Risk Factors Comparison 2024-02-29 to 2023-02-28 Form: 10-K

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An investment in us involves a number of risks. In addition to the other information contained in this Annual Report and in other filings we make, investors should give careful consideration to the following risk factors. Any of the matters highlighted in these risk factors could adversely affect our business, results of operations and financial condition, causing an investor to lose all, or part of, its, his or her investment. The risks and uncertainties described 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. Risk Factor Summary • Certain of our subsidiaries and joint ventures have limited operating histories and our growth strategy may not be successful. • We may not be able to achieve or maintain profitability and may continue to incur losses in the future. • Our products are new; there is limited long- term data with respect to the effects and the safety of our products, which is subject to conflicting medical data; and our products have been and may be in the future subject to recalls. • The production and distribution of our products is subject to disruption, the risks of an agricultural business and the risk third **-** party suppliers and distributors may not perform their obligations to us. • Intellectual property is key to our growth strategy, and we may be unable to obtain or enforce our intellectual property rights. • Our entry into new markets is subject to risks normally associated with the conduct of business in foreign countries. • We are subject to extensive regulation and licensing and may not successfully comply with all applicable laws and regulations. • Our businesses face highly competitive conditions. • Altria has significant influence over us. • The price of our common shares has been and may continue to be highly volatile. • We have had two restatements and seven material weaknesses in our internal control over financial reporting over the last ~~four~~ **five** years ~~, and one material weakness remains unremediated at December 31, 2022~~ . • We are subject to other risks generally applicable to our industry and the conduct of our businesses. Risks Relating to Our Growth Strategy. **We** ~~Certain of our subsidiaries~~ have **a** limited operating ~~histories~~ **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~~ **our** first revenues in 2013 ~~; Redwood began operations in 2017~~ . In addition, many of our joint ventures are in the early stages of their operations and have generated little or no revenue. We are therefore subject to many of the risks common to early- stage enterprises, including limitations with respect to personnel, financial, and other resources and lack of revenues. We have incurred significant losses in recent periods **and have** ~~. We had~~ negative operating cash flow for the last five fiscal years. We may not be able to achieve or maintain profitability and may continue to incur significant losses in the future even in light of our Realignment ~~and ,~~ the **pending sale- leaseback transaction and** change in the nature of operations at the Peace Naturals Campus ~~and ,~~ the exit of **our** ~~the wholesale beauty category in the~~ U. S **. operations and the wind- down and exit of our operations at Cronos Fermentation** . In addition, we expect to continue to incur significant operating expenses as we implement initiatives to continue to grow our business. If our revenues do not increase to offset these expected costs and operating expenses, we will not be profitable. If our revenue declines or fails to grow at a rate faster than our operating expenses, we will not be able to achieve and maintain profitability in future periods. As a result, we may continue to generate losses. We may not achieve profitability in the future and, even if we do become profitable, we might not be able to sustain that profitability. 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 generally 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, changes in laws and regulations respecting the production of U. S. hemp and cannabis products, competition from other license holders, the size of the illegal market and the adult- use market in Canada, and our ability to produce sufficient volumes of our products to meet customer demand. 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. 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, either by virtue of our economic or legal ownership share, or our ability to influence day- to- day operational decision- making; (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 fulfill 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; (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; (ix) our joint venture

partners may exercise termination rights under the relevant agreements and (x) conflicts of interest may arise between our joint ventures and Company personnel who are directors of our joint ventures because of the fact that such directors are employed by us. In addition, we may, in certain circumstances, be liable for the actions of our joint ventures or joint venture partners. Any of the foregoing risks could have a material adverse effect on our business, financial condition and results of operations, and the magnitude of these material adverse effects could be greater to the extent we decide to rely on such joint ventures for certain goods or services, such as the receipt of raw materials from Cronos GrowCo, or decide to outsource certain operating activities to such joint ventures. There can be no assurance of continued growth in Israel and our performance in Israel depends on, among other things, our ability to continue to import cannabis into Israel and our joint venture partners. While our revenue in Israel has experienced ~~a recent period~~ **periods** of significant growth, our prior performance is not indicative of any potential future results **in Israel. The Israel- Hamas War has created significant uncertainty with respect to our operations in Israel and may materially and adversely affect our sales and other activities** in Israel. There can be no assurance that our ~~recent~~ growth in the Israeli market can be sustained or will continue. Our ability to manage and sustain revenue growth in Israel will depend on a number of factors, many of which are beyond our control, including, but not limited to, **the impact of, and developments in, the Israel- Hamas War on our operations,** our ability to continue to import cannabis into Israel **(including the outcome of the anti- dumping investigation initiated by the Israel Ministry of Economy and Industry, see Part II, Note 10 " Commitments and Contingencies " to the consolidated financial statements in Item 8 of this Annual Report for further details)** , changes in laws and regulations respecting the cultivation, production ~~and ,~~ marketing **and sale** of dried flower, pre- rolls and oils **in Israel, growth of the medical cannabis patient count** in Israel, increased competition, our ability to produce sufficient volumes of our products to meet customer demand and our ability to maintain or grow our market share in Israel. Any of these factors could materially and negatively impact our growth in Israel. **We** ~~In connection with the Realignment, we~~ have begun to further leverage our strategic joint venture with Cronos GrowCo. Our **winddown of** ~~current efforts to wind- down~~ the cultivation and certain production activities at the Peace Naturals Campus ~~have increased~~ **as well as** the ~~importance~~ **previously- announced sale- leaseback** of ~~Cronos GrowCo to our business and operations. Once the cultivation and certain production activities at~~ the Peace Naturals Campus **and the Company' s intention to pursue a sale of Cronos Fermentation** have ~~ceased~~ **increased** ~~,~~ **the importance of Cronos GrowCo to our business and operations.** Cronos GrowCo' s production facilities **are** ~~will be~~ our principal source of raw materials. Therefore, our performance in Israel is reliant on our ability to acquire such raw materials on a timely and cost- effective basis from Cronos GrowCo and to continue to import such raw materials and cannabis products to Israel from Cronos GrowCo' s production facilities. There is no guarantee that we will be able to successfully execute our strategy to expand production at Cronos GrowCo or that we will be able to obtain the regulatory approvals, licenses and permits required for both the export of cannabis from Canada and the import of cannabis into Israel. **Further, there can be no assurance that the anti- dumping investigation initiated by the Israel Ministry of Economy and Industry will not result in the imposition of an anti- dumping duty on us or limit our imports into Israel, the impact of which could have a material adverse effect on our business in Israel.** Our acquisition strategy may not be successful, and we have in the past, and may in the future, need to write down the goodwill and indefinite- lived intangible assets recognized upon the acquisitions. In the second quarter of 2021, we wrote off all of the goodwill and substantially all of the indefinite- lived intangible assets recognized upon the acquisition of Redwood **and in the second quarter of 2023, we announced plans to cease our U. S. hemp operations** . Acquisitions of companies ~~,~~ or equity interests of companies operating in new markets ~~, such as the U. S. hemp market in the U. S.,~~ are risky and speculative and may not produce the anticipated revenues and profits. Our acquisition of the PharmaCann Option (the " PharmaCann Investment ") presents significant risks. See " Risk Factors — Risks Relating to Our Growth Strategy — Our U. S. strategy in part depends on the success of the PharmaCann Investment and there is no guarantee that we will exercise the PharmaCann Option in the near term, or at all, and, even if exercised, that the PharmaCann Investment will achieve the expected benefits of the transaction. " We have had two restatements and seven material weaknesses in our internal control over financial reporting over the last ~~four~~ **five** years ~~, and one material weakness remains unremediated at December 31, 2022~~ . We had a material weakness in our control environment, and in 2021 and 2022, we experienced significant turnover, both voluntary and involuntary, in our accounting and financial reporting functions **, as well as in our internal audit function** . If we are unable to ~~remediate our existing material weakness and~~ create **and maintain** an appropriate control environment, our business, results of operations, financial condition, cash flows and reputation will be adversely affected. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a- 15 (f) under the Exchange Act) and for evaluating and reporting on the effectiveness of our system of internal control. Effective internal control is necessary for us to provide timely, reliable and accurate financial reports, identify and proactively correct any deficiencies, material weaknesses or fraud and meet our reporting obligations. We had two restatements and seven material weaknesses in the last ~~four~~ **five** years ~~, have one material weakness existing as of December 31, 2022,~~ and have had significant turnover, both voluntary and involuntary, in our accounting and financial reporting functions **as well as in our internal audit function** . Moreover, we had a material weakness in our control environment **existing as of December 31, 2022** . Remediation efforts have placed, and will continue to place, a significant burden on management and add increased pressure on our financial reporting resources and processes. The accuracy of our financial reporting and our ability to timely file with the SEC and the applicable securities regulatory authorities in Canada have in the past been, and may in the future be, adversely impacted ~~if we are unable to successfully remediate material weaknesses in a timely manner, or~~ if any additional material weaknesses in our internal control over financial reporting are identified. In addition, if ~~our remedial efforts are insufficient, or if~~ additional material weaknesses or significant deficiencies in our internal control occur in the future, we could be required to restate our financial statements again, which could materially and adversely affect our business, results of operations and financial condition, restrict our ability to access the capital markets, require us to expend significant resources to correct the material weaknesses ~~or deficiencies~~ , subject us to regulatory investigations and penalties, harm our reputation, cause a decline

in investor confidence or otherwise cause a decline in our stock price. We are subject to civil litigation relating to the restatements and we cannot predict the outcome of this litigation, but we have incurred and expect to continue to incur significant costs and expenses in defending against this civil litigation. For more information on this civil litigation and proceedings, see Part ~~I~~ **II** , **Note 10 (b) " Contingencies " to the consolidated financial statements under** Item **8** ~~3, Legal Proceedings,~~ of this Annual Report. We are subject to disabilities as a result of our settlement with the SEC that may expose us to increased future litigation and adversely affect our ability to raise capital. As of the date of our settlement with the SEC (the " SEC Order "), October 24, 2022, and for a period of three years thereafter, we are unable to rely on the safe harbor provisions regarding forward- looking statements provided by the Securities Act and the Exchange Act. Our inability to rely on these safe harbor provisions may expose us to increased future litigation in connection with forward- looking statements in our public disclosures. Further, as of the date of the SEC Order, we have lost our status as a " well- known seasoned issuer " for a period of three years, which places limitations on the manner in which we can market our securities to the public, and we are unable to rely on the private offering exemptions provided by Regulations A and D under the Securities Act for a period of five years, which could impair our ability to raise additional capital in the private market quickly in response to changing requirements and market conditions. 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 **or operational** 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 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, we have and will continue to obtain, 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 (referred to herein as the " Ginkgo exclusive licenses "). 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. Additionally, we have determined, and may determine in the future, that the production of certain cannabinoids is not economically feasible and in our best interests and we have abandoned, and may abandon in the future, the production efforts of Ginkgo with respect to certain target cannabinoids. Even if we are able to commercialize cultured cannabinoids, we may not be able to generate satisfactory returns on them or on the products that incorporate them, and there may not be demand for such cultured cannabinoid products. In addition, pursuant to the Ginkgo Collaboration Agreement, if we undergo a change of control that is approved by the Board, Ginkgo may elect to receive cash payments, which, given the number of Equity Milestone Events (as defined in the Ginkgo Collaboration Agreement) that have occurred to date, could total up to $ ~~17~~ **15. 8** 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 we undergo 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 us 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 us; (iii) the then- outstanding and unpaid portion of all cash payments from us 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 us. 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 ~~-~~ — Research and Development Activities and Intellectual Property. " As additional equity milestones occur under the Ginkgo Collaboration Agreement, we are required by accounting rules to conduct an impairment analysis related to the new Ginkgo exclusive licenses. These analyses have resulted in impairment charges in the past and may do so in the future as additional equity milestones are achieved. For a discussion of our most recent impairments of the Ginkgo exclusive licenses, see Note ~~6~~ **7** " Goodwill and Intangible Assets, net " to the consolidated financial statements in ~~the~~ Item 8 of this Annual Report. We may not successfully execute our production capacity strategy. We may not be successful in executing our strategy to expand production capacity at certain of our facilities and joint ventures and wind ~~-~~ down of cultivation and certain production activities at the Peace Naturals Campus. Continuing and expanding operations at our facilities and joint ventures will be subject to obtaining and maintaining the appropriate licenses from the relevant regulatory agencies in those jurisdictions. In particular, continuing and expanding operations at Cronos GrowCo' s production facilities will be subject to obtaining and maintaining the appropriate licenses from Health Canada. Construction delays or cost over- runs in respect of such operations, howsoever caused, could have a material adverse effect on our business, financial condition and results of operations. Moreover, with the **pending sale- leaseback transaction and** change in the nature of operations at the Peace Naturals Campus, the continued operations of the Cronos GrowCo production facilities will be more important to us. ~~Once cultivation and certain production activities at~~

Additionally, we must obtain approval from Health Canada for changes to our site perimeter on the Peace Naturals Campus ~~have ceased,~~ **prior to closing the sale- leaseback transaction and** ~~these~~ **there can be no assurance as to whether or when we might obtain such approval. Cronos GrowCo' s** production facilities **are** ~~will be~~ our principal source of raw materials. In addition, we may not be successful in obtaining the necessary approvals required to export or import our products to or from the jurisdictions in which we or our joint ventures operate. If we are unable to secure necessary production licenses in respect of our facilities and those of our 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. **We may not be able to successfully procure rare cannabinoids at commercially viable prices or in the quantities that we require. As a result of our decision to wind down Cronos Fermentation, we no longer have the internal capacity to produce rare cannabinoids through the fermentation process developed with Ginkgo. To the extent we continue to utilize rare cannabinoids in our products, we may be required to engage third- party suppliers to obtain rights to new extraction methods or may be required to purchase rare cannabinoids in the open market. We may not be able to find third- party suppliers capable of producing rare cannabinoids at commercially viable prices or in the quantities we require. If we are unable to secure the necessary rare cannabinoids, we may experience product shortages and delays and we may be unable to launch new products, which could have a material adverse effect on our business, financial condition and results of operations.** There can be no assurance that the Realignment **, the pending sale-leaseback** and the change in the nature of operations at the Peace Naturals Campus **, the exit of our U. S. operations and the wind- down and exit of our Cronos Fermentation facility** will have a beneficial impact on our business, financial condition and results of operations. The timing, costs and benefits **thereof** ~~of the Realignment and the change in the nature of operations at the Peace Naturals Campus~~ cannot be guaranteed. In the first quarter of 2022, we announced our Realignment to centralize functions under common leadership to increase efficient distribution of resources, improve strategic alignment and eliminate duplication of roles and costs; evaluate our global supply chain and perform product reviews and pricing and distribution optimization in order to reduce fixed expenses and reduce complexity; and implement an operating expense target to optimize cash deployment for activities such as margin accretive innovation and U. S. adult- use cannabis market entry in the future. Additionally, we announced a plan to leverage our strategic partnerships to improve supply chain efficiencies and reduce manufacturing overhead by partially exiting the Peace Naturals Campus. **We subsequently decided** ~~In the first quarter of 2023, we announced a shift in our strategic plans for the Realignment. Our intent is~~ to retain ~~select components of our~~ **certain distribution, warehousing, R & D and manufacturing** operations at the Peace Naturals Campus **. In the second quarter** ~~, namely distribution and warehousing, certain R & D activities and manufacturing~~ of ~~certain~~ **2023, we announced the exit** of our ~~proprietary innovation products~~ **U. S. operations. In the third quarter of 2023, we announced the wind- down and exit of our Cronos Fermentation facility** . There can be no assurance that these initiatives will achieve the expected benefits to our business or reduce costs or grow our revenue as intended and, if achieved at all, the timing thereof. The execution and implementation of these initiatives involve risk, including that significant amounts of management' s time and Company resources could be diverted from our core operations in order to complete such initiatives. **Some risks, such as obtaining approval from Health Canada for changes to our site perimeter on the Peace Naturals Campus, are outside of our control.** In addition, these initiatives could present unforeseen obstacles, lead to operating inefficiencies and negatively disrupt our corporate culture, which could lead to further employee attrition, any of which would have a material adverse effect on our business, financial condition and results of operations. We have and will continue to incur costs to implement these initiatives, and we could be subject to litigation risks and expenses. Our projected costs and expenses ~~to~~ **associated with the** ~~change~~ **changes in** ~~the nature of our~~ operations **described above** ~~at the Peace Naturals Campus~~ may turn out to be too low by a material amount. **There can be no assurance that the regulatory approvals will be obtained or that the other closing conditions for the sale and leaseback of the Peace Naturals Campus will be satisfied or waived in a timely manner or at all. Pursuant to the Sale Agreement, Future Farmco has agreed to acquire the Peace Naturals Campus subject to certain conditions. These conditions include, among other things, Future Farmco and the Company agreeing on the form of a lease, confirmation from Future Farmco that it has secured financing for the transaction and the Company receiving approval from Health Canada for site perimeter changes, each as set forth in the Sale Agreement. There can be no assurance that such closing conditions will be satisfied or waived or that the Company will obtain approval from Health Canada on commercially reasonable terms, in a timely manner, or at all, or that the sale and leaseback of the Peace Naturals Campus will be completed. Additionally, there can be no assurance that the sale and leaseback of the Peace Naturals Campus will occur on the terms and conditions described herein or previously announced. We may not be able to realize the expected cost- savings and other benefits related to the wind- down of operations at the Cronos Fermentation facility. In the third quarter of 2023, we announced the decision to wind down operations at the Cronos Fermentation facility, list the Cronos Fermentation facility for sale, and implement additional organization- wide cost reductions as we continue our Realignment initiatives. There can be no assurance that we will be able to sell the Cronos Fermentation facility within an acceptable time frame and for an acceptable price or that these initiatives will achieve the expected benefits to our business within our expected time frame. The execution and implementation of these initiatives involve risk, including that significant amounts of management' s time and Company resources could be diverted from our core operations in order to complete such initiatives. In addition, these initiatives could present unforeseen obstacles, lead to operating inefficiencies and negatively disrupt our corporate culture, which could lead to further employee attrition, any of which would have a material adverse effect on our business, financial condition and results of operations. We have and will continue to incur costs to implement these initiatives, and we could be subject to litigation.** The industries and markets in which we operate are relatively new, and these industries and markets may not continue to exist or grow as anticipated or we may ultimately be unable to succeed in these industries and markets. The **medical and adult- use** cannabis

~~and U. S. hemp~~ industries and markets in which we operate are relatively new, **are** ~~can be~~ highly speculative, are rapidly expanding and may ultimately not be successful. In addition to being subject to general business risks, we need to continue to build brand awareness in these industries and markets 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 and consumer tastes, as applicable, and spending patterns in these new industries and markets are relatively unknown and may have unique circumstances that differ from existing industries and markets. We are subject to all of the business risks associated with a new business in a niche market, including risks of unforeseen capital requirements, failure of widespread market acceptance of our products, failure to establish business relationships and competitive disadvantages against larger and more established competitors. Accordingly, there are no assurances that these industries and markets 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, and a failure to do so could have a material adverse effect on our business, financial condition and results of operations. We may not be able to supply the ~~provincial~~ purchasers in various provinces and territories of Canada with our products in the quantities or prices anticipated, or at all. We have entered into ~~various~~ supply arrangements for cannabis products with various provincial **and territorial** purchasers and have secured listings with ~~various~~ private retailers in ~~those~~ **certain** provinces. We have entered into such supply arrangements with all provinces in Canada ~~and the Yukon territory~~ (where the relevant provincial body is the sole wholesale distributor of cannabis products in the province) **and the Yukon Territory** and with private retailers in Saskatchewan. Our supply arrangements with provincial and territorial purchasers ~~, each of which we understand to be substantially similar in all material respects with the supply arrangements entered into with the other license holders in the Canadian cannabis industry,~~ do not contain any binding minimum purchase obligations on the part of the relevant provincial **or territorial** purchaser. We expect purchase orders to be primarily driven by end- consumer demand for our products and the relevant provincial ~~or ,~~ territorial **or private** purchaser supply at the relevant time. Accordingly, we cannot predict the quantities of our products that will be purchased by the provincial ~~and~~ **,** territorial **and private** purchasers, or if our products will be purchased at all. Provincial and territorial purchasers may change the terms of the supply agreements at any time during the supply relationship including pricing, have broad rights of return of products and are under no obligation to purchase our products or maintain any listings of our products for sale. As a result, provincial and territorial purchasers have a significant amount of control over the terms of the supply arrangements. ~~The effect of the legalization of adult- use cannabis in Canada~~ **Furthermore, provincial and territorial purchasers may also decide to ban, limit or implement new guidance** on the **types** ~~medical cannabis market in Canada is still uncertain, and it may have a significant negative effect upon our medical cannabis business if consumers decide to purchase products available in the adult- use market instead~~ of ~~purchasing our medical- use products. 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 which may increase the age of purchase in the province or territory. 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 **permitted for sale** in ~~relation~~ **each of their jurisdictions (including in response** to ~~similar adult~~ **Health Canada' s guidance on intoxicating cannabinoids) which may result in some or all of our products being viewed as non** - **compliant with law or non** ~~use cannabis products, the amount of active ingredients in medical cannabis products in relation to similar adult~~ - **binding policy guidance** ~~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 the distribution and sale 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 market is uncertain, and while we cannot predict its impact on our sales and revenue prospects, it may be adverse~~ . The adult- use cannabis market in Canada has in the past been and may in the future become oversupplied ~~following the implementation of the Cannabis Act and the related legalization of cannabis for adult- use~~ . ~~As a result of the implementation of the Cannabis Act and the legalization of adult cannabis use, numerous~~ **Numerous** additional cannabis producers have and may continue to enter the Canadian adult- use market. We and such other cannabis producers have in the past produced and may in the future produce more cannabis than is needed to satisfy the collective demand of the Canadian medical and adult- use markets, and we may be unable to export that over- supply into other markets. As a result, the available supply of cannabis could exceed demand, which has in the past, and may in the future, result in significant inventory write downs **and decreases in market prices** . 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 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 adult- use business may not become profitable. We are subject to liability arising from any fraudulent or illegal activity by our employees, contractors **, manufacturers** and consultants. We are exposed to the risk that our employees, independent contractors **, manufacturers** 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~~ **engaging in** unauthorized activities ~~to us~~ that ~~violates~~ - **violate** : (i) applicable laws and regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse of

federal, state and provincial laws and regulations; or (iv) laws and regulations 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 comply with such laws or regulations. If any such actions are brought against us, and we are not successful in defending them, 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, loss or suspension of licenses and the curtailment of our operations, any of which could have a material adverse effect on our business, financial condition and results of operations. Some jurisdictions may never develop markets for cannabis and U. S. hemp. Many jurisdictions place restrictions on or prohibit commercial activities involving cannabis and U. S. hemp. Such restrictions or prohibitions may make it impossible or impractical for us to enter or expand our operations in such jurisdictions unless there is a change in law or regulation. For example, U. S. Schedule I cannabis remains illegal under U. S. federal law and may never become legal under U. S. federal law. Our ability to exercise the PharmaCann Option will depend on the satisfaction of several conditions, including U. S. federal cannabis legalization. In addition, our ability to exercise the PharmaCann Option is subject to the receipt of any required regulatory approvals, including in the states where PharmaCann operates that may be required upon exercise, as well as Altria' s approval under the Investor Rights Agreement. These conditions are outside of our control and therefore there can be no certainty that the PharmaCann Option will be exercised in the near term, or at all. If the PharmaCann Option is not exercised, we will not receive the benefits of the contemplated commercial arrangements between us and PharmaCann. In addition, the regulatory approval processes in connection with the exercise of ~~any~~ **the** PharmaCann Option may take a prolonged period of time to complete, which could significantly delay our ability to exercise the PharmaCann Option and realize the benefits of the PharmaCann Investment, or result in our not being able to exercise all or part of the PharmaCann Option. Furthermore, in connection with obtaining approvals from or otherwise satisfying the requests of the state regulators or applicable laws, we may be required to divest all or a portion of the PharmaCann Option, or if after the exercise of the PharmaCann Option, our shares of PharmaCann. Even if we are able to and do exercise the PharmaCann Option, the intended benefits of the PharmaCann Investment may not be realized. We cannot assure you that the PharmaCann Investment will be accretive to us in the near term or at all. For example, if entered into, the commercial arrangements between us and PharmaCann may not be successful or beneficial to us. Furthermore, if we fail to realize the intended benefits of the PharmaCann Investment, our stock price could decline to the extent that the market price anticipates those benefits. We are entitled to certain limited governance rights with respect to PharmaCann, including limited information rights and board observer rights. Therefore, we will have little to no ability to influence the strategy and material decisions of PharmaCann' s business. Furthermore, until such time as we exercise the PharmaCann Option, we will not have the ability to vote on matters requiring the vote of PharmaCann' s shareholders ~~and, until the exercise of the PharmaCann Option, will not have the right to appoint directors to the PharmaCann board of directors. Even after exercising the PharmaCann Option, we are entitled to appoint a director of PharmaCann' s board only if we own at least 10 % of the outstanding capital stock of PharmaCann, and in any event may appoint no more than two directors~~ . In addition, we are subject to certain standstill restrictions, both prior to and after the exercise of the PharmaCann Option, which restrictions further limit our ability to influence decisions of PharmaCann. Although we are entitled to certain anti- dilution protections with respect to our investment in PharmaCann, such protections are subject to various conditions, and our potential ownership in PharmaCann may be significantly diluted by, among other things, future issuances of PharmaCann securities or acquisition activity in which PharmaCann uses its equity as consideration. ~~On February 28, 2022, PharmaCann closed the previously announced LivWell Transaction. As a result of the LivWell Transaction, the Company' s ownership percentage in PharmaCann on a fully diluted basis decreased to approximately 6. 4 %.~~ As of December 31, ~~2022~~ **2023** , the Company' s ownership percentage in PharmaCann on a fully diluted basis was approximately ~~6~~ **5** . ~~3~~ **9** %. Under the terms of our investment in PharmaCann, Cronos' rights to nominate an observer ~~or a director~~ to the PharmaCann board of directors could be lost if our ownership drops below 6 % on a fully diluted basis and we sell or transfer all or any portion of the PharmaCann Option (subject to certain exceptions) ~~. As a result, further dilution could adversely affect our rights under the PharmaCann Option. Any other equity event could be significantly dilutive to our ownership in PharmaCann and may adversely impact the potential benefits we may realize from the PharmaCann Investment~~ . We must rely largely on our own market research to forecast sales and market demand and market prices may differ from our forecasts. We must rely largely on our own market research and internal data to forecast sales as detailed market data is not generally obtainable from other sources at this early stage of the cannabis ~~or U. S. hemp industries~~ **industry** . If our sales forecasts and our expectations regarding market conditions, including prices, influence capital expenditure levels, inventory levels, production and supply chain capacity and operating expenses, prove to be inaccurate, this could have a material adverse effect on our business, financial condition and results of operations. For example, our forecasts for product demand and market conditions were impacted by a decline in market prices for cannabis products in the Canadian market, which contributed to our inventory write- down in the second and fourth quarters of 2020. We could have difficulty integrating the operations of businesses that we have acquired and will acquire. The success of our acquisitions depends upon our ability to integrate any businesses that we acquire. The integration of acquired business operations could disrupt our business by causing unforeseen operating difficulties, diverting management' s attention from day- to- day operations and requiring significant financial resources that would otherwise be used for the ongoing development of our business. The difficulties of integrations could be increased by the necessity of coordinating geographically dispersed organizations, coordinating personnel with disparate business backgrounds, managing different corporate cultures, or discovering previously unknown liabilities. In addition, we could be unable to retain key employees or customers of the acquired businesses. We could face integration issues including those related to operations, internal control and information systems and operational functions of the acquired companies and we also could fail to realize cost efficiencies or

synergies that we anticipated when selecting our acquisition candidates or these acquisitions could fail to compete successfully. Any of these items could adversely affect our business, financial condition and results of operations. For more information on the risks associated with acquisitions, see " Risk Factors — Risks Relating to Our Growth Strategy — Our acquisition strategy may not be successful and we have in the past, and may in the future, need to write down the goodwill and indefinite-lived intangible assets recognized upon the acquisitions. " We have been and may in the future be required to write down intangible assets, including goodwill, due to impairment, which could have a material adverse effect on our results of operations or financial position. The Company has been and may in the future be required to write down intangible assets, including goodwill, due to impairment, which would reduce earnings. Indefinite- lived intangible assets are reviewed annually or more frequently when events or changes in circumstances indicate that the fair value of the indefinite- lived intangible assets have been reduced to less than their carrying amount. We periodically calculate the fair value of our reporting units and intangible assets to test for impairment. This calculation may be affected by several factors, including general economic conditions, regulatory developments, changes in category growth rates as a result of changing adult consumer preferences, success of planned new product introductions, and competitive activity. Certain events can also trigger an immediate review of goodwill and intangible assets. If the carrying amount of our reporting unit and other intangible assets exceed their fair value, the goodwill and other intangible assets are considered impaired, which would result in impairment losses and could have a material adverse effect on our consolidated financial position or results of operations. ~~We cannot provide any assurance that the U. S. segment will successfully execute its business plans and strategies.~~ For a discussion of previous write downs of indefinite- lived intangible assets and goodwill, see Note ~~6~~ 7 " Goodwill and Intangible Assets, net " to the consolidated financial statements in Item 8 of this Annual Report **. Risks Relating to Operations in Israel Conditions in Israel could materially and adversely affect our business, financial condition, and results of operations. We have operations in Israel through a strategic joint venture, Cronos Israel. On October 7, 2023, Hamas terrorists from the Gaza Strip launched a rocket barrage against Israel and engaged in incursions into Israeli territory, breaching the Gaza- Israel border, attacking military bases and slaughtering and kidnapping civilians in neighboring Israeli communities. Israel formally declared war on October 8. The Israel- Hamas War may further escalate, including due to an eruption of fighting between Hezbollah and Israel across Israel' s northern border, which would open a second front in the war, and may result in a broader conflict across the Middle East. The Israel- Hamas War (and any escalation) and any resulting regional political instability or interruption or curtailment of trade between Israel and its trading partners would likely materially and adversely affect our business, financial condition, and results of operations. On October 8, 2023, the Yakar issued guidelines for maintaining the business continuity in the field of medical cannabis, in light of the national effort relating to the Israel-Hamas War. Such guidelines include extensions of patient licenses and business licenses. Our employees, including certain members of our management, operate from our offices located in Gan Shmuel, Israel and our manufacturing facilities located in Hadera, Israel. While our facilities have not been damaged by the war, rocket attacks continue, and our facilities could be damaged or destroyed. Imports into Israel have been severely affected by the war, and we may be unable to import materials into Israel. Further, our sales have been, and likely will continue to be, adversely affected by the war. Our commercial insurance does not cover losses that may occur as a result of events associated with war and terrorism. Any losses or damage incurred by us could have an adverse effect on our business, financial condition, and results of operations. Further, in the past, the State of Israel and Israeli companies have been subjected to economic boycotts. Several countries still restrict doing business with the State of Israel and with Israeli companies. A campaign of boycotts, divestment, and sanctions has been undertaken against Israel, which could also adversely impact our business, financial condition, and results of operations and the expansion of our business. Our operations may be disrupted by the obligations of personnel to perform military service. Some of our employees in Israel are obligated to perform annual reserve duty in the Israeli military for several days, and in some cases more, of annual military reserve duty each year until they reach the age of 40 (or older, for reservists who are military officers or who have certain occupations) and are subject to being called for additional active duty under emergency circumstances. In response to the Israel- Hamas War, a number of our employees have been called up to serve in the Israeli military. We cannot predict the full impact of these conditions on us in the future, particularly if emergency circumstances or an escalation in the political or military situation occurs. If many of our employees are called for active duty, our operations in Israel and our business may not be able to function at profitable levels, or at all, and our business in, results of operations from, Israel would be adversely affected** . Risks Relating to Our Products There is limited long- term data with respect to the efficacy and side effects of cannabis, U. S. hemp and cannabinoids, and future clinical research studies on the effects of cannabis, U. S. hemp and cannabinoids may lead to conclusions that dispute or conflict with our understanding and belief regarding their benefits, viability, safety, efficacy, dosing and social acceptance. Research in Canada, the U. S. and internationally regarding the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, U. S. hemp or isolated cannabinoids (such as CBD and THC) **inhaled,** in dietary supplements, food, or cosmetic products remains in early stages. There have been relatively few clinical trials on the potential benefits of cannabis, U. S. hemp or isolated cannabinoids **in dietary supplements, food, or cosmetic products** and there is limited long- term data with respect to potential benefits, effects and / or interaction of these substances with human or animal biochemistry. As a result, our products could have unexpected side effects or safety concerns, the discovery of which could lead to civil litigation, regulatory actions and even possibly criminal enforcement actions. In addition, if the products we sell do not or are not perceived to have the effects intended by the end user, this could have a material adverse effect on our business, financial condition and results of operations. The statements made by the Company, including in this Annual Report, concerning the potential benefits of cannabis, U. S. hemp and isolated cannabinoids are based on published articles and reports and therefore are subject to the experimental parameters, qualifications and limitations in such studies that have been completed. Although we believe that the existing public scientific literature generally supports our beliefs

regarding the benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, U. S. hemp and cannabinoids **in dietary supplements, food, or cosmetic products** , future research and clinical trials may cast doubt or disprove such beliefs, or could raise or heighten concerns regarding, and perceptions relating to, cannabis, U. S. hemp and cannabinoids, 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. Given these risks, uncertainties and assumptions, undue reliance should not be placed on such literature. In particular, the FDA has raised several questions regarding the safety of CBD and other cannabinoids **, particularly in food and dietary supplements** and gaps in the public scientific literature supporting the use of CBD and other cannabinoids by the general population. Clinical trials of cannabis- based medical products and treatments **have a** ~~are novel terrain with very~~ limited ~~or non- existent~~ history, and any trials may 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, U. S. hemp or isolated cannabinoids for research, either before or after a trial is commenced ; • unfavorable results from ongoing pre- clinical studies and clinical trials; • trial participants or investigators failing to comply with study protocols ; • trial participants 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 declining to participate in our clinical studies, not performing the clinical studies on the anticipated schedule, or acting in ways inconsistent with the established investigator agreement, clinical study protocol or good clinical practices. Any of the foregoing could cause our products or treatments not to be commercially viable, which could have a material adverse effect on our business, financial condition and results of operations. The controversy surrounding vaporizers and vaporizer products may materially and adversely affect the market for vaporizer products and expose us to litigation and additional regulation. There have been a number of highly publicized cases involving lung and other illnesses and deaths that appear to be related to vaporizer devices and / or products used in such devices (such as vaporizer liquids). The focus ~~is currently~~ **has been** on the vaporizer devices, the manner in which the devices were used and the related vaporizer device products – THC, nicotine, other substances in vaporizer liquids, possibly adulterated products and other illegal unlicensed cannabis vaporizer products. Some states, provinces, territories and municipalities in the U. S. and Canada have already taken steps to prohibit the sale or distribution of vaporizers, restrict the sale and distribution of such products or impose restrictions on flavors, substances and concentration of substances used, or use of such vaporizers. This trend may continue, accelerate and expand. Cannabis vaporizers in Canada are regulated under the Cannabis Act, Cannabis Regulations and other laws and regulations of general application. Although this legislation sets rules and standards for the manufacture, composition, packaging, and marketing of cannabis vaporizer products, these rules and standards predate the spate of vaporizer- related health issues that have recently arisen in the U. S. These issues and accompanying negative public sentiment may prompt Health Canada or individual provinces / territories or municipalities to decide to further limit or defer the industry' s ability to sell cannabis vaporizer products ~~,~~ and may also diminish consumer demand for such products. Currently, Québec and Prince Edward Island do not allow the sale of cannabis vaporizers in their respective jurisdictions and Health Canada is seeking to limit the flavors of inhaled cannabis extracts. In June 2021, Health Canada opened a consultation into the use of flavors in inhaled cannabis extracts as it claims that the availability of flavors is one of the factors that contributes to the increase in cannabis vaping in youth and young adults. As part of this consultation, Health Canada released proposed regulations that contemplate restricting the production, sale, promotion, packaging and labelling of inhaled cannabis extracts from having a flavor, other than the flavor of cannabis. The proposed amendments would apply equally to inhaled cannabis extracts sold for medical and non- medical purposes. The proposed amendments were pre- published in June 2021 and the consultation period closed in September 2021. No expected in- force date has been publicly announced. There can be no assurance that the jurisdictions in which we operate will allow the sale of cannabis vaporizers in the future, that other jurisdictions will not prohibit the sale of cannabis vaporizers, that we will be able to meet any additional compliance requirements or regulatory restrictions, or that we will remain competitive in face of unexpected changes in market conditions. An extension of this controversy to non- nicotine vaporizer devices and other product formats could materially and adversely affect our business, financial condition, operating results, liquidity, cash flow and operational performance. In February 2020, the U. S. Centers for Disease Control reported that federal and state agencies were investigating an outbreak of over 2, 807 lung injury cases associated with the use of vaporizer products, including non- nicotine containing products. Litigation pertaining to vaporizer products is ongoing and that litigation could potentially expand to include our products, which would materially and adversely affect our business, financial condition, operating results, liquidity, cash flow and operational performance. Future research may lead to findings that vaporizers, electronic cigarettes and related products are not safe for their intended use. Vaporizers, electronic cigarettes and related products were recently developed and therefore the scientific or medical communities have had a limited period of time to study the long- term health effects of their use. Currently, there is limited scientific or medical data on the safety of such products for their intended use and the medical community is still studying the health effects of the use of such products, including the long- term health effects. If a consensus were to develop among the scientific or medical community that the use of any or all of these products pose long- term health risks, market demand for these products and their use could materially decline. Such a development could also lead to litigation, reputational harm and significant regulation. Loss of demand for our products, product liability claims and increased regulation stemming

from unfavorable scientific studies on vaporizer products could have a material adverse effect on our business, financial condition, operating results, liquidity, cash flow and operational performance. We, or the cannabis and U. S. hemp industries more generally, may receive unfavorable publicity or become subject to negative consumer perception. We believe the cannabis and U. S. hemp industries are highly dependent upon broad social acceptance and consumer perception regarding the safety, efficacy and quality of the cannabis and U. S. hemp products, as well as consumer views concerning regulatory compliance. Consumer perception of our products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention, market rumors or speculation and other publicity regarding the consumption or effects thereof of cannabis and U. S. hemp 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 or U. S. hemp markets 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 products and 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 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 U. S. hemp or cannabis in general, or our products specifically, or associating the consumption or use of U. S. hemp or 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 **, artificial intelligence** 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, whether or not true, on our operations and activities and the U. S. hemp and cannabis industries 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 **may be generated by automation and** are often not filtered or checked for accuracy. In many cases, we do not have the ability to filter such comments or verify their accuracy. Accordingly, the speed with which negative publicity (whether true or not) can be disseminated has increased dramatically with the expansion of social media **and artificial intelligence** . 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 U. S. hemp or cannabis industries are 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. Certain businesses may have strong economic opposition to the U. S. hemp or cannabis industries. Lobbying by such groups, and any resulting inroads they might make in halting or rolling back the U. S. hemp and cannabis movements, could affect how the U. S. hemp or cannabis industries are 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. The parties with which we do business, may perceive that they are exposed to reputational risk as a result of our cannabis or U. S. hemp 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 or supplier could suspend or withdraw its services to us or require increased fees or compensation 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 service provider or supplier with a substantial presence where cannabis is not federally legal (including the U. S.). In these circumstances, while we believe that such services can be procured from other institutions, we may in the future have difficulty maintaining existing, or securing new, bank accounts or clearing services, service providers or other vendors or we may be forced to pay increased fees or compensation for such services. Although we take care in protecting our image and reputation, we do not ultimately have control over how we or the U. S. hemp or cannabis industries are 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 be subject to litigation in the ordinary course of our marketing, distribution and sale of our products. We are subject to litigation, claims and other legal and regulatory proceedings from time to time in the ordinary course of our manufacturing, marketing, distribution and sale of our products, some of which may adversely affect our business, financial condition and results of operations. Several companies in the U. S. hemp- derived CBD industry, including the Company, have become party to an increasing number of purported class actions lawsuits relating to their food and dietary supplement products containing U. S. hemp- derived CBD. While one such case against the Company was dismissed, similar class actions may be filed against us again, and the plaintiffs in such class action lawsuits, as well as in 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, adversely affect the market price for our common shares and require the use of significant resources. Even to the extent we ultimately prevail in litigation, litigation can consume and redirect significant resources. Litigation may also create a negative perception of our brands, which could have an adverse effect on our business, financial condition and results of operations. See Part ~~I~~**II** , **Note 10 (b) " Contingencies " to the consolidated financial statements under** Item **8** ~~3, Legal Proceedings,~~ of this Annual Report for a discussion of our legal proceedings. 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 and U. S. hemp 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 or U. S. hemp products alone or in combination with other medications or substances could occur as described above under " — There is limited long- term data with respect to the efficacy and side effects of cannabis, U. S. hemp and cannabinoids and future clinical research studies on the effects of cannabis, U. S. hemp and cannabinoids may lead to conclusions that dispute or conflict with our understanding and belief regarding their benefits, viability, safety, efficacy, dosing and social acceptance. " We have been, and may in the future be, subject to product liability claims that include, among others, our products caused injury or illness, incorrect labeling, inadequate instructions for use or 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 consumers generally, and could have a material adverse effect on our business, financial condition and results of operations. See Part ~~I~~ **II** , **Note 10 (b) " Contingencies " to the consolidated financial statements under** Item **8** ~~3, Legal Proceedings,~~ of this Annual Report for a discussion on our legal proceedings. 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 have in the past and may in the future 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, among other things, product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. Some of our products have been subject to recalls in the past. If one or more of our products are recalled for any 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 number of sales and may not be able to replace those sales at an acceptable margin, or at all. In addition, product recalls have in the past and may in the future 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. If one or more of our products were subject to recall, the public perception of that product and us could be harmed. A recall of one of our products could lead to decreased demand for that product and our other products 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, the FDA, the California Department of Public Health (the " CDPH "), the DEA or other regulatory agencies, requiring further management attention and potential legal fees and other expenses. Furthermore, any product recall affecting the cannabis or U. S. hemp industries more broadly could lead consumers to lose confidence in the safety and security of the products sold by participants in these industries generally, which could have a material adverse effect on our business, financial condition and results of operations. We rely on third **-** party testing and analytical methods which are validated but still being standardized. For certain of our cannabis ~~and U. S. hemp~~ products, testing for cannabinoid levels, heavy metals and pesticides (among other things) is performed by independent third- party testing laboratories. Testing methods and analytical assays for cannabinoids and levels of detection vary among different testing laboratories in different jurisdictions. There is currently no industry consensus on standards for testing methods or an industry accepted compendium of analytical assays or standard levels of detection. The detected and reported cannabinoid content in our cannabis ~~and U. S. hemp~~ products therefore can differ depending on the laboratory and testing methods (analytical assays) used. Variations in reported cannabinoid content will likely continue until the relevant regulatory agencies and independent certification bodies (e. g., ISO, USP) collaborate to develop, publish and implement standardized analytical assays and levels of detection for cannabis, ~~U. S. hemp,~~ cannabinoids and their derivative products. Until such standardized analytical assays and levels of detection are developed, the existing differences could cause confusion with our consumers which could lead to a negative perception of us and our products, increase the risk of litigation regarding cannabinoid content and regulatory enforcement action and could make it more difficult for us to comply with regulatory requirements regarding contents of ingredients and packaging and labeling. For example, on June 16, 2020, an alleged consumer filed a Statement of Claim, which has since been dismissed as against the Company, on behalf of a class in the Court of King' s Bench of Alberta in Alberta, Canada, against the Company and other Canadian cannabis manufacturers and distributors alleging claims related to the defendants' advertised content of cannabinoids in cannabis products for medicinal use on or after June 16, 2010 and cannabis products for adult use on or after October 17, 2018. See Part ~~I~~ **II** , **Note 10 (b) " Contingencies " to the consolidated financial statements under** Item **8** ~~3, Legal Proceedings,~~ of this Annual Report. The presence of trace amounts of THC in our U. S. hemp products may cause adverse consequences to users of such products that will expose us to the risk of litigation, liability and other consequences. Some of our products that are intended to primarily contain U. S. hemp- derived CBD, or other U. S. hemp- derived cannabinoids, may contain trace amounts of THC. THC is a controlled substance in many jurisdictions, including under the federal laws of the U. S **. if it exceeds the cut- off established in the U. S. definition of hemp** . Whether or not ingestion of THC (at low levels or otherwise) is permitted in a particular jurisdiction, there may be adverse consequences to consumers of our U. S. hemp products who test positive for any amounts of THC because of the presence of trace amounts of THC in our U. S. hemp products. In addition, certain metabolic processes in the body may negatively affect the results of drug tests. Positive tests for THC may expose us to litigation from our consumers, adversely affect our reputation, ~~our ability to obtain or retain customers~~ and **impact** individuals' participation in certain athletic **, employment** or other activities. A claim or regulatory action against us based on such positive test results could materially and adversely affect our business, financial condition, operating results, liquidity, cash flow and operational performance. We may not be able to successfully develop new products or find a market for their sale. The legal cannabis and U. S. hemp industries are in their early stages of development and it is likely that we, and our competitors, will seek to introduce new products, including products that contain cannabinoids other than THC and CBD, 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. In addition, we may be required to obtain additional regulatory approvals from Health Canada, the FDA and / or 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 (including products containing cannabinoids other than THC and CBD with which consumers may not be familiar or have significant reservations), 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 Canadian excise duty framework may affect our 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 licenses issued by the Canada Revenue Agency (" CRA ") required to comply with this excise framework. Any change in the rates or application of excise duty to cannabis products sold by us in Canada, and any restrictive interpretations by the CRA or the courts of the provisions of 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. Our business may be impacted as a result of ~~increased~~ **conditions in the global economy and financial markets, including changes in inflation, interest** rates **, and overall economic conditions. Our results** of **operations could be adversely affected by general conditions in the global economy and in the global financial markets, including changes in** inflation ~~. In the past year~~ , ~~the~~ **interest rates and overall economic conditions. The** worldwide economy ~~has~~ **continues to** ~~experienced~~ - **experience** significant inflation and inflationary pressures, including, in particular, on wages. ~~Increased inflation~~ **Inflation** could reduce our purchasing power and ~~result in negative~~ **negatively** ~~impacts~~ - **impact** ~~on~~ our ability to obtain goods and services **at commercially viable prices. We may be unable** ~~required for the operation of our business, to hire and retain employees, or~~ to pass on rising costs, including increased employee costs, to our customers. To the extent that we are unable to offset such inflation through higher prices of our products or other cost savings, there ~~could~~ **would** be a negative impact on our operating margins, net income, cash flows and the trading price of our common shares. A period of sustained inflation across the markets in which we operate could result in higher operating costs ~~. Further rising inflation may negatively impact our business, raise cost~~ and reduce **our** profitability. Despite efforts we may take to reduce the impact of inflation on our business across the markets in which we operate, it could become increasingly difficult to effectively mitigate the increases to our costs. In addition, the effects of inflation on consumers' budgets could result in the reduction of our customers' spending habits. ~~If~~ **Additionally, interest rates directly affect the level of interest income** we **generate from investing our cash and cash equivalents and from our short- term investments. Interest rates** are ~~unable~~ **subject** to **fluctuation** ~~take actions to effectively mitigate the effect of the resulting higher costs~~ , ~~our operating margins~~ **and a decrease in interest rates** could ~~be~~ negatively ~~impacted~~ -- **impact our interest income. High interest rates have in the past had, and may in the future have, adverse effects on the disposable income of our customers and their spending habits** . Risks Relating to Production and Distribution of Products Our production facilities **,** and those of our strategic joint ventures, are integral to our operations, and any adverse changes or developments affecting such facilities may impact our business, financial condition and results of operations. Our activities and resources are focused on various production and manufacturing facilities including in ~~the~~ **Canada and Israel and, prior to our exit of our** U. S. ~~(for~~ **operations, the** U. S ~~. hemp products), Canada and Israel~~ . Some licenses are specific to those facilities. Adverse changes or developments affecting our facilities and the facilities of our joint venture partners, including but not limited to a breach of security, an inability to successfully grow cannabis plants or produce finished goods, unanticipated cost overruns in growing or producing products, an outbreak of a communicable illness (such as COVID- 19) or a force majeure event, could have a material and adverse effect on our business, financial condition and results of operations. As we proceed to ~~wind~~ **complete the pending sale** - ~~down cultivation~~ **leaseback of,** and ~~certain production activities~~ **effect the change in the nature of operations** at **,** the Peace Naturals Campus, the production and manufacturing facilities that we continue to use ~~will~~ **have** become increasingly important to our business. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by regulatory agencies, 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. **If the sale and leaseback of the Peace Naturals Campus is completed, we anticipate that the tenant rights we are granted under the lease agreement will enable us to complete any necessary maintenance for the Peace Naturals Campus. To the extent that Future Farmco' s cooperation or facilitation is required for such maintenance, and Future Farmco fails to cooperate in a timely manner or at all, we may be unable to complete such maintenance, which may adversely impact our financial performance. Additionally, as we proceed to wind down certain production activities at the Peace Naturals Campus, the production and manufacturing facilities that we continue to use will become increasingly important to our business.** We bear the responsibility for all of the costs of maintenance and upkeep at our facilities and our operations and financial performance may be adversely affected if our facilities are unable to keep up with maintenance requirements. We may experience breaches of security at our facilities ~~or fraudulent or unpermitted data access or other cybersecurity breaches~~ , which ~~may cause our customers to lose confidence in our security or data protection measures and~~ may expose us to **the loss of inventory and** risks related to ~~breaches~~ **violations** of applicable ~~privacy and security~~ laws and regulations. Given the nature of our products and the concentration of inventory in our facilities, we are subject to ~~a~~ **the** risk of theft. A security breach at one of our facilities could expose us to additional **scrutiny from regulators** ~~liability and to potentially costly litigation~~ , ~~increase~~ **increased** expenses and business disruptions relating to the resolution and future prevention of these breaches **. We have in the past** and may ~~deter potential~~ **in the future experience unauthorized access to our information technology systems or other cybersecurity incidents, which may make us unable to access or operate business critical systems and which may cause our** customers ~~from choosing~~ **to lose confidence in** our ~~products. In addition, we collect and store personal information about~~

~~our customers and are responsible for protecting that information from~~ cybersecurity ~~breaches~~ **, expose us to risks related to violations of applicable laws and regulations, and have a material adverse effect on our business, financial position and results of operations** . A cybersecurity **incident or** breach may occur in a variety of ways, including, without limitation, a procedural or process failure, information technology malfunction **, inadvertent disclosure of sensitive or private information** , deliberate unauthorized intrusion, computer virus, and direct or indirect cyberattack or other electronic security breach. Theft of data for competitive or fraudulent purposes, such as customer lists and preferences and other consumer and employee personal information, **and trade secrets and other confidential intellectual property** is an ongoing and growing risk. Any such theft or cybersecurity **incident or** breach may 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 data, intellectual property, proprietary business information and certain personal information of our employees and customers on ~~our computer~~ **those systems, including cloud- based** systems. We have been, and expect to continue to be, subject to various cyberattacks and phishing schemes. Additionally, we are undertaking an effort to modernize our information technology systems, which could expose us to additional risks relating to our collection, storage and use of certain data on our systems. There have been many highly publicized **cyber-** attacks over the last several years and we expect those to continue. Any fraudulent, malicious or accidental breach of our systems could result in unintended disclosure of, or unauthorized access to, third **-** party, customer, vendor, employee or other confidential information, ~~which~~ **and** could ~~potentially~~ result in additional costs and business disruption to us, including without limitation, to repair or replace damaged systems, enhance security or respond to occurrences, lost sales, violations of data privacy, security or other laws and regulations and subsequent penalties, fines, regulatory action or litigation. We also rely on third **-** party ~~-~~service providers **, including cloud- based systems,** for ~~certain~~ **most of our** information technology systems ~~, such as payment processing~~ , and any data security breach at a third- party service provider could have similar effects. In addition, media or other reports of perceived security vulnerabilities to our systems or those of our third- party ~~suppliers~~ **providers** , 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, financial position and results of operations. **There can be no assurance that our systems and processes for overseeing and identifying cybersecurity risks will prevent or timely detect a cybersecurity incident.** We **rely on third- party service providers to assist with these measures. We and our third- party service providers may not have the resources or technical sophistication to anticipate, prevent, respond to, or mitigate cyberattacks or cybersecurity breaches or incidents, and we or they may face difficulties or delays in identifying and responding to cyberattacks, cybersecurity breaches and incidents. We incur significant costs in an effort to detect and prevent cybersecurity breaches and incidents and we expect our costs will increase as we continue to implement systems and processes designed to prevent and otherwise address cybersecurity breaches and incidents. In the event of a significant or material cybersecurity breach or incident, we could be required to expend additional significant capital and other resources in an effort to respond to or prevent further breaches or incidents, which may require us to divert substantial resources from our business. Moreover, we could be required or otherwise find it appropriate to expend significant capital and other resources to respond to, notify third parties of, and otherwise address the breach or incident and its root cause. In recent years, our Information Systems department, which oversees our cybersecurity systems and processes, has experienced high turnover, creating opportunities for knowledge and skill gaps, which can result in operational errors and security oversights. In addition, cybersecurity is not the sole focus of our Information Systems department, and no individual employee is specifically dedicated solely to cybersecurity; competing responsibilities may divert their attention from cybersecurity matters. Any actual or perceived failure by us to comply with laws, regulations or any other obligations relating to privacy, data protection or the protection or transfer of personal data, could adversely affect our business. We collect and store personal information about our customers and employees, including health information, and** are responsible for protecting **that** ~~employee and client health~~ information **. In Canada, for example, we are required to retain certain customer personal information for prescribed periods of time pursuant to the Cannabis Act** . In the U. S., for example, we must comply with Americans with Disability Act requirements for confidential employee medical records, including that they must be stored separately from other ~~personal~~ **personnel** records and access must be restricted to those who need access. With respect to customer health information, there are a number of federal, state and provincial laws and regulations protecting the confidentiality of certain customer health information, including customer 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 ") **and related provincial laws** protect medical records and other personal health information by limiting ~~their~~ -- **the** use and disclosure of health information to the minimum level reasonably necessary to accomplish the intended purpose and apply to our operations globally. If we were **found** to be ~~found to be~~ in violation of the privacy or ~~security~~ **data protection** rules under PIPEDA or other applicable laws and regulations protecting the confidentiality of client health information in jurisdictions we operate in, 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. The jurisdictions in which we operate or which we may enter also have data privacy and ~~security~~ **data protection** laws and regulations that govern the collection, use, disclosure, transfer, storage, disposal, and protection of personal information (such as the California ~~Consumer Privacy Act (the " CCPA ") in California). In Canada, we may be required to retain certain customer personal information for prescribed periods of time pursuant to the Cannabis Act. Additionally, several states, including California, Colorado, and Virginia, have passed laws and regulations, modeled on the E. U. GDPR, that will significantly impact data privacy and security requirements in the U. S. The California~~ Privacy Rights Act **and other similar state laws and regulations, and PIPEDA and related provincial laws in Canada** (~~" CPRA "~~ **such as Bill 64 in Quebec**) **).**

We may incur significant expenses in an effort to comply with privacy, data protection and information security standards ~~imposes~~ **imposed** ~~broad new requirements on companies covered~~ by **such** ~~the legislation. Under the CPRA, California consumers (i. e., California residents) will have new and expanded rights, and businesses covered by the CPRA must disclose these rights to them. These new rights include, but are not limited to, a right of correction (i. e., the right to request that a business correct any inaccurate personal information about them), a right to limit the use and disclosure of " Sensitive Information " (a new category of personal information defined by the CPRA), a right to access information about automatic decision making used by the business, and a right to data portability (i. e., that a business transfer their personal information to another entity to the extent technically feasible). Enhanced rights for California consumers under the CPRA include, but are not limited to, expanded rights to know and access their personal information, expanded rights to delete their personal information, and an explicit requirement that California consumers have the right to opt- out of the sharing, in addition to the selling, of their personal information. Separately, the CPRA will codify the following GDPR- inspired requirements: (i) data minimization or the requirement that personal information collected by businesses be reasonably necessary and proportionate to achieve the purpose for which the personal information was collected, (ii) purpose limitation or the requirement that businesses only collect personal information for specific, explicit, and legitimate disclosed purposes that are disclosed in advance to California consumers, (iii) data retention limitations for personal information predicated on the length of time the business intends to retain each category of personal information, and (iv) reasonable data security requirements. Lastly, the CPRA provides for an expanded private right of action in the context of cybersecurity breaches and creates a designated privacy agency, the California Privacy Protection Agency (" CPPA "), with authority to implement and enforce the CCPA and CPRA. While uncertain, the effects of the CCPA, the CPRA and other new state~~ laws and regulations, as well as ~~analogous~~ **contractual obligations. New and modified** laws **,** and **other changes in laws or** regulations **relating to privacy** ~~in Canada (e. g.~~, **data protection** ~~Bill 64 in Quebec), are potentially significant~~ and **information security,** may require us to modify our data collection or processing practices and policies, incur substantial costs and expenses to comply with these laws and regulations, and increase our potential exposure to regulatory enforcement and ~~/ or~~ litigation. The interpretation and enforcement of such laws and regulations are uncertain and subject to change and may require substantial costs to monitor and implement compliance. Failure to comply with data privacy and protection laws and regulations could result in government enforcement actions (which could include substantial civil and ~~/ or~~ criminal penalties), litigation, business disruption, the diversion of management' s attention and ~~/ or~~ adverse publicity and could negatively affect our business, results of operations and financial condition. Our cannabis cultivation ~~and U. S. hemp~~ operations are subject to risks inherent in an agricultural business. Our business and that of our joint venture partners **and third- party suppliers** involves the growing of cannabis, an agricultural product, in certain jurisdictions where that activity is permitted. 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, and those of our joint venture partners **and third- party suppliers** , grow products indoors (including in greenhouses) under climate- controlled conditions and we and our joint venture partners **and third- party suppliers** 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. To the extent we rely on third parties or our joint venture partners to grow cannabis that we intend to commercialize, we are exposed to similar risks and there can be no assurance that such risks will not have a similarly material adverse effect on the production of our products. ~~Our business also involves products containing U. S. hemp. U. S. hemp is typically harvested in or around the month of October. U. S. hemp plants can be vulnerable to various pathogens including bacteria, fungi, viruses and other miscellaneous pathogens. Such instances often lead to reduced crop quality, stunted growth and / or death of the plant. Moreover, U. S. hemp is " phytoremediative " (meaning that it may extract toxins or other undesirable chemicals or compounds from the ground in which it is planted). Various regulatory agencies have established maximum limits for pathogens, toxins, chemicals and other compounds that may be present in agricultural materials. If U. S. hemp used in our products is found to have levels of pathogens, toxins, chemicals or other undesirable compounds that exceed limits permitted by applicable law, it may have to be destroyed. Should the U. S. hemp used in our products be lost due to pathogens, toxins, chemicals or other undesirable compounds, or if we or our suppliers are otherwise unable to obtain U. S. hemp for use in our products on an ongoing basis, it may have a material and adverse effect on our business, financial condition, operating results, liquidity, cash flow and operational performance.~~ The inability of our suppliers to meet their financial or contractual obligations to us may result in disruption to our supply chain and could result in financial losses. We face exposure to our third **-** party ~~U. S. hemp and cannabis~~ suppliers that may face financial difficulties which would impact our supply of ~~U. S. hemp and cannabis~~ products. For example, supply chains throughout the world have been negatively impacted by COVID- 19 and this has increased the costs of products and shipping. We have in the past, and may in the future, have disruptions in our supply chain. We rely on third **-** party distributors **and manufacturers** to distribute **and manufacture certain of** our products, and those distributors **and manufacturers** may not perform their obligations. We rely on third **-** party distributors and other courier services, and may in the future rely on other third parties, to distribute our products. **We also rely on third- party manufacturers to manufacture certain of our products.** If these distributors **or manufacturers** do not successfully carry out their contractual obligations or terminate or suspend their contractual arrangements with us, if there is a delay or interruption in the distribution **or manufacturing** of our products or if these third parties damage our products, it could negatively impact our revenue and may require significant management attention. In addition, any damage to our products due to acts or omissions of our third **-** party distributors **or manufacturers** , such as product spoilage or improper storage or handling, could expose us to potential product liability, damage our reputation and the reputation of our products or brands or otherwise harm our business. Risks Relating to Intellectual Property We are subject to risks related to the protection and enforcement of our intellectual property rights, and we may be unable to protect or enforce our intellectual property rights. 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, proprietary information, trademarks, copyrights, designs and certain patent filings to maintain our competitive position. We try to protect our intellectual property by strategically seeking and obtaining registered protection where appropriate, 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, technical know- how and proprietary information by maintaining physical security of our premises and physical and electronic security of our information technology systems, and we seek to protect our trademarks and the goodwill associated therewith by monitoring and enforcing against unauthorized use of our trademarks. It is possible that we will inadvertently disclose or otherwise fail or be unable to protect our inventions, trade secrets, technical know- how or proprietary information, or will fail to identify our inventions or trademarks as patentable or registrable intellectual property, or fail to obtain patent or registered trademark protection therefor. Any such disclosure or failure could have a material adverse effect on our business. We may be unable to protect our inventions, trade secrets, and other intellectual property from discovery or unauthorized use. In relation to our agreements with parties that have access to our intellectual property, any of these parties may breach their obligations to us, and we may not have adequate remedies for such breach. In relation to our security measures, such security measures may be breached and we may not have adequate remedies for such breach. In addition, our intellectual property that 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, 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 in a manner that adversely impacts our intellectual property rights **. For example, we have had employees misappropriate the Company' s confidential information, including intellectual property, including at least one employee who was subsequently employed by a competitor** . Unauthorized parties may attempt to replicate or otherwise obtain and use our inventions, trade secrets, technical know- how and proprietary information. Policing the unauthorized use of our current or future intellectual property rights is difficult, expensive, time- consuming and unpredictable, as is enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult. For example, 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. If the steps taken to identify and protect our trade secrets are inadequate, we may be unable to enforce our rights in them against third parties. Our intellectual property rights may be invalid or unenforceable under applicable laws, and we may be unable to have issued or registered, and unable to enforce, our intellectual property rights. The laws regarding intellectual property rights relating to cannabis and cannabis- related products, and the positions of intellectual property offices administering such laws, are constantly evolving, and there is uncertainty regarding which countries will permit the filing, prosecution, issuance, registration and enforcement of intellectual property rights relating to cannabis and cannabis- related products. Specifically, we have sought trademark protection in many countries, including Canada, the U. S. and others. Our ability to obtain registered trademark protection for cannabis and cannabis- related goods and services (including U. S. hemp and U. S. hemp- related goods and services) 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 U. S. Schedule I cannabis products or certain goods containing U. S. hemp- derived CBD (such as dietary supplements and foods) until the FDA provides clearer guidance on the regulation of such products, and including Europe, 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. 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 or the breadth of any such protection. Further, with respect to any patent applications that we file, there is no assurance that we will find all potentially relevant prior art relating to such applications, which may prevent a patent from issuing from such 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. Even if they are unchallenged, any patent applications and future patents may not adequately protect our intellectual property rights, 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 could materially and adversely affect our business, financial condition and results of operations. We may be subject to allegations that we are in violation of third- party intellectual property rights, and we may be found to infringe third- party intellectual property rights, possibly without the ability to obtain licenses necessary to use such third - party intellectual property rights. Other parties may claim that our products infringe on their intellectual property rights, including with respect to patents, and our operation of our business, including our development, manufacture and sale of our goods and services, may be found to infringe third - party intellectual property 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. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions, temporary restraining orders, other equitable relief, and ~~/ or~~ require the payment of damages, any or all of which may have an adverse impact on our business, financial condition and results of operations. In addition, we may need to obtain licenses from third parties who allege that we have infringed on their purported rights, whether or not such allegations have merit. Such licenses may not be available on terms acceptable to us, and we may be unable to obtain any licenses or other necessary or useful rights to such third- party intellectual property. Our germplasm relies heavily on intellectual property, and we may be unable to protect, register or enforce our intellectual property rights in germplasm, and may infringe third- party intellectual property rights with respect to germplasm, possibly without the ability to obtain licenses necessary to use such third- party intellectual property rights. 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). We rely on parental varieties for the success of our breeding program. Although we believe that the parental germplasm is proprietary to us, we may need to obtain licenses from third parties who may allege that we have appropriated their germplasm or their rights to such germplasm, whether or not such allegations have merit. Such licenses may not be available on terms acceptable to us, and we may be unable to obtain any licenses or other necessary or useful rights under third **-** party intellectual property. We may 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, 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 have also licensed certain of our germplasm strains to Cronos GrowCo and may be unable to maintain control of these strains if we do not purchase all product derived from such strains** . 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 several 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. 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, in part, 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 successfully develop new cannabis germplasm to the point of commercial viability in 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 and through contractual rights with our employees and certain of our suppliers, independent contractors, consultants and licensees. However, such security measures may be insufficient or breached, and our employees, independent contractors, consultants and licensees may engage in the inadvertent disclosure, theft, misappropriation or sabotage. We may not have adequate remedies in the case of any such security breach, inadvertent disclosure, theft, misappropriation or sabotage. We receive licenses to use some third- party intellectual property rights **and germplasm** ; the failure of the owner of such intellectual property **or germplasm** to properly maintain or enforce the intellectual property underlying such licenses **or germplasm, as the case may be** , or our inability to obtain or maintain such licenses, could have a material adverse effect on our business, financial condition and performance. We are party to licenses granted by third parties, including through the Ginkgo Strategic Partnership, ~~that~~ **which** give us rights to use third **-** party intellectual property **and germplasm** that is necessary or useful to our business. Our success will depend, in part, on the ability of the applicable licensor to maintain and enforce its licensed intellectual property **, including intellectual property underlying licensed germplasm,** against other third parties, particularly intellectual property rights to which we have secured exclusive rights. Without protection for the intellectual property we have licensed, **or underlying germplasm that we have licensed, as the case may be,** other companies might be able to offer substantially similar products for sale or utilize substantially similar processes ~~or~~ **,** publicity and marketing rights **or other intellectual property** , any of which could have a material adverse effect on our business, financial condition and results of operations. Our success will also depend, in part, on our ability to obtain licenses to certain intellectual property **and germplasm** that we believe are necessary or useful for our business. Such licenses may not be available on terms acceptable to us, or at all, 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. Any of our licensors may allege that we have breached our license agreements with those licensors, whether with or without merit, and accordingly seek to terminate our applicable licenses. If successful, this could result in our loss of the right to use applicable licensed intellectual property **or germplasm** , 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. 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, and collaborators. 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 preferences or 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 views 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 requirements or preferences or emerging industry standards. Risks Relating to Entry into New Markets **Entering into new jurisdictions is inherently risky, may not be successful and could be costly. From time to time, we enter into additional jurisdictions throughout the world, whether directly or through strategic partnerships with local operators who distribute our products. These expansion efforts involve significant risks and uncertainties, including risks related to the ability to obtain and maintain governmental permits and licenses, consumer reception of our products in such jurisdictions, increases in operational complexity, increases in the complexity involved in ensuring our products consistently meet our quality standards, unanticipated delays or challenges, increased strain on our operational and internal resources, our dependence on strategic commercial partnerships, and negative public reception. Our expansion efforts have required, and may in the future require, the dedication of substantial resources. In particular, we may need to make additional investments in management and personnel, infrastructure, operations and compliance systems. Expanding into additional jurisdictions may involve significant up- front capital investments and such investments may not generate our expected return on investment or any return at all. Further, from time to time we may reevaluate and discontinue our participation in such jurisdictions, which could result in write- offs, asset, intangible asset and goodwill impairments, and could otherwise adversely affect our business, financial condition and results of operations. We will also face new operational risks and challenges as we enter into new markets. Expansion into foreign jurisdictions subjects us to legal, regulatory, reputational and political risks that may be different from and additional to those that we face in jurisdictions in which we currently operate, and we may be at a disadvantage relative to competitors who are more familiar with local markets and local laws and regulations. Similarly, consumer preferences in jurisdictions we enter may differ from those in our existing markets, and our products may not be received by consumers as well as competing products in such jurisdictions. These factors may cause our expansion efforts to be unsuccessful, which may result in write- offs, asset and intangible asset and goodwill impairments, and may otherwise have a material negative impact on our business, results of operations and financial condition.** Controlled substance and other legislation and treaties may restrict or limit our ability to research, manufacture and develop a commercial market for our products outside of the jurisdictions in which we currently operate, and our expansion into such jurisdictions is subject to risks. Approximately 250 substances, including cannabis, are listed in the Schedules annexed to the UN Single Convention on Narcotic Drugs (New York, 1961), 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 a Schedule I (“ substances with addictive properties, presenting a serious risk of abuse ”) narcotic drug. In December 2020, the Commission on Narcotic Drugs voted to remove cannabis from Schedule IV (“ the most dangerous substances, already listed in Schedule I, which are particularly harmful and of extremely limited medical or therapeutic value ”). The 1971 UN Convention on Psychotropic Substances classifies **tetrahydrocannabinols, which includes delta- 9** THC **,** 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 legal obstacles to our 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, and achieving such amendments to the laws and regulations may take a prolonged period of time. There can be no assurance that any market for our products will develop in any jurisdiction in which we do not currently have operations. 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 ~~and the U. S.~~ are subject to the risks normally associated with any conduct of business in foreign countries, including varying degrees of political, legal, regulatory and economic risk. Much of our exposure to markets in jurisdictions outside of Canada ~~and the U. S.~~ is through investments and joint ventures. These investments and joint ventures 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, regulations 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 **or region** 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 and regulations, including the U. S. Foreign Corrupt Practices Act and the Corruption of Foreign Public Officials Act (Canada), by virtue of our or our joint ventures **and strategic alliances** 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~~ or our joint ventures **' and strategic alliances** ' possible failure to identify, manage and mitigate instances of fraud, corruption or violations of our Code of Business Conduct and Ethics 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 restrictions; increased regulatory requirements and restrictions; increased health- related regulations; 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 business, 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 currently do, and may in the future, 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 or our joint ventures 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. Risks Relating to Regulation and Compliance We operate in highly regulated sectors where the regulatory environment is rapidly developing, and we 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 and other federal, provincial and local regulatory agencies and, in the U. S., the FDA, the USDA, CDPH, DEA, PTO and FTC and other federal and state agencies) relating to the cultivation, manufacture, processing, marketing, labeling, packaging, management, transportation, distribution, import, export, storage, sale, pricing and disposal of cannabis and U. S. hemp, and also including laws, regulations and guidelines relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment (including relating to emissions and discharges to water, air and land, and the handling and disposal of hazardous and non- hazardous materials and wastes). Our operations may also be affected in varying degrees by government regulations with respect to, among other things, price controls, import or export controls, controls on currency remittance, increased income taxes, restrictions on foreign investment and government policies rewarding contracts to local competitors or requiring domestic producers or vendors to purchase supplies from a particular jurisdiction. Laws, regulations and guidelines, 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, as well as on our personnel (including management and our board of directors). 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 cultivation, production, processing storage, transportation, distribution, sale, import and export, as applicable, of our products. The cannabis and U. S. hemp industries are still new, and in Canada in particular, the Cannabis Act ~~is a new regime that~~ has no close precedent in Canadian law. Similarly, the regulatory regimes in the jurisdictions in which we and our joint ventures operate outside of ~~the U. S. and~~ Canada are new and are still being developed without close precedent in such jurisdictions. The effect of relevant governmental authorities' administration, application and enforcement of their respective regulatory regimes and delays in obtaining, or failure to obtain, necessary regulatory approvals 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. The regulatory environment for our products is rapidly developing, and the need to build and maintain robust systems to comply with different and changing regulations in multiple jurisdictions increases the possibility that we may violate one or more applicable requirements. While we endeavor to comply with all relevant laws, regulations and guidelines, any failure to comply with the regulatory requirements applicable to our operations could subject us to negative consequences, including, but not limited to, civil and criminal penalties, damages, fines, the curtailment or restructuring of our operations, asset seizures, revocation or imposition of additional conditions on licenses to operate our business, the denial of regulatory applications (including, in the U. S., by other regulatory regimes that rely on the positions of the DEA and FDA in the application of their respective regimes), the suspension or expulsion from a particular market or jurisdiction of our key personnel, or the imposition of additional or more stringent inspection, testing and reporting requirements, any of which could materially adversely affect our business, financial condition and results of operations. Additionally, scheduled or unscheduled inspections of our facilities or facilities of our joint ventures or third- party suppliers by applicable regulatory agencies could result in adverse findings that could require significant remediation efforts and / or temporary or permanent shutdown of our facilities or those of our joint ventures or third- party suppliers. In the U. S., failure to comply with FDA requirements (and analogous state agencies) may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. The outcome of any regulatory or agency proceedings, investigations, inspections, 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 results of operations, financial condition and cash flows. There can be no assurance that any pending or future regulatory or agency proceedings, investigations, inspections and audits will not result in substantial costs or a diversion of management' s attention and resources, negatively impact our future growth plans and opportunities or have a material adverse impact on our business, financial condition and results of operations. ~~If~~ **Though the Company exited its U. S. operations in 2023, if** the Company' s **previous** U. S. hemp business activities are found to be in violation of any of U. S. federal, state or local laws or any other governmental regulations, in addition to the items described above **,** ~~: •~~ the Company may be subject to " Warning Letters, " fines, penalties, administrative sanctions, settlements, injunctions, product recalls and / or other enforcement actions arising from civil, administrative or other proceedings initiated that could adversely affect the Company' s business, financial condition, ~~operating~~ **and** results **of** ~~, liquidity, cash flow and operational performance; • the profits or revenues derived therefrom could be subject to anti- money- laundering statutes, including the Money Laundering Control Act, which could result in significant disruption to our U. S. hemp business~~ operations and ~~involve significant costs, expenses or other penalties; and •~~ the Company' s suppliers ~~,~~ **and** service providers **could** ~~and distributors may elect, at any time, to~~ breach, terminate or otherwise cease to **do business with us** ~~participate in supply, service or distribution agreements, or other relationships, on which the Company' s operations rely~~ . As it relates to U. S. Schedule I cannabis, in the U. S., 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, marijuana as defined by the CSA continues to be categorized as a Schedule I controlled substance under the CSA and subject to the Controlled Substances Import and Export Act (" CSIEA "). Although we do not engage in any activities related to marijuana as defined by the CSA in the U. S., violations of any U. S. federal laws and regulations, including the CSA and the CSIEA, whether intentional or inadvertent, 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. Additionally, U. S. border officials could deny entry into the U. S. to those employed at or investing in legal and licensed non- U. S. cannabis companies and such persons could face detention, denial of entry or lifetime bans from the U. S. for their business associations with cannabis businesses. We and our joint ventures and strategic investments are reliant on required licenses, authorizations, approvals and permits for our ability to grow, process, store and sell cannabis, ~~U. S. hemp~~ and cannabinoids which are subject to ongoing compliance, reporting and renewal requirements, and we may also be required to obtain additional licenses, authorizations, approvals and permits in connection with our business. Our ability to grow, process, store and sell cannabis in Canada is dependent on our licenses from Health Canada, and in particular the licenses currently held by Peace Naturals, Cronos Fermentation and Cronos GrowCo. 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 we believe Peace Naturals, Cronos Fermentation and Cronos GrowCo will meet the requirements of the Cannabis Act for their 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, should Health Canada not extend or renew the licenses, should they be renewed on different terms (including not allowing for anticipated capacity increases) or should the licenses be revoked or suspended, our business, financial condition and results of the operations will be materially adversely affected. To the extent we apply for any additional licenses from Health Canada, there can be no assurance that such licenses will be granted or, if granted, that they will be granted on commercially reasonable terms or within the time period we expect, which could have a material adverse effect on our business, financial condition and results of operations. Our ability to grow, process, store and sell cannabis in Israel is dependent on maintaining our cannabis cultivation, production and distribution licenses and our ability to export products to, or import products from, Cronos Israel is also dependent on obtaining the relevant permits. Cronos GrowCo' s ability to grow, process, store and sell cannabis at its production facility depends on obtaining and maintaining the appropriate licenses from Health Canada. Should we or our joint ventures fail to comply with the requirements of the licenses, or should they not be extended or renewed by the applicable regulatory authorities, or should they be renewed on different terms (including not allowing for anticipated capacity increases) or should the licenses be revoked, the business, financial condition and results of our and our joint ventures' operations will be materially adversely affected. There is no assurance that we or our joint ventures will be able to obtain necessary permits or licenses on commercially reasonable terms or within expected time periods, if at all. Moreover, the **pending sale- leaseback transaction of, and the** change in the nature of operations at **,** the Peace Naturals Campus will **require approval from Health Canada for changes to our site perimeter on the Peace Naturals Campus and will** increase the importance of the licenses of Cronos GrowCo for our business and operations **. We cannot provide any assurance that the required approval will be obtained from Health Canada on commercially reasonable terms or within expected time periods, if at all. Additionally, given Peace Naturals will no longer own the Peace Naturals Campus following the completion of the pending sale- leaseback transaction, if Future Farmco' s assistance is necessary to comply with the requirements of our Health Canada licenses, there can be no assurance that Future Farmco will assist us on commercially reasonable terms or at all, which could result in the revocation or suspension of such licenses** . In addition, Ginkgo' s ability to conduct certain R & D activities in the U. S. 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. There are no assurances that Ginkgo will be able to maintain required 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. ~~We have obtained a processed food registration from CDPH and may also be required to obtain and maintain certain permits, licenses and approvals in the jurisdictions where we source, process, or sell products derived from U. S. hemp. We may be unable to obtain or maintain any necessary licenses, permits or approvals.~~ 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. 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. Changes in the laws, regulations and guidelines governing cannabis and U. S. hemp may adversely impact our business. Our ~~current~~ operations are **and have been** subject to various laws, regulations and guidelines promulgated by governmental authorities (including, in Canada, Health Canada and other federal, provincial and local regulatory agencies and, in the U. S., the FDA, the USDA, CDPH, DEA, FTC and PTO and other federal and state agencies) relating to the cultivation, processing, marketing, acquisition, manufacture, packaging / labeling, management, transportation, distribution, import, export, storage, sale and disposal of cannabis or U. S. hemp but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Additionally, our growth strategy continues to evolve as regulations governing the cannabis industry in the jurisdictions other than Canada and the U. S. in which we and our joint ventures operate become more fully developed. Interpretation of these laws, rules and regulations and their application to our operations and those of our joint ventures is ongoing. 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 amended, repealed or interpreted or applied in a manner which could require extensive changes to our operations, increase compliance costs, give rise to material liabilities or a revocation of our licenses and other permits, restrict the growth opportunities that we currently anticipate or otherwise limit or curtail our operations. For example, the Cannabis Act requires the Canadian federal government to conduct a review of the Cannabis Act after three years, which commenced in September 2022. The scope of this statutory review includes, among other things, consideration of (i) the administration and operation of the Cannabis Act, (ii) the impact of the Cannabis Act on public health, (iii) the health and consumption habits of young persons, (iv) the impact of cannabis on Indigenous persons and communities and (v) the impact of cultivation of cannabis plants in a dwelling- house. This report resulting from the statutory review may recommend and / or lead to the amendment, removal or addition of provisions in or to the Cannabis Act which could adversely affect our business. 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, labor unrest, changes in taxation laws, regulations and policies, restrictions on foreign exchange and repatriation, 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 operations, 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, among other things, is under the regulatory oversight of the federal government of Canada, the distribution and retail sale of adult- use cannabis in Canada falls within the jurisdiction of the provincial and territorial governments. The impact of the legislation regulating adult- use cannabis passed in the provinces and territories on the cannabis industry and our business plans and operations is uncertain. Provinces and territories have announced certain restrictions that are more stringent than the federal rules or regulations such as retail sale and marketing restrictions, bans on certain types of cannabis products, raising minimum age of purchase and flavor restrictions. For example, Québec and Prince Edward Island do not currently permit sales of cannabis vaporizers, and Québec limits the sale of other high THC non- edible cannabis products. In **April 2023, the Supreme Court of Canada affirmed the provinces' power to enact regulations that are more restrictive than the federal regime. In** addition, the distribution and retail channels and applicable rules and regulations in the provinces continue to evolve, and our ability to distribute and retail cannabis products in Canada is dependent on the ability of the provinces and territories of Canada to establish licensed retail networks and outlets. There is no guarantee that the applicable legislation regulating the distribution and sale of cannabis for adult- use purposes will allow for the growth opportunities we currently anticipate and may result in a material adverse effect on our business, financial condition and results of operations. **In December 2023, Health Canada released guidance on cannabis products deliberately made with intoxicating cannabinoids other than delta- 9- THC. Health Canada defines " intoxicating cannabinoids " as cannabinoids that bind to and activate the CB1 receptor and the guidance includes a list of 9 cannabinoids which can be revised as new evidence becomes available. This guidance recommends that license holders apply the regulatory controls (including limits on the amount of cannabinoids in certain products) currently applicable to delta- 9- THC to all other cannabinoids that Health Canada considers to be " intoxicating cannabinoids " in order to minimize the risks of accidental consumption, overconsumption and adverse effects. This guidance comes at a time when various provincial regulators (such as those in Ontario, British Columbia and Alberta) are actively evaluating whether to permit the sale of or how to evaluate limits on the levels of certain cannabinoids (such as tetrahydrocannabivarin and cannabinol). Provincial and territorial distributors may take different positions on the sale and distribution of products with various cannabinoids and may decide to ban, limit or implement new guidance on the types of cannabis products permitted for sale in each of their jurisdictions (including in response to Health Canada' s guidance on intoxicating cannabinoids) which may result in some or all of our products being viewed as non- compliant with law or non- binding policy guidance.** Furthermore, additional countries continue to pass laws with respect to the production and distribution of cannabis in some form or another. We have subsidiaries, investments, joint ventures and strategic alliances in place outside of ~~the U. S. and~~ Canada, 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 jurisdiction outside ~~of the U. S. and~~ Canada where we have subsidiaries, investments, joint ventures and strategic alliances with local 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. We are subject to certain restrictions of the TSX and Nasdaq, which may constrain our ability to expand our business internationally. Our common shares are listed on the TSX and Nasdaq. We must comply with the TSX and Nasdaq requirements or guidelines when conducting business. **The** ~~On October 16, 2017, the~~ TSX **has** 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 U. S. Schedule I 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. Although we do not conduct any operations in the U. S. with respect to U. S. Schedule I cannabis, failure to comply with the Requirements could result in a delisting of our common shares from the TSX or the denial of an application for certain approvals, such as to have additional securities listed on the TSX, which could have a material adverse effect on the trading price of our common shares ~~and have a material adverse effect on our business, financial condition and results of operations~~ . While Nasdaq has not issued official rules specific to the cannabis or U. S. hemp industry, stock exchanges in the U. S., including Nasdaq, have historically refused to list certain U. S. Schedule I cannabis related businesses, including U. S. Schedule I cannabis retailers, that operate primarily in the U. S. Failure to comply with any requirements imposed by Nasdaq could result in the delisting of our common shares from Nasdaq or denial of any application to have additional securities listed on Nasdaq which could have a material adverse effect on the trading price of our common shares. We are constrained by law in our ability to market and advertise our products. Our marketing and advertising are subject to regulation by various regulatory bodies in the jurisdictions we operate. In Canada, the development of our business and related 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. Furthermore, the applicable regulatory restrictions on sales and marketing activities are not always clear, may be subject to interpretation and have in the past, and may in the future, be interpreted or applied inconsistently by the applicable Canadian regulatory agencies, which have broad interpretative and enforcement discretion with respect to such activities. This may result in such restrictions on sales and marketing activities being interpreted unfavorably by a regulatory agency against some market participants, including us, but not others. Furthermore, if our competitors fail to comply with applicable laws relating to sales and marketing activities with which we comply, and regulatory agencies delay or do not take enforcement action against such competitors, or take sporadic enforcement action, our ability to compete for market share and our sales and results of operations could be adversely affected. If we are unable to effectively market our products and compete for market share in Canada, 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 " Business – Regulatory Framework in Canada. " In ~~the U. S., our advertising is subject to regulation by the FTC under the Federal Trade Commission Act as well as the FDA under the FFDCA, including as amended by the Dietary Supplement Health and Education Act of 1994, and by state agencies under analogous and similar state and local laws and regulations. In~~ recent years, the FTC, the FDA and state agencies have initiated numerous investigations of food and dietary supplement products both because of their CBD ~~and /~~ or cannabinoid content and based on allegedly deceptive or misleading marketing claims and have, on occasion, issued " Warning Letters " or instituted enforcement actions due to such claims. Some U. S. states also permit content, advertising and labeling laws and regulations to be enforced by state attorneys general, who may seek civil and criminal penalties, relief for consumers, class action certifications, class wide damages and recalls of products sold by us. There has also been an increase in private litigation that seeks, among other things, relief for consumers, class action certifications, class wide damages and recalls of products. We have been subject to such litigation and may be subject to additional private class action litigation. Any actions against us by governmental authorities or private litigants could have a material and adverse effect on our business, financial condition, operating results, liquidity, cash flow and operational performance. Risks ~~Related~~ **Relating** to U. S. Regulation and Compliance We are subject to uncertainty regarding the legal and regulatory status of U. S. hemp, including with respect to U. S. federal and state implementation of the 2018 Farm Bill and related laws and regulations, including the FFDCA, and the interpretation or application of ~~, or changes to,~~ such laws and regulations may have material and adverse effects on our business, financial condition, ~~operating~~ **and** results **of** ~~, liquidity, cash flow and operational~~ **operations** ~~performance~~ . On December 20, 2018, the 2018 Farm Bill was signed into law. The 2018 Farm Bill, among other things, removes " hemp " (which we refer to as " U. S. hemp " in this Annual Report, defined as the plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a THC concentration of not more than 0. 3 % on a dry weight basis and its derivatives) from the U. S. federal Controlled Substances Act and amends the Agricultural Marketing Act of 1946 to permit the production and sale of U. S. hemp in the U. S. ~~The 2018 Farm Bill tasked the USDA with promulgating regulations in relation to the cultivation and production of U. S. hemp. The 2018 Farm Bill also directed the USDA to promulgate federal regulations that would apply to the production of U. S. hemp in every state which does not put forth a state U. S. hemp plan~~ for **certain** ~~approval by the USDA, for which the USDA has issued final rules. Beginning in January 2024, the USDA will require hemp producers to use~~ **uses under certain conditions** ~~a laboratory that is registered with the DEA for analytical testing of hemp plants. The USDA rules also include provisions for producers to dispose of or remediate violative hemp plants without the use of a DEA- registered reverse distributor or law enforcement. Various states have applied and are in the process of applying to the USDA for approval of their U. S. hemp production regulations which impose different levels of regulation and costs on the production of U. S. hemp, and many such state plans have been approved by the USDA~~ . The 2018 Farm Bill provides that its provisions do not preempt or limit state laws that regulate the production of U. S. hemp. Accordingly, some states may choose to restrict or prohibit some or all U. S. hemp production or sales within the state, and variances in states' laws and regulations on U. S. hemp are likely to persist. Further, each state has discretion to develop and implement its own laws and regulations governing the manufacturing, marketing, labeling, and sale of U. S. hemp products, which has created a patchwork of different regulatory schemes applicable to such products **. To the extent a farm bill enacted in the future changes the definition of " hemp " or the regulation thereof, including product format or type, our ability to re- enter the U. S. market and launch competitive U. S. hemp**

products could be negatively impacted . The FDA or particular states may ultimately prohibit the sale of some or all dietary supplements or conventional foods containing U. S. hemp and U. S. hemp- derived ingredients, including CBD and other cannabinoids, and we may be required to submit a New Dietary Ingredient notification to the FDA, which may not be accepted without objection. Under the 2018 Farm Bill, the FDA has retained authority over the FFDCA- regulated products (e. g., drugs (human and animal), food (human and animal), dietary supplements and cosmetics) containing U. S. hemp and U. S. hemp-derived ingredients, including CBD. The FDA has consistently taken the position that CBD, whether derived from U. S. hemp or U. S. Schedule I cannabis, is prohibited from use as an ingredient in food and dietary supplements. This stems from its interpretation of the exclusionary clauses in the FFDCA because CBD is the active ingredient in a drug that has been approved as a prescription drug and is the subject of substantial clinical investigations as a drug, which have been made public. The exclusionary clauses under the FFDCA provide that a substance that has been approved or has been subject to substantial clinical investigations as a drug may not be used in a food or dietary supplement, unless the substance was first marketed in a food or dietary supplement prior to the initiation of substantial clinical investigations of the substance as a drug. To date, the FDA has not issued regulations that elaborate on the exclusionary clauses, and the FDA has not taken any enforcement action in the courts asserting a violation of the exclusionary clauses due to the marketing of U. S. hemp, U. S. hemp extracts, CBD or other cannabinoids. Additionally, on January 26, 2023, the FDA stated its views publicly that a new regulatory pathway for CBD is needed and it is prepared to work with Congress to create such a pathway. To date, the FDA has issued several " Warning Letters " to companies unlawfully marketing CBD products. In many of these cases, the manufacturer made unsubstantiated claims about the product being able to treat medical conditions (e. g., cancer, Alzheimer' s disease, opioid withdrawal, anxiety and COVID- 19) and had not obtained drug approvals. Some of these letters were co- signed with the FTC and cited the companies for making claims about the efficacy of CBD or other ingredients which were not substantiated by competent and reliable scientific evidence. ~~In December 2020, the FTC announced it had entered into settlement agreements with six companies marketing CBD products including oils, gummies, creams, and others with deceptive health claims about serious health conditions. The settlements included monetary penalties ranging from $ 20, 000 to $ 85, 000. The FTC announced another CBD enforcement action and settlement in May 2021, ordering more than $ 30, 000 in consumer redress.~~ The FDA has also issued a " Warning Letter " to at least one dietary supplement manufacturer for a number of violations observed during an inspection, including manufacturing CBD supplements in a licensed facility. In November 2022, the FDA issued " Warning Letters " to five additional companies selling CBD- products in forms that the FDA asserted are appealing to children, including gummies, hard candies and cookies. **And in December 2023, the FDA issued a " Warning Letter " that stated that the FDA considers neither delta- 8 tetrahydrocannabinol nor CBD to be " generally recognized as safe " (GRAS) food additives.** These letters also outlined additional violations of the FFDCA including that several of the companies made claims that CBD-containing products cure, mitigate, treat or prevent various diseases or were added to animal foods. Until the FDA formally adopts regulations with respect to CBD or other U. S. hemp- derived cannabinoid products or announces an official position with respect to CBD or other U. S. hemp- derived cannabinoid products, there is a risk that the FDA could take enforcement action (e. g., a " Warning Letter, " seizure, or injunction) against the Company in respect of its U. S. hemp- derived products sold in the U. S. Moreover, states have retained regulatory authority through their own analogues to the FFDCA, and the states may diverge from the federal treatment of the use of U. S. hemp as, or in, food, dietary supplements or cosmetic products. ~~The FDA or applicable states (under their CSA or FFDCA analogues) may ultimately not permit the sale of non- pharmaceutical products containing U. S. hemp- derived ingredients, including CBD and other cannabinoids, which would have a material adverse impact on our business, financial condition and results of operations.~~ Even if the exclusionary clause issue discussed above is resolved in a manner favorable to us **and we decide to re- enter the U. S. hemp market** , we could be required to submit a NDIN to the FDA with respect to U. S. hemp- derived ingredients, including CBD and other cannabinoids we intend to include in our products, used in dietary supplement products. This could depend on whether we can establish that a particular ingredient was marketed as a dietary ingredient in a dietary supplement prior to October 15, 1994 **,** or is otherwise currently in the food supply in the same chemical form as used in our dietary supplement products. If the FDA objects to ~~our~~ **such an** NDIN, this could prevent us from producing, marketing and selling ingestible U. S. hemp products ~~which would have a material adverse impact on our business, financial condition and results of operations~~ . Such an NDIN submitted by one of our competitors was objected to by the FDA in August 2021 ~~. The FDA or particular U. S. states may seek to regulate our cosmetic products containing U. S. hemp- derived ingredients, including CBD and other cannabinoids, as drugs, medical devices, or drug- device combination products. The FDA may seek to regulate our cosmetic products containing U. S. hemp- derived ingredients, including CBD and other cannabinoids, under its authorities for medical products (i. e., drugs, medical devices, or drug- device combination products). Specifically, the agency could assert that our lotions, oils, balms and creams are intended for use in diagnosing, treating, mitigating or preventing disease or for use in affecting the structure or any function of the body. In making classification decisions, the agency considers a wide variety of factors to determine a product' s intended use; indeed, the FDA has sometimes asserted that a product qualifies as a drug based solely on the presence of an ingredient widely understood to have drug effects, even in the absence of express claims about them. Though we do not market our lotions, oils, balms and creams as drugs for use in the treatment of diseases or their symptoms, the FDA could still assert that the products are intended for use as drugs, including based on the understood or presumed physical effects of topically administered cannabinoids. Thus, we may not have the ability to successfully respond to such allegations simply by modifying labeling or advertising claims. Ultimately, if the FDA asserts one of its medical product authorities over our lotion, oil, balm and cream products, and we cannot or elect not to comply with the onerous regulatory requirements applicable to the asserted medical product category (e. g., drug), we could be prevented from producing, marketing and selling cosmetic products containing U. S. hemp- derived ingredients, including CBD or other cannabinoids. In addition, states may similarly seek to regulate our cosmetic products containing U. S. hemp- derived ingredients, including CBD and other cannabinoids, as medical products (i. e., drugs,~~

~~medical devices, or drug- device combination products) under state analogues to the FFDCA or otherwise. States have also considered and established additional restrictions on, or requirements for, the marketing of cosmetic products containing U. S. hemp- derived ingredients. If states assert their medical product authorities over our cosmetic products containing U. S. hemp- derived ingredients, including CBD or other cannabinoids, in a manner that we cannot address simply by modifying labeling or advertising claims, and we cannot or elect not to comply with the onerous regulatory requirements applicable to the asserted medical product category (e. g., drug), we could be prevented from producing, marketing and selling cosmetic products containing U. S. hemp- derived ingredients, including CBD and other cannabinoids. Likewise, if states enforce or adopt regulatory interpretations or restrictions that limit our ability to market our cosmetic products containing U. S. hemp- derived ingredients, including CBD and other cannabinoids, in such states, it could materially and adversely affect our business, financial condition, operating results, liquidity, cash flow and operational performance. Recent U. S. legislation granting the FDA additional authority to regulate cosmetics products imposes additional requirements relating to the manufacture, labeling, safety reporting, recordkeeping, and other aspects of cosmetics products. Compliance with these additional requirements will be complex and we may need significant additional resources to comply with these new requirements. On December 29, 2022, President Biden signed into law the Modernization of Cosmetics Regulation Act of 2022, which significantly expands FDA' s enforcement authorities over cosmetics products and imposes new obligations on the cosmetics industry, including requirements relating to GMP, labeling, safety substantiation, facility registration and product listing with the FDA, adverse event reporting and recordkeeping, among others. Under the new legislation, the FDA is required over the next several years to issue additional regulations and reports to clarify requirements. Most enforcement of requirements under the new legislation will not go into effect until a year or later from the date of enactment; however, we expect that regulation of our cosmetic products in the U. S. will become increasingly complex, and compliance with regulatory requirements may take significant additional resources~~ . The DEA could take enforcement action against us or other participants in the U. S. **Schedule I cannabis or U. S.** hemp industry **. Any rescheduling of U. S. Schedule I cannabis to Schedule III would have an uncertain impact on our business** . There is substantial uncertainty concerning the legal status of U. S. hemp and U. S. hemp products containing U. S. hemp- derived ingredients, including CBD and other cannabinoids. The status of products derived from the cannabis or hemp plant, under both federal and state law can depend on the THC content of the plant or derivative (including whether the plant meets the statutory definition of " industrial hemp " or " hemp "), the part of the plant from which an individual or entity produces the derivative (including whether the plant meets the statutory definition of " marihuana " under the CSA), the THC concentration during the manufacturing process, whether the cultivator, processor, manufacturer or product marketer engages in cannabis- related activities for research versus purely commercial purposes, as well as the form and intended use of the product. The mere presence of a cannabinoid (such as CBD) is not dispositive as to whether the product is legal or illegal. Under U. S. federal law, products containing CBD may be unlawful if derived from U. S. Schedule I cannabis (including hemp with a concentration greater than 0. 3 % THC on a dry weight basis), or if derived from U. S. hemp grown outside the parameters of an approved U. S. hemp pilot program or U. S. hemp cultivated in violation of the 2018 Farm Bill. Even after enactment of the 2018 Farm Bill, the DEA may not treat all products containing U. S. hemp- derived ingredients, including CBD and other cannabinoids, as exempt from the CSA. In September 2020, the DEA issued an interim final rule that purported to align the DEA' s regulations with the statutory changes to the CSA made effective by the 2018 Farm Bill. The DEA received a number of comments objecting to the interim final rule, and the interim final rule has been the subject of litigation. However, the litigation was dismissed by the D. C. Circuit Court in June 2022. If the DEA takes action against us or other participants in the U. S. hemp industry, this could have a material and adverse effect on our business, financial condition **and** ~~, operating~~ results **of** ~~, liquidity, cash flow and operational~~ **operations** ~~performance~~ **. In August 2023, the U. S. Department of Health and Human Services (" HHS ") recommended that the DEA move marijuana from Schedule I to Schedule III under the CSA** . There ~~is continuing uncertainty regarding~~ **can be no assurance that** the ~~FDA~~ **DEA will ultimately adopt HHS** ' s ~~potential~~ **recommendation and the impacts of any such adoption on our business and competitive** position **are unclear. For example, rescheduling marijuana from Schedule I to Schedule III may be accompanied by additional regulatory obligations as prerequisite to participate in the U. S. market, and it may provide a greater benefit to the businesses of our competitors than our business, including by providing favorable tax treatment to their U. S. operations. The rescheduling of marijuana from Schedule I to Schedule III could result in significant volatility in the market for our common stock. To the extent that market speculation results in an increase in the price of our stock, our stock price could decline significantly thereafter if the DEA fails to act** on ~~CBG and other~~ -- **the recommendation** ~~cannabinoids. CBG is a cannabinoid that can be lawfully derived from U. S. hemp and the Company has begun and plans to continue developing products with CBG and other rare cannabinoids (i. e., cannabinoids other than THC and CBD). The 2018 Farm Bill preserved the FDA' s authority over U. S. hemp- derived consumer products and to date, the FDA has provided no guidance as to how cannabinoids other than CBD will be regulated under the FFDCA. Future regulatory changes or enforcement actions by the FDA, with respect to CBG or other U. S. hemp- derived cannabinoids, could have a materially adverse impact on our~~ - **or investor optimism fades** ~~business, financial condition, results of operations or prospects~~ . Risks Relating to Competition The markets in which we operate are increasingly competitive, and 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. The ~~markets~~ - **market** for cannabis **is** ~~and U. S. hemp are~~ competitive and evolving and we face strong competition from both existing and emerging companies that offer similar products. Some of our current and potential competitors may have longer operating histories, greater financial, marketing and other resources and larger customer bases than we have. In addition, there is potential that the cannabis ~~and U. S. hemp industries~~ **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~~ **from** larger, better- financed competitors with geographic advantages could materially and adversely affect our business, financial condition and results of operations. Given the rapid changes affecting global, national and regional economies generally ~~, and the U. S. hemp industry in particular~~, we may not be able to create and maintain a competitive advantage in the marketplace. Our success will depend on our ability to respond to, among other things, changes in the economy, regulatory conditions, market conditions and competitive pressures. Any failure by us to anticipate or respond adequately to such changes could have a material and adverse effect on our business, financial condition, operating results, liquidity, cash flow and operational performance. In Canada, the number of licenses granted 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. If the number of users of cannabis in Canada increases, the demand for products will increase and we expect that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, we will require a continued high level of investment in R & D, sales and 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 Canadian federal authorization of home cultivation, outdoor grow, and the easing of other barriers to entry to the Canadian adult- use cannabis market, could materially and adversely affect our business, financial condition and results of operations. ~~In the U. S., the number of competitors in the U. S. hemp industry has increased significantly in recent years and is expected to continue to increase, which could negatively impact our market share and demand for our products. Additionally, if the U. S. takes steps to legalize U. S. Schedule I cannabis, the impact of such a development could result in new entrants into the market and increased levels of competition.~~ We face competition from the illegal cannabis market. We face competition from illegal market ~~operators~~ **participants** that are unlicensed and unregulated. As these illegal market participants do not comply with the regulations governing the cannabis industry, their operations may also have significantly lower costs and they may be able to sell products with significantly higher cannabinoid potencies or which include ingredients that are prohibited by law. The perpetuation of the illegal market for cannabis may have a material adverse effect on our business, results of operations, financial condition as well as the perception of cannabis use. **Regulatory non-compliance by licensed cannabis competitors may have an adverse effect on our business, results of operations and financial condition. In addition to competition from illegal market participants, we may also face competition from licensed cannabis competitors that fail to comply with the regulations governing the cannabis industry when developing and selling cannabis products. These competitors may be able to produce and sell products with significantly higher cannabinoid potencies or which include ingredients that are prohibited by law. If regulatory authorities are delayed in, or fail to, effectively restrict the sale and distribution of such non- compliant cannabis products by our competitors, there may be a material adverse effect on our business, results of operations and financial condition, as well as the perception of cannabis use.** We have been and may in the future be required to write down inventory due to downward pressure on market prices, which could have a material adverse effect on our results of operations or financial position. At the end of each reporting period, management performs an assessment of inventory obsolescence, prices and demand to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. We also consider factors such as slow- moving or non- marketable products in our determination of obsolescence. As a result of this assessment, inventory write- downs **have occurred on a number of occasions in the past and** may occur **in the future** ~~from period to period~~. ~~Due to continued~~ **Continued** pricing pressures in the ~~Canadian marketplace,~~ **markets in which** we **operate,** may ~~incur~~ **result in** further inventory write- downs ~~in the future~~. We have had a series of inventory write- downs due to price compression in the cannabis market. We expect these write- downs to continue as pricing pressures remain elevated. These inventory write- downs have in the past and may in the future materially adversely affect our results of operations ~~and financial position~~. We may be unable to attract or retain skilled labor and personnel with experience in the cannabis ~~or U. S. hemp~~ 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 ~~or U. S. hemp~~ 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. In 2022, we announced a Realignment to, among other things, centralize functions under common leadership to increase efficient distribution of resources, optimize collaboration and strategic alignment and eliminate duplication of roles and costs, including a reduction in headcount impacting a number of employees. ~~The~~ **In 2023, we exited our U. S. operations, announced our intention to list the Cronos Fermentation facility for sale and entered into a transaction for the sale and leaseback of the Peace Naturals Campus. Any or all of the** Realignment **, the U. S. exit, the planned sale of the Cronos Fermentation facility and the pending sale- leaseback transaction** could lead to increased attrition amongst those employees who were not directly affected by the **associated** ~~reduction~~ **reductions** in headcount, and we may not be successful at retaining such employees or attracting new employees, which may have a material adverse effect on our business, results of operations and financial condition. Further, certain shareholders, directors, officers ~~and~~ **,** employees **and contractors** in our Canadian operations may require security clearance from Health Canada or require analogous clearance by various provincial agencies. 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 any of our existing personnel to maintain or renew his or her security clearance may impair our business operations. In addition, if an ~~employee~~ **individual** with security clearance leaves **the service of the Company** and we are unable to find a suitable replacement who 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 operations. Similar risks and potential effects apply to analogous security clearances required by various provincial agencies. 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 December 31, ~~2022~~ **2023** , Altria beneficially owned approximately 41 **. 1** % of our 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 our articles 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 us. Further, as of the date hereof, four of the seven directors on the Board are Altria Nominees. For more information, see " Business ~~-~~ Altria Strategic Investment ~~-~~ Investor Rights Agreement. " Accordingly, Altria currently has significant influence over us. 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 our 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, in certain circumstances, seek the 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, financial condition and results of operations. We have cash on hand, including short- term investments, of approximately $ ~~878~~ **861** million as of December 31, ~~2022~~ **2023** . 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 accounts, 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 investing in U. S. Treasury securities or other obligations issued or guaranteed by the U. S. Government, its agencies or instrumentalities ~~. Based on the level of current interest rates, we will not earn any material revenue from such invested cash~~ . We may not realize the benefits of our strategic partnership with Altria, which could have an adverse effect on our business, financial condition 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 could extend across the globe as new 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 position. The failure to successfully implement or reap the anticipated benefits of Altria' s resources and expertise to realize growth and expansion opportunities could have a material adverse effect on our business, financial condition and results of operations. Altria' s significant interest in us may impact the liquidity of our 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. 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 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 our common shares 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 laws and regulations, market conditions and our financial 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. 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, or have relationships with or are employed by Altria. One of our directors, Jason Adler, is the co- founder and Managing Member of Gotham Green Partners, a private equity firm focused primarily on early- stage investing in companies in the cannabis industry, and Michael Gorenstein, our Chairman, President, and Chief Executive Officer, is a co- founder and non- managing Member of Gotham Green Partners. Three of our directors, ~~Jody Begley~~ **Kamran Khan** , ~~Murray Garnick~~ **Dominik Meier** and ~~Heather Newman~~ **Elizabeth Seegar** , are employed by Altria as ~~Executive~~ Vice President and ~~Chief Operating Officer~~ **Associate General Counsel** , ~~Executive~~ Vice President ~~and General Counsel~~ **of Consumer & Marketplace Insights & Innovation** , and ~~Senior~~ Vice President, ~~Corporate Strategy~~ **Financial Planning & Analysis** , respectively. As a result of these relationships, conflicts of

interests may arise between us and them, as described below. We may also become involved in other transactions that are inconsistent or conflict with the interests of our directors and officers, and / or our directors and officers may have interests in persons, firms, institutions, corporations or transactions that are inconsistent or in conflict with our interests and those of our shareholders. In addition, from time to time, Gotham Green Partners or Altria 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 and regulations. 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 the transaction and may recuse himself or herself from any related discussion or deliberation. In accordance with applicable laws and regulations, our directors are required to act honestly, in good faith and in our best interests. Risks Relating to Our Common Shares It is not anticipated that any dividend will be paid to holders of our common shares for the foreseeable future. No dividends on our common shares have been paid to date. We currently intend to retain future earnings, if any, for future ~~operation~~ **operations** and expansion. Any decision to declare and pay dividends in the future will be made at the discretion of the Board and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Board may deem relevant. Any changes to our policy with respect to the declaration and payment of any dividends requires Altria' s approval. As a result, investors may not receive any return on an investment in our common shares unless they sell their shares for a price greater than that which such investors paid for them. The market price for our common shares **has in the past been volatile and** may **continue to** be volatile and subject to **significant** fluctuation ~~in response to numerous factors, many of which are beyond our control~~. The market price for our common shares **has been volatile and subject to wide fluctuations and** may **continue to** 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; • additions or departures of our executive officers and other key personnel; • our restating financial results twice in the last ~~four~~ **five** years; • sales of additional common shares or the perception in the market that such sales might occur; • significant acquisitions or business combinations, strategic partnerships, investments, joint ventures or capital commitments by or involving us or our competitors; • increases in speculative trading activity by investors targeting publicly traded cannabis companies, which can further contribute to the volatility of the market price for our common shares if aggregate short exposure exceeds the number of our common shares available for purchase; • news reports relating to trends, concerns or competitive developments, regulatory changes or enforcement actions and other related issues in our industry or target markets; • the prospect of actual or perceived future changes to the legal and regulatory regimes that govern our products and our industries; • 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; • our failure to timely file our public filings with the SEC and Canadian securities regulators; • our failure to comply with the Nasdaq and TSX rules and potential trading halts or delisting notices; • reports by industry analysts, investor perceptions, and market rumors or speculation; and • negative announcements by our customers, competitors or suppliers regarding their own performance. 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 our common shares in the public market or the perception that such sales might occur may cause the market price of our common shares to decline. In addition, to the extent that other large companies within our industries experience declines in their stock price, the price of our common shares may decline as well. Moreover, if the market price of our common shares drops significantly, shareholders may institute securities class action lawsuits against us. Lawsuits against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources. Securities markets continue to experience significant price and volume fluctuations that have, in some cases, been unrelated to the operating performance, underlying asset values or prospects of public companies. Accordingly, the market price of our common shares may decline even if our results of operations, underlying asset values or prospects have not changed. In addition, 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 our common shares by those institutions, which could adversely affect the trading price of our 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, the trading price of the common shares may be adversely affected. 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. We may require additional capital in the future or be required to issue common shares pursuant to certain of our agreements, which may dilute holders of our securities. We may be required to issue additional common shares pursuant to the Ginkgo Collaboration Agreement. Pursuant to the Ginkgo Collaboration Agreement, upon Ginkgo' s demonstration that the microorganisms they develop are capable of producing certain target cannabinoids above a minimum productivity level, we will issue to Ginkgo up to approximately 14. 7 million common shares in the aggregate. To date, we have issued approximately 7. 1 million common shares to Ginkgo in respect of certain Equity Milestone Events that have occurred. Additional tranches of common shares will be issued if and when additional Equity Milestone Events are reached. The issuance of such common shares, if any, would dilute holders of our common shares. In addition, Altria has pre- emptive rights to subscribe for additional common shares in us following any issuances we make to Ginkgo pursuant to the Ginkgo Collaboration Agreement, and the issuance of such common shares, if any, would further dilute holders of our common shares. Holders of common shares will have no pre- emptive rights in connection with such further issuances. Our 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 of 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 December 31, ~~2022~~ **2023** , Altria beneficially owned approximately 41 **. 1** % of our outstanding common shares (calculated on a non- diluted basis). As such, our management, directors and employees, as a group, and Altria 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. 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 British Columbia 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 Annual Report 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. In addition, while statutory provisions exist in British Columbia for derivative actions to be brought in certain circumstances, the circumstances in which a derivative action may be brought, and the procedures and defenses that may be available in respect of any such action, may be different than those of shareholders of a company incorporated in 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. We will be classified as a passive foreign investment company (" PFIC ") for any taxable year for U. S. federal income tax purposes if for a taxable year, (i) 75 % or more of our gross income is passive income, or (ii) 50 % or more of the value of our 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. The determination of PFIC status depends on interpretive rules and computational conventions that are often unclear. In particular, in making our determination, we are relying on the application of certain " look- through " rules, taking into account certain intercompany items **(including our interests in subsidiaries)** . There is, however, no direct legal authority applying these look- through rules to our particular situation (including to what extent, they apply to intercompany items). Likewise, in light of the volatility of our common share price, we intend to take the position that the spot trading price of our stock at each quarter end, as adjusted by liabilities, does not dictate the determination of the fair market value of our assets. Based on current business plans and financial expectations, an independent valuation ~~report~~ **analysis** in respect of our assets, and the application of certain look- through rules (including **to** ~~the taking into account of~~ certain intercompany items **and to our interests in our subsidiaries**), we do not expect to be a PFIC for the taxable year ending December 31, ~~2023~~ **2024** . However, PFIC status is determined annually and depends upon the composition of our gross income and assets, both of which are subject to change. Moreover, there can be no assurance that the Internal Revenue Service (" IRS ") or a court will agree with our interpretation of fair market value or its computation, or with our interpretation of the PFIC rules (including the " look- through " rules and the scope of their application, including in respect of intercompany items). Therefore, there can be no assurance as to our PFIC status for the current taxable year or for future taxable years, nor any assurance that the IRS or a court will agree with our determination of our PFIC status. 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 our common shares would likely decline. In addition, if our results of operations fail to meet the forecasts of analysts, the trading price of our 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. General Risks 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 ~~will seek~~ **may be unable** to **obtain** ~~maintain adequate~~ insurance coverage **at acceptable rates** ~~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. **Our** ~~While we believe our~~ insurance coverage ~~addresses all material~~ **, however, is subject to deductibles, coverage limits and exclusions and may not be available or adequate for the** risks **and hazards** to which we are exposed ~~in our current state of operations, such insurance is subject to deductibles, coverage limits and exclusions and may not be available or adequate for the risks and hazards to which we are exposed~~ . **No** ~~For example, certain wholesalers, distributors, retailers and other service providers may require suppliers of U. S. hemp products to provide an indemnification from liability in connection with such products, which may not be covered by insurance. 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 and deductibles will be commercially justifiable. If we were to incur substantial liability claims 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. Furthermore, our insurers have in the past and may in the future deny us coverage, whether or not such denial is with merit, and we have in the past and may in the future need to commence litigation against such insurers, which could be time consuming and expensive and divert significant management resources, with no assurance that we will be successful in any resulting proceedings. Tax and accounting requirements may be interpreted or changed in ways that are complex and not necessarily anticipated by us, and we may face difficulty or be unable to implement and / or comply with any such interpretations or 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 many countries, ~~including the U. S.,~~ we are subject to transfer pricing and other tax regulations designed to ensure that appropriate levels of income are reported as earned and are taxed accordingly. Although we believe that we are in substantial compliance with all applicable regulations and restrictions, we are subject to the risk that governmental authorities could audit our transfer pricing and related practices and assert that additional taxes are owed or that various jurisdictions could assert that we should file tax returns in jurisdictions where we do not file and subject us to additional tax. 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 additional jurisdictions. Requirements as to taxation vary substantially among jurisdictions. Complying with the tax laws and regulations of these jurisdictions can be time consuming and expensive and could potentially subject us to penalties and fees in the future if we failed to comply. In the event that we failed to comply with applicable tax laws and regulations, this could have a material adverse effect on our business, financial condition and results of operations. ~~Our business and results of operations have been adversely affected and will likely continue to be materially adversely impacted by the coronavirus pandemic (COVID- 19). The COVID- 19 pandemic has in the past, and could in the future, severely restrict the level of economic activity around the world and in all countries in which we or our affiliates, investments and joint ventures operate (including the U. S., Canada, and Israel). In response to the COVID- 19 pandemic the governments of many countries, states, provinces, municipalities, and other geographic regions took preventative or protective actions, such as imposing restrictions on travel and business operations, ordering temporary closures of businesses and advising or requiring individuals to limit or forego their time outside of their homes. Although many preventative or protective actions have been eased or lifted in varying degrees by different governments of various countries, states and municipalities, the situation remains dynamic and subject to rapid and possibly material changes. Notwithstanding widespread vaccine availability within Canada, the U. S. and Israel, the emergence of COVID- 19 variants and slowing vaccination rates in certain localities have resulted in increased infection rates and has caused, and may continue to cause, several jurisdictions to reinstitute certain COVID- 19 restrictions. Additional waves of increased COVID- 19 infections as well as COVID- 19 related restrictions imposed by various governmental authorities (including, for example, requirements to show proof of vaccination), could negatively impact our supply chain, as well as traffic and sales volume for retailers offering the Company' s products, which in turn could have an adverse effect on our business, financial condition and results of operations. Further effects of the COVID- 19 pandemic and any emerging COVID- 19 variants could include closures of our or our joint ventures' facilities or the facilities of our suppliers and other vendors in our supply chain and other preventive and protective measures in our supply chain. If the pandemic persists, including if and when new variants of the virus emerge, closures or other restrictions on the conduct of business operations of our joint ventures, third party manufacturers, suppliers or vendors could disrupt our supply chain. We have experienced minor delays in shipping and the increased global demand on shipping and transport services, in addition to customs and border control policies put in place in response to COVID- 19 that require shipments to undergo quarantine periods, may cause us to experience delays or increased costs in the future which could impact our ability to obtain materials or deliver our products in a timely manner, could otherwise disrupt our operations and could have an adverse effect on our business, financial condition and results of operations. The global impact of the COVID- 19 pandemic continues to evolve, and the extent of its effect on our operational and financial performance will depend on future developments, which are highly uncertain, including the duration, scope and severity of the pandemic, the development and availability of effective treatments and vaccines, further actions taken by governments and other third parties to contain or mitigate its impact, the direct and indirect economic effects of the pandemic and related containment measures, and new information that will emerge concerning the severity and impact of COVID- 19 and new variants of the virus, among others. Even after the COVID- 19 pandemic subsides, our businesses could also be negatively impacted should the effects of the COVID- 19 pandemic lead to changes in consumer behavior, including as a result of a decline in the level of vaping or demand for inhalable products in light of certain recent published articles and studies on the potential increased susceptibility of individuals who smoke or vaporize nicotine or cannabis to COVID- 19, in light of changes in consumer behavior such as reduced spending on certain product formats historically used in shared experiences such as pre- rolls or in reductions in discretionary spending.~~ Natural disasters, unusual weather, pandemic outbreaks, boycotts and ~~geo- political~~ **geopolitical** 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, such as the COVID- 19 virus, influenza and other highly communicable diseases or viruses, boycotts and ~~geo- political~~ **geopolitical** events, such as civil unrest in countries in which our or our joint ventures' 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 or our joint ventures' properties, increases in fuel or other energy prices, the temporary or permanent closure of one or more of our or our joint ventures' 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 or our joint ventures' facilities, and disruption to our information systems. Such events could also negatively impact consumer sentiment, reduce demand for consumer products like

ours and cause general economic slowdown. Our business is subject to evolving corporate governance and public disclosure regulations and expectations, including with respect to environmental, social and governance matters, ~~that~~ **which** could expose us to numerous risks. We are subject to changing rules and regulations promulgated by a number of governmental and self-regulatory organizations, including the SEC, Nasdaq and the Financial Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity. In addition, increasingly regulators, customers, investors, employees and other stakeholders are focusing on environmental, social and governance (" ESG ") matters and related disclosures. These changing rules, regulations and stakeholder expectations have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting such regulations and expectations. For example, developing and acting on initiatives within the scope of ESG, and collecting, measuring and reporting ESG related information and metrics can be costly, difficult and time consuming and is subject to evolving reporting standards, including the SEC' s ~~recently~~ proposed climate- related reporting requirements, and similar proposals by other international regulatory bodies. We may also communicate certain initiatives and goals, regarding environmental matters, diversity, responsible sourcing and social investments and other ESG related matters, in our SEC filings or in other public disclosures. These initiatives and goals within the scope of ESG could be difficult and expensive to implement, the technologies needed to implement them may not be cost effective and may not advance at a sufficient pace, and we could be criticized for the accuracy, adequacy or completeness of the disclosure. Further, statements about our ESG related initiatives and goals, and progress against those goals, may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. In addition, we could be criticized for the scope or nature of such initiatives or goals, or for any revisions to these goals. If our ESG- related data, processes and reporting are incomplete or inaccurate, or if we fail to achieve progress with respect to our initiatives or goals within the scope of ESG on a timely basis, or at all, our reputation, business, financial performance and growth could be adversely affected. Climate change may disrupt our business and our efforts to address concerns relating to climate change could result in damage to our reputation. Our business and that of our joint venture partners **and third- party suppliers** involves the growing of cannabis, an agricultural product, and adverse weather conditions have historically caused volatility in the agricultural industry and consequently in operating results by causing crop failures or significantly reduced harvests, which may negatively affect the supply and pricing of agricultural commodities, such as cannabis. Additionally, the potential physical impacts of climate change are uncertain and may vary by region. These potential effects could include changes in rainfall patterns, water shortages, changing sea levels, changing storm patterns and intensities, and changing temperature levels that could adversely impact our costs and business operations, the location, costs, and competitiveness of cannabis production and related storage and processing facilities and the supply of cannabis. We are also exposed to risks resulting from changes in public policy, laws and regulations, or market and public perceptions and preferences in connection with the transition to a less carbon- dependent economy. These changes could adversely affect our business, results of operations and reputation. 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 U. S. dollar against certain other currencies, particularly the Canadian dollar **and Israeli Shekel** , because we publish our financial statements in U. S. dollars, while a significant 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 U. S. dollar, and such fluctuations may have a material adverse effect on our earnings or assets when translating foreign currency into U. S. dollars **. We do not hedge our exchange rate so any changes in exchange rates will directly affect our earnings** . Our business, financial condition, results of operations and cash flows could be adversely affected by disruptions in the global economy caused by the ongoing conflict between Russia and Ukraine. The global economy has been negatively impacted by the military conflict between Russia and Ukraine. Furthermore, governments in the U. S., Canada, **the** United Kingdom ~~,~~ and European Union have each imposed export controls on certain products and financial and economic sanctions on certain industry sectors and parties in Russia. Although we do not have any customers or direct supplier relationships in Russia or Ukraine, businesses ~~in the United States and~~ globally have experienced shortages in materials and increased costs for transportation, energy, and raw material due in part to the negative impact of the Russia- Ukraine military conflict on the global economy. Further escalation of geopolitical tensions related to the military conflict, including increased trade barriers or restrictions on global trade, could result in, among other things, cyberattacks, supply disruptions, lower consumer demand, and changes to foreign exchange rates and financial markets, any of which may adversely affect our business, financial condition, results of operations and cash flows. We are continuing to monitor the situation in Ukraine and globally and assessing its potential impact on our business. Although our business has not been, to the date of this Annual Report, materially impacted by the ongoing military conflict in Ukraine, it is impossible to predict the extent to which our operations, or those of our suppliers and vendors, will be impacted in the short and long term, or the ways in which the conflict may impact our business. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict, but may be substantial. In addition, the effects of the ongoing conflict could heighten any of our known risks described above.