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# QUARTERLY REPORT

30 June 2021



# APPENDIX 4C CASHFLOW STATEMENT & QUARTERLY ACTIVITIES REPORT

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Cann Global Limited (ASX:CGB) (“Cann Global” or the “Company”) submits the following Activities Report and Quarterly Cash Flow Statement (Appendix 4C) for the quarter ending 30 June 2021 (“Q4 FY2021”).

## KEY HIGHLIGHTS

- Cash receipts from customers of \$298k continue to be impacted by disruptions to international sales due to COVID-19, but is an increase on the prior quarter of \$273k representing increased domestic sales.
- The soft launch of the Company’s premium, plant-based skincare products is scheduled for November 2021 at the Hemp, Health and Innovation Expo in Canberra and will initially be available for direct purchase via a newly established website for the skincare products to be launched in November.
- The Company’s first order of Canntab’s cannabinoid hard pill formulations has been received in Australia.
- Following the decision to continue research in Australia, Western Sydney University has completed the first draft clinical trial protocol for the purpose of undertaking human clinical trials to evaluate the efficacy of a unique strain of medicinal cannabis to slow the progression of Multiple Sclerosis.
- The establishment of the hemp plant funding business model continues to progress.
- As at 30 June the Company had a healthy cash balance of \$10.5m.

# FINANCIAL PERFORMANCE OVERVIEW

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Cann Global are pleased to report that revenue from domestic food retailers, wholesalers and distributors has increased again this quarter, however export sales to Asia remain constrained due to lockdowns and other impacts of COVID-19. This resulted in total revenue for the quarter being up 9% on the previous quarter, but down 11% on the prior corresponding period.

Advertising and marketing costs have increased over the prior quarter as marketing activities increase in the food division supporting the launch of new websites and social media strategies.

Administration and corporate costs of \$352k, is significantly lower than the prior quarter (\$550k) mostly due to a one-off refund, but also in part due to efforts to reduce overheads. As a result of the one-off refund administration and corporate costs are expected to be slightly higher in Q1 FY2022 reflecting more normalised expenses. Staff costs in Q4 FY2021 were on par with the prior quarter.

As previously advised in accordance with accounting standards, cashflows relating to the joint ventures - Pharmocann and Canntab, are to be reported as loans to and payments from other entities from this report onward. The reported amount of \$144k under 2.5 cash flow from investing activities relates to R&D and marketing expenses towards the Canntab and Pharmocann joint ventures.

Pursuant to ASX LR4.7C.3, at item 6.1 of the appendix 4C, the company reported aggregate amount to related parties of \$195k. These payments represent payment for non-executive directors' fees and directors' remuneration.

# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## 1. Food division

Last quarter the Company engaged a specialist retail consultancy firm, who has a successful track record selling health food brands and products into Australia's major grocery retailers. The firm is providing support to expand distributor, wholesale and retail channels in Australia for Cann Global's products.

Alongside these marketing initiatives, which have resulted in increased domestic sales over the past quarter, a review of the product portfolio was conducted in Q4 FY21 to streamline the product range and identify higher margin sales channels and products. The outcomes enable the Company to optimise channel marketing spend and focus on higher margin products. A competitive analysis was also carried out and recommended retail pricing adjusted to position for relevance and competitive viability.

The rationalised product and brand portfolio will be rolled out by the end of Q2 FY22. As these changes are implemented we expect more limited revenue growth from domestic food sales in the short term.

Cann Global's Vietnamese distribution partner, Epcu has been impacted by COVID-19 with many employees affected by restrictions and some employees in quarantine. This has impacted the Company's exports to Vietnam.

Cann Global remains ready to provide Epcu with additional marketing support and initiatives to grow demand for the existing range, increase the range distributed, and extend the geographical market when Epcu returns to normal operations.



# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## 2. Hemp cultivation & processing

Last quarter the Government of Thailand began issuing licences allowing Thai companies to cultivate, process and distribute CBD hemp products where previously hemp licences were only issued to entities undertaking research programs.

The Company is pleased to report that two of its key partners in Thailand, AA Bio and Green Pharma Botanical, have commenced receiving their cultivation and processing licences under Thailand's new CBD hemp regulations. Cann Global Thailand (CGT) will operate the commercial operations under these licenses.

As previously announced the Company is establishing a unique hemp plant-funding model for international investors. This will be offered along with the existing full-service model for providing hemp cultivation, extraction, and sales services for Thai companies.

This plant-funding model operates on the basis that investors provide guaranteed funding on a per plant basis with a fixed fee per plant returned to the investor after successful cultivation and extraction by CGT. Discussions are underway with two potential investors.

The testing process in the Chiang Rai province has narrowed the preferred plant varieties for commercial growing to six varieties. Further testing continues, however delays are being experienced with some parts of Thailand under strict COVID-19 restrictions.



# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## 3. Skincare

Cann Global has progressed towards the Australian launch of its premium range of skincare products developed together with its joint venture partner, Israeli-based and listed Pharmocann Global.

Safety tests have been completed on the three hemp seed oil based skincare products: a cream, serum, and oil. Packaging, pricing and the distribution strategy have now been finalised. The application process for certifying the products as organic will be completed when the finished goods are ready for market.

The soft launch of the Company's premium, plant-based skincare products is expected to occur in November 2021 at the Hemp, Health and Innovation Expo in Canberra and with direct sales via an independent website for the skincare range which is being developed ready for launch in November. This soft launch will be followed by a scaled-up production in Q3 FY22.

As previously advised, the Company engaged a specialist distribution consultancy to advance necessary activities to assist with export marketing strategies.

Export markets for the skincare range where consumer demand is high for plant-based skin care products are being explored by our specialist consulting partner. South Korea, Japan and Thailand are markets where initial efforts will be targeted.



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# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## 4. Medicine

Canntab Global received its first shipment of Canntab CBD products this month and the Company is waiting for an independent third party's lab results to allow the sales launch to commence.

Development of promotional material and a dedicated website have commenced, and the Company will sponsor two industry events. Canntab Global is sponsoring the United in Compassion Australian Medicinal Cannabis Symposium in October 2021 where it will also have an exhibition stand showcasing the Canntab products. Canntab Global is also the Platinum sponsor for the International College of Cannabinoid Medicine Foundation online Course which is attended by health care professionals and prescribers. The sponsorship includes the development of a case study to be used in the course and is expected to build industry awareness.

The pharmaceutical grade CBD cannabinoid formulations are available to consumers through the Special Access Scheme B (SAS) and Authorised Prescriber Scheme. The unique formulations are available in CBD 12.5mg and CBD 25mg formulations. The SAS is a mechanism by which individual patients can access an unapproved therapeutic good through their health practitioner. It allows certain health practitioners to access therapeutic goods that are not included in the Australian Register of Therapeutic Goods (ARTG) for a single patient.

Canntab Global continues to work with Canntab to bring the other four Canntab products to Australia and we will update the market further on this when we can.

# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## 4. Medicine (continued)

Since the close of Q4 FY21 Cann Global have received advice from Applied Cannabis Research (ACR) that they have ceased taking new patient enrolments for the Cannabinoid Medicine Observational Study (CMOS). The decision was made due to external factors affecting the enrolment of patients at CMOS study sites.

Unfortunately, this means practical research from the study on cannabinoid products will not be produced by ACR's CMOS study. The Company is investigating options to participate in other similar studies.

The Company recently announced that Western Sydney University's NICM Health Research Institute had been engaged to design a clinical trial protocol for the purpose of undertaking human clinical trials. These trials will assess the benefits of a cannabis strain identified through research sponsored by Cann Global and carried out by the Technion in Haifa, to assist in the recovery of, and to stop the progression of, the auto immune disease Multiple Sclerosis.

The first draft of the protocol is now complete and serves to describe the eligibility of the participants, the length of the study, the methodology used, and the proposed number of sites and budget. Work will commence on developing the protocol further, to a point where it can be submitted to an ethics committee for approval.





# OUTLOOK

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The COVID-19 pandemic continues to impact the lives and businesses of many, both within Australia and globally. Cann Global has not been immune to the impacts of the ongoing challenges with revenue from international food sales having more recently been impacted.

That aside, Cann Global continues its efforts on expanding sales and distribution of existing products with a renewed focus on product sales in Australia with higher profit margins. The company is also increasing effort on improving the profitability of the existing food division product lines and reducing its operating costs.

Cann Global is pleased to now have two of its Canntab products available to consumers through the Special Access Scheme B and Authorised Prescriber Scheme and are excited to be launching its skincare range before the end of the calendar year.

Cann Global continues to have a strong debt-free balance sheet, and significant cash reserves which supports current business activities.

## ABOUT CANN GLOBAL

Cann Global Limited (ASX:CGB) is a driving force in the hemp and medical Cannabis industries. Our strength comes from our team's core competencies and expertise, and our solid and strategic partnerships with experts in Australia, USA, Israel, Asia, Africa and Canada. We are working under the relevant legislation to ensure that the future in medical cannabis and natural foods will allow medical practitioners, patients, and consumers to gain access to the right information, as well as the safest, most effective and sustainable products.

## AUTHORITY AND CONTACT DETAILS

This announcement has been authorised for release by Sholom D Feldman, Managing Director. For further information please contact Sholom Feldman, Managing Director, on +61 (0)2 8379 1832, or via email at [investorrelations@cannglobal.com.au](mailto:investorrelations@cannglobal.com.au)

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

CANN GLOBAL LIMITED

**ABN**

18 124 873 507

**Quarter ended ("current quarter")**

30 June 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	298	1,655
1.2 Payments for		
(a) research and development	-38	-114
(b) product manufacturing and operating costs	-213	-1282
(c) advertising and marketing	-102	-300
(d) leased assets	-3	-16
(e) staff costs	-373	-1394
(f) administration and corporate costs	-352	-2,191
1.3 Dividends received (see note 3)		
1.4 Interest received	90	163
1.5 Interest and other costs of finance paid	-4	-39
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (GST Refund)	75	360
<b>1.9 Net cash from / (used in) operating activities</b>	<b>-622</b>	<b>-3,159</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	-1.	-14
(d) investments		
(e) intellectual property	-1	-50
(f) other non-current assets		

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities (JV)		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material): Cash flows spent on R&D and Marketing Activities towards the Pharmocann and Canntab JV	-144	-251
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-158</b>	<b>-315</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		7,101
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		-487
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>		<b>6,614</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	11,337	7,417
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-622	-3,159

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-158	-315
4.4	Net cash from / (used in) financing activities (item 3.10 above)		6,614
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>10,557</b>	<b>10,557</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	10,557	11,337
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>10,557</b>	<b>11,337</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	195
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

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7. <b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>		
7.5 <b>Unused financing facilities available at quarter end</b>		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	-622
8.2 Cash and cash equivalents at quarter end (item 4.6)	10,557
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	10,557
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	16
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: .....30/07/2021.....

Authorised by: .....Sholom Feldman – Managing Director.....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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