2018, the Company closed the April 2018 Bought Deal 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 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 April 2018 Bought Deal were used by the Company compared to the disclosure in the Company's final short form prospectus dated March 29, 2018 (the "**March 2018 Final Prospectus**").

Disclosure in the March 2018 Final Prospectus	Use of Proceeds
$10,000,000 for its proportionate share of capital expenditures relating to construction and operating expenses of Cronos Australia in connection with Phase I of Cronos Australia.	The Company advanced $1.8 million of the net proceeds of the April 2018 Bought Deal for construction and operating expenses of Cronos Australia. The remaining $8.2 million of the net proceeds is expected to be used for construction and operating expenses of Cronos Australia over the next twelve-month period.
$5,000,000 to purchase equipment for use in Cronos Israel's greenhouse and manufacturing facility for Phase I of Cronos Israel.	The Company applied the full $5.0 million of the net proceeds of the April 2018 Bought Deal to the construction of Cronos Israel's greenhouse and manufacturing facility.

The remaining net proceeds for general working capital purposes, including working capital for the Company's international operations, and as capital on hand for potential new investment opportunities.	The Company applied $58.2 million of the net proceeds of the April 2018 Bought Deal to general construction costs and equipment for Building 4, the modular lab, and the Peace Naturals Greenhouse. The Company applied $2.6 million to the previously disclosed $8.0 million in related construction and equipment expenditures associated with the greenhouse and manufacturing facility for Phase I of Cronos Israel. The total amount attributable to Phase I of the Cronos Israel greenhouse and manufacturing facility is $15.0 million, consisting of $8.0 million identified above along with $5.0 million from the April 2018 Bought Deal and $2.0 million from the January 2018 Bought Deal. The remaining $5.4 million of the net proceeds is expected to be used for expenses relating to the construction of the greenhouse and manufacturing facility for Phase I of Cronos Israel within the next three months. In addition, $24.0 million of the net proceeds was previously expected to be used for R&D milestone payments associated with the Ginkgo Strategic Partnership. However, the Company instead applied $18.8 million of these net proceeds to general construction costs and equipment for Building 4, which is included in the $58.2 million identified above. The remaining $5.2 million of the $24.0 million of net proceeds is also expected to be applied to the continued construction of Building 4. The remaining net proceeds of $7.9 million (which takes into account the Company's expenses in relation to the April 2018 Bought Deal) has been allocated to general working capital.

Below is a reconciliation of the manner in which the net proceeds from the January 2018 Bought Deal were used by the Company compared to the disclosure in the Company's final short form prospectus dated January 18, 2018 (the "**January 2018 Final Prospectus**").

Disclosure in the January 2018 Final Prospectus	**Use of Proceeds**
$5,000,000 for R&D initiatives, including cannabinoid production research and clinical trials.	The Company applied $3.1 million of the net proceeds of the January 2018 Bought Deal to R&D initiatives, including R&D, legal and transaction costs associated with cannabinoid production research and the Ginkgo Strategic Partnership. The remaining $1.9 million of the net proceeds is expected to be used in 2019 for ongoing research and milestone payments and foundry access fees associated with the Ginkgo Strategic Partnership.
$30,000,000 for expanding production capacity, including: (i) the continued expansion of production capacity at Building 4 and the Peace Naturals Greenhouse; and (ii) the construction of Cronos Israel's production facilities and general working capital for Cronos Israel operations.	The Company applied the full $30.0 million of the net proceeds of the January 2018 Bought Deal to expand production capacity, including $26.5 million on general construction costs and equipment for Building 4 and the Peace Naturals Greenhouse, $1.5 million for renovations related to existing facilities at Peace Naturals, and $2.0 million associated with clearing land, deposits on the Peace Naturals Greenhouse and equipment relating to Cronos Israel's production facilities.
The remaining net proceeds for general working capital purposes which may include establishing new international distribution channels in jurisdictions where there is a federal legal framework for medical cannabis and the associated costs of compliance with applicable regulatory requirements.	The Company applied the full remaining net proceeds (which takes into account the Company's expenses in relation to the January 2018 Bought Deal) to various activities, including $3.1 million to general working capital purposes, $3.7 million in preparation activities for the domestic adult use market in Canada, and $1.3 million to general construction costs and equipment for Building 4, the modular lab, and the Peace Naturals Greenhouse.

Below is a reconciliation of the manner in which the net proceeds from the bought deal offering of common shares in November 2017 ("**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 the full $7.0 million of the net proceeds of the November 2017 Bought Deal to general construction costs and equipment for Building 4 and the Peace Naturals Greenhouse.
$3,000,000 for R&D initiatives, including product formulation and the purchase of associated production equipment.	The Company applied the full $3.0 million of the net proceeds of the November 2017 Bought Deal to R&D initiatives associated with horticultural process productivity and new product formulation.
$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 the full $3.0 million of the net proceeds of the November 2017 Bought Deal to branding, new packaging, and marketing initiatives for the development of distribution of cannabis pursuant to the Cannabis Act.
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 applied the full remaining net proceeds of $3.1 million (which takes into account the Company's expenses in relation to the November 2017 Bought Deal) to general construction costs and equipment for Building 4 and the Peace Naturals Greenhouse instead of the original allocation to general working capital purposes.

Financial Condition

Our primary need for liquidity is to fund operations and capital expenditures. Our ability to fund operations and capital expenditures depends on, among other things, future operating performance and cash flows that are subject to general economic conditions and financial and other factors, including factors beyond our control.

Historically, we have primarily funded our operations through debt and equity financings. Subsequent to December 31, 2018, Cronos Group's financial condition improved with the closing of the $2.4 billion Altria Investment in March 2019. We believe that the Altria Transaction, together with our existing cash, will be sufficient to satisfy our operational needs through at least the next 12 months.

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 March 25, 2019
Issued and Outstanding Shares	
Common Shares(1)	332,979,577
Total Issued and Outstanding Shares	332,979,577
Potentially Issuable Shares	
Stock Options	12,853,136
Warrants(1)	95,057,355
Total Potentially Issuable Shares	107,910,491
Total Outstanding and Potentially Issuable Shares	440,890,068

(1) *In connection with the Altria Investment on March 8, 2019, the Company issued to certain wholly-owned subsidiaries of Altria 149,831,154 common shares and one warrant that entitles the holder, upon valid exercise in full, to acquire an aggregate of 73,990,693 common shares (subject to adjustment).*

LEGAL PROCEEDINGS

As of the date of this MD&A, we are subject to three ongoing claims for damages. See note 21 " *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 the following financial instruments: cash, accounts receivable, other receivables, loan receivable, advances to joint ventures, other investments, accounts payable and other liabilities, holdbacks payable and due to non-controlling interests. These financial instruments were not used in any hedging activities. See note 25 "*Financial instruments*" to the Annual Financial Statements for the assessment of related risks.

TRANSACTIONS BETWEEN RELATED PARTIES

The Company has engaged in transactions with related parties as follows:

($ in 000s)	Three Months Ended December 31,		Year Ended December 31,	
	2018	2017	2018	2017
Key Management Compensation[1]				
Short-Term Employee Benefits, Including Salaries and Fees	$ 109	$ 106	$ 437	$ 417
Professional Fees	76	107	343	234
Share-Based Payments	368	132	1,448	899
Total Key Management Compensation	553	345	2,228	1,550

(1) Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors.

During the year ended December 31, 2018, a total of 150,000 options (2017 - 3,575,000 options) were issued to key management. As at December 31, 2018 and 2017, there were no balances payable to members of key management. During the year ended December 31, 2018, a total of 550,000 options (2017 - 1,800,000 options) were issued to directors of the Company (excluding directors who were also key management personnel) and share-based payments of $1.2 million (2017 - $0.6 million) were recognized.

CHANGES IN ACCOUNTING ESTIMATE AND POLICY INCLUDING ADOPTION OF NEW PRONOUNCEMENTS

Change in Accounting Estimate

During the three months ended March 31, 2018, the Company revised its estimate of the useful life of the Health Canada licenses, and assessed that the licenses have an estimated useful life equal to the remaining useful life of the corresponding facilities described in note 13(a) *"Intangible assets and goodwill"* to the Annual Financial Statements. Previously, the Company estimated that the Health Canada licenses had an indefinite life. The change in estimate was accounted for prospectively.

Change in Accounting Policy

During the three months ended June 30, 2018, the Company made a voluntary change in accounting policy to capitalize the direct and indirect costs attributable to the biological asset transformation. The previous accounting policy was to expense these costs as period costs. The new accounting policy is included in note 3(c) *"Significant accounting policies"* to the Annual Financial Statements.

The new accounting policy provides more reliable and relevant information to users as the gross profit before fair value adjustments only considers the costs incurred on inventory sold during the year, and excludes costs incurred on the biological transformation until the related harvest is sold. There is no impact of this policy change on gross profit, net income (loss), basic and diluted earnings per share, the consolidated statement of financial position, or consolidated statement of changes in equity on the current or any prior period, upon retrospective application.

See note 6 *"Accounting changes"* to the Annual Financial Statements for the impact of capitalization on both the current and prior period statement of operations and comprehensive income (loss).

Adoption of New Accounting Pronouncements

The IASB has not issued any new standards, amendments to standards, or interpretations that have impacted the Company during the year ended December 31, 2018. Our adoption of previously issued new standards, amendments to standards, and interpretations are set forth below.

Amendments to IFRS 2 Share-Based Payments

The amendments to IFRS 2 clarify 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 was January 1, 2018. 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.

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 became effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has adopted this new standard as of its effective date using the full retrospective method of adoption, and has assessed no significant changes as a result of the adoption of this new standard.

Under IFRS 15, the revenue recognition model has changed from one based on the transfer of risks and rewards of ownership, to one based on the transfer of control. The Company's contracts with customers for the sales of dried cannabis and cannabis oil include one performance obligation, a promise in a contract with a customer to transfer a good. As the transfer of risks and rewards generally coincides with the transfer of control at a point in time, upon shipment or delivery, depending on the contract, the timing and amount of revenue considering discounts, returns, and variable consideration, recognized from this principal revenue stream has not changed as a result of the adoption of this new standard.

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 three categories: amortized cost, fair value through other comprehensive income, 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 was January 1, 2018. The Company has adopted this new standard as of its effective date on a retrospective basis with the exception of financial assets that were derecognized at the date of initial application, January 1, 2018. The 2017 comparatives were not restated. As a result of the new classification model and measurement requirements under IFRS 9, the Company has elected to classify the available-for-sale equity investments as fair value through other comprehensive income investments, as they are not held for trading by the Company. Under this classification, there is no recycling of gains or losses from accumulated other comprehensive income to profit or loss. Due to the adoption of IFRS 9, during the year ended December 31, 2018, a net gain of approximately $0.3 million on the disposition of investments classified as fair value through other comprehensive income was recorded in other comprehensive income rather than profit or loss. These investments had a fair value of $1.0 million immediately prior to disposition.

New and Revised Standards and Interpretations Issued but Not Yet Effective

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 has reviewed all of the Company's leasing arrangements outstanding as at December 31, 2018, in respect of the new lease standard. The standard will affect primarily the accounting for the Company's operating leases. At the reporting date, the Company has non-cancellable operating lease commitments of $6.0 million, see note 21(a) *"Commitments and contingencies"* to the Annual Financial Statements. The Company intends to apply the simplified transition approach and will not restate comparative amounts to the year prior to adoption. In respect of these lease commitments, the Company expects to recognize right-of-use assets of approximately $1.7 million, current lease liabilities of $0.3 million and non-current lease liabilities of $1.6 million as at January 1, 2019. Pursuant to the application of the simplified transition approach, the Company expects a one-time adjustment to increase the opening accumulated deficit as at January 1, 2019 of $0.2 million. The Company expects that profit or loss will decrease by approximately $0.1 million for the year ended December 31, 2019 as a result of the application of IFRS 16.

IFRIC 23 Uncertainty Over Income Tax Treatments

IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. It specifically addresses whether an entity considers each tax treatment independently or collectively, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and how an entity considers changes in facts and circumstances. IFRIC 23 will be effective for the Company's fiscal year beginning on January 1, 2019, with earlier application permitted. The Company will adopt this interpretation as of its effective date. The Company has performed a preliminary analysis and has not assessed any significant impacts as a result of the adoption of this standard.

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 the Annual 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.

Business Combinations

In determining the appropriate basis of accounting for an acquisition, judgment is used to determine if an acquisition is a business combination or an asset acquisition.

Control, Joint Control, or Level of Influence

In determining the appropriate basis of accounting for the Company's interests in investees, judgment is applied regarding the degree to which the Company has the ability to exert influence directly or indirectly over the investees' financial and operating activities.

Warrants and Stock Options

Warrants and stock options are initially valued 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 stock option 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 with finite lives. Depreciation and amortization are 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 on assumptions used to estimate future cash flows, the cash flow growth rate and the discount rate.

Income Taxes

Income taxes and tax exposures recognized in the Annual Financial Statements reflect management's best estimate 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.

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.

Determining the fair value less costs to sell requires the Company to make assumptions about the expected harvest yield from the cannabis plants, the value associated with each stage of the plants ' growth cycle, estimated selling price, processing costs to convert harvested cannabis into finished goods, selling costs, the equivalency factor to convert dry cannabis into cannabis oil and the multiples of crude extract and isolate mass in diluted cannabis oil. The Company's estimates are, by their nature, subject to change.

Inventory is valued at the lower of cost and net realizable value. Determining the net realizable value requires the Company to make assumptions about the estimated selling price in the ordinary course of business, the estimated costs of completion and the estimated variable costs to sell.

Expected Credit Losses on Financial Assets

Determining an allowance for expected credit losses (" **ECLs**") for all debt financial assets not held at fair value through profit or loss requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

Variable Consideration in Revenue from Contracts with Customers

Determining the amount of variable consideration to recognize, and whether the amount of variable consideration should be constrained, is dependent on management's estimate of the most likely amount to which the Company will be entitled and the probability of a significant reversal in that amount. These determinations require management to make estimates based on historical amounts received, current economic conditions, and current industry conditions, in Canada and abroad, adjusted for forward looking information.

Returns from Customers

Revenue is measured net of returns. As a result, the Company is required to estimate the amount of returns based on the historical data by customer and product type, adjusted for forward-looking information.

DISCLOSURE CONTROLS AND INTERNAL CONTROL OVER FINANCIAL REPORTING

In accordance with National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, and as required by the applicable rules of the SEC, management is responsible for establishing and maintaining disclosure controls and procedures ("**DC&P**"), as defined in Rules 13a-15(e) and 15d-15(e) under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**") and internal control over financial reporting ("**ICFR**"), as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Management has designed DC&P and ICFR based on the 2013 Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company's disclosure controls and procedures are designed to provide reasonable assurance that material information relating to the Company is made known to senior management, including the Chief Executive Officer ("**CEO**") and the Chief Financial Officer (" **CFO**") and information required to be disclosed by the Company is recorded, processed, summarized and reported within the time periods specified in securities legislation. ICFR is designed, under the supervision of the CEO and CFO, to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of its financial statements in accordance with IFRS.

As at December 31, 2018, management concluded that the DC&P and ICFR were effective.

Changes in Internal Control Over Financial Reporting

Management has consistently embraced the importance of a robust ICFR program. In the ordinary course of business, we review our ICFR system and make changes to our applications and processes to improve such controls and increase efficiency, while ensuring that we maintain an adequate internal control environment. During Q4 2018 and for the fiscal year ended December 31, 2018, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our ability to certify the design of our internal control over financial reporting.

Limitations of Controls and Procedures

Because of its inherent limitations, any DC&P and ICFR system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system is meeting the Company's objectives in providing reliable financial reporting information in accordance with IFRS. These inherent limitations include, but are not limited to, human error and circumvention of controls and as such, there can be no assurance that the controls will prevent or detect all misstatements due to error or fraud, if any. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

RISKS AND UNCERTAINTIES

We are subject to various risks that could have a material impact on us, our financial performance, condition and outlook. 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. These risks include, but are not limited to, the following risks:

- We are reliant on our licenses, authorizations, approvals and permits for our ability to grow, store and sell cannabis and other products derived therefrom and such licenses are subject to ongoing compliance, reporting and renewal requirements, including significant regulation under the Cannabis Act as well as various provincial, territorial and municipal legislation.
- Our ability to continue to grow, process, store and sell medical cannabis and participate in the Canadian adult-use cannabis market is dependent on the maintenance and validity of our licenses from Health Canada, and in particular the Peace Naturals Production Licenses, the Peace Naturals Drug License and the OGBC Production Licenses.
- 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.
- License Holders, including our License Holders, are constrained by law in their ability to produce and market products.
- The laws, regulations and guidelines generally applicable to the cannabis industry are changing and may change in ways currently unforeseen by us.
- Changes in the regulations governing cannabis outside of Canada may adversely impact our business.
- There can be no assurance that the legislation governing adult-use cannabis in Canada will allow for growth.
- The effect of the legalization of adult-use cannabis in Canada on the medical cannabis industry is still uncertain, and it may have a significant negative effect upon our medical cannabis business if our existing or future medical use customers decide to purchase products available in the adult-use market instead of purchasing medical use products from us.
- We may be unsuccessful in competing in the legal adult-use cannabis market in Canada.
- 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.
- 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 other R&D activities outside of Canada, controlled substance and other legislation and treaties 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 existing production facilities in Canada are integral to our operations and any adverse changes or developments affecting our facilities 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.
- The Canadian excise duty framework may affect profitability.
- 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-existent 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 customers or acquire new customers.

- We may not be able to achieve or maintain profitability and may continue to inc ur losses in the future.
- We may not be able to secure adequate or reliable sources of funding required to operate our business.
- The adult-use cannabis market in Canada may become oversupplied following the recent implementation of the Cannabis Act and the related legalization of cannabis for adult use.
- 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 fraudulent or unpermitted data access or other cyber-security breaches, which may cause our customers to lose confidence in our security and data protection measures and may expose us to 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 may be subject to, or prosecute, 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, that may have longer operating histories and more financial resources, manufacturing and marketing experience than us.
- We rely on third-party distributors to distribute our products, and those distributors may not perform their obligations.
- We may not supply the provinces and territories of Canada with our products in the quantities anticipated, or at all.
- 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.
- U.S. border officials could deny entry into the U.S. to our management, employees and/or investors .
- 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 are 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 we face, 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 our potential liabilities.
- We are subject to certain restrictions of the TSX which may constrain our ability to expand our business internationally.
- Failure to establish and maintain effective internal control over financial reporting may result in us not being able to accurately report our financial results, which could result in a loss of investor confidence and adversely affect the market price of our common shares.
- We are 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.
- We license some intellectual property rights, and the failure of the owner of such intellectual property to properly maintain or enforce the intellectual property underlying such licenses could have a material adverse effect on our business, financial condition and performance.
- Conflicts of interest may arise between us and our directors and officers, including as a result of the continuing involvement of certain of our directors with Altria and its affiliates.
- 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.
- Our financial performance is subject to risks of foreign exchange rate fluctuation which could result in foreign exchange losses.
- The inability of our 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.
- Altria has significant influence over us following closing of the Altria Investment.
- We have discretion in the use of net proceeds from the Altria Investment and may not use them effectively.
- We may not realize the benefits of our strategic partnership with Altria, which could have an adverse effect on our business and results of operations.
- Any common shares issued pursuant to the exercise of the Altria Warrant will dilute shareholders.
- Altria’s significant interest in the Company may impact the liquidity of the common shares.

- The change of control provisions in certain of our existing or future contractual arrangements may be triggered up on the exercise of the Altria Warrant in part or in full.
- Future sales of our common shares by Altria could cause the market price for our common shares to fall.
- The market price for our securities may be volatile and subject to fluctuation in response to numerous factors, many of which are beyond our control.
- We are eligible to be treated as an “emerging growth company”, as defined in the Jumpstart Our Business Startups (JOBS) Act, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our securities less attractive to investors.
- We incur increased costs as a result of being a public company in the U.S., and our management is required to devote substantial time to U.S. public company compliance programs.
- 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 may lose foreign private issuer status in the future, which could result in significant additional costs and expenses to us.
- 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 our securities.
- A substantial number of our securities are owned by a limited number of existing shareholders.
- It is not anticipated that any dividend will be paid to holders of common shares for the foreseeable future.
- Investors in the U.S. may have difficulty bringing actions and enforcing judgments against us and others based on securities law civil liability provisions.
- 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 our common shares.
- 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.

A more detailed description of certain risks associated with the Company can be found under the heading “Risk Factors” in the AIF.

ADDITIONAL INFORMATION

Our Canadian filings, including the 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the 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

    d. 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: March 26, 2019

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the 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

    d. 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: March 26, 2019

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, 2018 (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: March 26, 2019

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, 2018 (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: March 26, 2019

EXHIBIT 99.8

March 26, 2019

Consent of Independent Registered Public Accounting Firm

We, KPMG LLP, consent to the use of our report dated March 25, 2019, with respect to the consolidated financial statements of Cronos Group Inc. (the "Company") as at and for the year ended December 31, 2018, included in this Annual Report on Form 40-F.

We, KPMG LLP, also consent to the incorporation by reference of such reports in the Registration Statement (No. 333-226131) on Form S-8 of Cronos Group Inc.

Our report dated March 25, 2019, contains an explanatory paragraph that states, without qualifying our opinion, that we draw attention to Note 6(b) to the consolidated financial statements, which indicates that the Company has retrospectively applied the change in accounting policy to capitalize the direct and indirect costs attributed to the biological asset transformation. Our report so dated refers to our audit of the adjustments to retrospectively apply the change in accounting policy to the consolidated financial statements. However, we were not engaged to audit, review, or apply any procedures to the 2017 consolidated financial statements other than with respect to such adjustments.

/s/ KPMG LLP

Vaughan, Ontario, Canada
Chartered Professional Accountants
Licensed Public Accountants