



# ASX Appendices 4E and 4G Financial Report

**CRONOS AUSTRALIA LIMITED**

ABN 59 629 071 594

FOR THE YEAR ENDED  
**30 JUNE 2021**

Saiph is a consumer brand sold in Asia.  
For regulatory reasons, Saiph  
products are not sold in Australia.

# ASX Appendix 4E

## Preliminary Final Report

The following information for Cronos Australia Limited (“CAL” and the “Company”) is provided under Listing Rule 4.3A of the Listing Rules of the Australian Securities Exchange (“ASX”). The financial information provided in this Appendix 4E covers the consolidated Group, comprising Cronos Australia Limited (the parent entity) and the ten entities that the Company controlled from time to time during the year ended 30 June 2021 and at the reporting date.

The date of this Appendix 4E is **27 August 2021**.

1. The reporting period covers the financial year ended 30 June 2021 (“Reporting Period”).  
The previous corresponding period covers the financial year ended 30 June 2020 (“Previous Period”).

2. Results for announcement to the Market:

	Reporting Period	Movement from Previous Period	
2.1 Consolidated revenue from ordinary activities	<b>\$1,692,840</b>	<b>Increased by \$1,568,990</b>	<b>Increased by 1,266.8%</b>
2.2 Consolidated loss from ordinary activities after tax attributable to Members of the Company	<b>\$(4,049,209)</b>	<b>Increased by \$111,996</b>	<b>Increased by 2.8%</b>
2.3 Consolidated loss attributable to Members of the Company	<b>\$(4,049,209)</b>	<b>Increased by \$111,996</b>	<b>Increased by 2.8%</b>
2.4 No dividends were paid during the Reporting Period nor are any proposed.			
2.5 There is no record date for determining dividend entitlements.			
2.6 All matters pertaining to the figures above are described elsewhere in this Appendix 4E and the Group’s Financial Report for the year ended 30 June 2021, as attached to this Appendix 4E.			

3. The audited Consolidated Statement of Comprehensive Income/(Loss) for the Group covering the Reporting Period and the Previous Period is provided on page 32 of the attached Financial Report (the “Report”).
4. The audited Consolidated Statement of Financial Position for the Group covering the Reporting Period and the Previous Period is provided on page 33 of the attached Report.
5. The audited Consolidated Statement of Cash Flows for the Group covering the Reporting Period and the Previous Period is provided on page 35 of the attached Report.
6. The audited Consolidated Statement of Changes in Equity covering the Reporting Period and the Previous Period is provided on page 34 of the attached Report. A statement of Accumulated Losses covering the same periods is included as Note 23 on page 55 of the attached Report.
7. No dividends were paid during the Reporting Period or the Previous Period, nor are any proposed as at the date of this Appendix 4E.
8. The Company does not have a Dividend Reinvestment Plan as at the date of this Appendix 4E.
9. The consolidated net tangible assets as at the end of the Reporting Period were 6.8 cents per share.  
The corresponding figure as at the end of the Previous Period was 10.1 cents per share.
10. On 1 July 2020, the Company incorporated a wholly-owned Japanese subsidiary named Personal Care Asia GK from which the Group’s operations in Japan are managed. During the Reporting Period, this company generated a loss after tax of \$147,694.

On 9 October 2020, the Company incorporated a New Zealand subsidiary named Cannadoc Health (NZ) Limited from which the Group’s clinic operations in New Zealand are managed. As at 30 June 2021, the Group held a beneficial interest in this company of 75.5%. During the Reporting Period, this company generated a loss after tax of \$6,643.

11. On 23 December 2019, the Company formed a joint venture with A&S Branding Pty. Ltd. for the development of a range of cannabidiol-based consumer products. A joint venture vehicle, named CBD Joint Venture Pty. Ltd., was incorporated on 20 December 2019 ahead of the venture being established in which the Group holds a 50% equity interest. CBD Joint Venture Pty. Ltd. incurred a loss during the Reporting Period of \$30,878.
12. Apart from the information contained in the attached Report and elsewhere in this Appendix 4E, there is no other significant information needed by an investor to make an informed assessment of the Company's financial performance and financial position as at the Reporting Date.
13. The audited consolidated financial statements that are contained in the attached Report have been prepared in accordance with International Financial Reporting Standards.
14. A commentary on the Company's results for the Reporting Period has been provided in the *Financial Analysis* section and other sections contained in the Directors' Report which forms part of the Report that accompanies this Appendix 4E.
15. The attached consolidated financial statements for the Group have been audited by the Company's auditor, KPMG.
16. Not applicable.
17. The audit report that accompanies the attached consolidated financial statements for the Group does not contain any emphasis of matter paragraph or any other form of modified opinion.

**Signed on behalf of Cronos Australia Limited**



RODNEY D. COCKS  
*Chief Executive Officer*

Dated this 27th day of August, 2021

# Cronos Australia Limited

## 2021 Financial Report

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### Disclaimer

Certain statements in this Report are about the future. These are identified by words such as “believes”, “considers”, “could”, “estimates”, “expects”, “intends”, “may” and other similar words that involve risks and uncertainties. There are risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of Cronos Australia to be materially different from the future conduct, results, performance or achievements expressed or implied by such statements or that could cause the future conduct to be materially different from historical conduct. Such forward-looking statements are not guarantees of future performance. Deviations as to future conduct, results, performance and achievements are both normal and to be expected. Cronos Australia cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Report will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

# Directors' Report

The Directors of Cronos Australia Limited submit their Report for the year ended 30 June 2021.

## DIRECTORS

The details of the Directors of Cronos Australia Limited ("CAL" and the "Company") who held office during the period from 1 July 2020 until the date of this Report are stated below, as are the dates on which they were appointed.

### Directors in office as at the date of this Report



#### Shane F. Tanner

*Position:* Independent Non-Executive Chairman

*Qualifications:* Dip Bus (RMIT), Grad Dip Bus (Swinburne), FCPA, ACIS, MAICD

*Other responsibilities:* Member of Audit and Risk Committee  
Member of Nomination and Remuneration Committee

*Other Directorships:* Paragon Care Limited (ASX: PGC) (Chairman)

Shane Tanner was appointed Independent Non-Executive Chairman of CAL on 9 October 2018. Formerly, Shane was Chairman of Vision Eye Institute (ASX: VEI), Chief Executive Officer of Mayne Nickless Diagnostic Services (later renamed Symbion Health (ASX: SYB)) and Chief Financial Officer of Mayne Group. Shane has significant strategy and transaction experience, including whilst working at Mayne Group via the IPO of telecommunications company, Optus Communications.



#### Rodney D. Cocks CSM

*Position:* Chief Executive Officer and Executive Director

*Qualifications:* BCom (Melb.), LLB (QUT), MBA (Wharton), MPA (Harvard), GAICD

*Other responsibilities:* None

*Other Directorships:* None

Rodney Cocks CSM was appointed Executive Director and Chief Executive Officer of Cronos Australia on 27 September 2018. He is a Director of NewSouthern Capital Pty. Ltd., a private equity firm he co-founded. Prior to joining CAL, he was a member of the Senior Leadership Team at Linfox and was a Consultant at the Boston Consulting Group. Rodney served on the Counter Narcotics Team of the British Embassy in Afghanistan and with the United Nations in Afghanistan, Sri Lanka, Pakistan and Iraq and started his career as an Infantry Officer in the Australian Army. Rodney holds a BCom from the University of Melbourne, LLB from the Queensland University of Technology, MBA from the Wharton School, University of Pennsylvania, MPA from the Harvard Kennedy School, Harvard University and is a Graduate of the Australian Institute of Company Directors and the Royal Military College, Duntroon. He is an admitted Lawyer to the Supreme Court of New South Wales, was a Fellow at Harvard University and named the 2005 Victorian Australian of the Year. In 2003, Rodney was awarded a Conspicuous Service Medal for his actions in the aftermath of the 2002 Bali bombings.



### Daniel E. Abrahams

*Position:* Independent Non-Executive Director

*Qualifications:* BBus (Accounting and Finance) (Central Qld Uni.), FCPA, FCIS

*Other responsibilities:* Chairman of Audit and Risk Committee  
Member of Nomination and Remuneration Committee

*Other Directorships:* None

Daniel Abrahams was appointed as an Independent Non-Executive Director of CAL on 17 October 2018. Daniel is an independent consultant providing practical expertise on entrepreneurship and leadership programs to universities, helping students and alumni take ideas to commercialisation, and acting as an independent adviser to companies on scaling up. Prior to this, Daniel was an Executive Director and Chief Executive Officer of Superloop Limited (ASX: SLC), taking the company to IPO and overseeing its infrastructure rollout in Australia, Singapore and Hong Kong. Daniel has also held senior executive positions at Aurizon Holdings Limited (ASX: AZJ), Suncorp Group Limited (ASX: SUN), Energex and Toyota Tsusho South Pacific.



### Jason M. Adler

*Position:* Non-Executive Director

*Qualifications:* BA (University of Rhode Island)

*Other responsibilities:* None

*Other Directorships:* Cronos Group Inc. (NASDAQ: CRON; TSX: CRON)

Jason Adler was appointed as a Non-Executive Director of CAL on 8 April 2019. He is a Director of Cronos Group Inc., a major shareholder of CAL, and is a co-founder and Managing Member of Gotham Green Partners ("Gotham Green"), a private equity firm focused primarily on early stage investing in companies operating in the cannabis industry. Prior to founding Gotham Green, Jason was the co-founder and Chief Executive Officer of Alphabet Partners, LP, a New York based multi-strategy investment management firm, focussed on identifying mispriced assets across various industries, asset classes and geographies. Jason also founded Geronimo, LLC, a broker dealer and member of the American Stock Exchange, that made markets in equity options, and began his career as a market maker at G&D Trading.



### Anna E. Burke AO

*Position:* Independent Non-Executive Director

*Qualifications:* BA (Hons), MCom (Hons) (University of Melbourne), GAICD

*Other responsibilities:* Member of Audit and Risk Committee  
Chairman of Nomination and Remuneration Committee

*Other Directorships:* None

Anna Burke AO was appointed as an Independent Non-Executive Director of CAL on 8 October 2018. Anna served in the Australian Federal Parliament as the Member for Chisholm in the House of Representatives from 1998 to 2016, and was also the 28th Speaker of the Australian House of Representatives. She currently serves as a Member of the Administrative Appeals Tribunal. Anna had extensive Committee service in the Federal Parliament, including serving as a member of the Joint Statutory Committee on Corporations and Financial Services and the House of Representatives Standing Committee on Economic, Finance and Public Administration. Prior to Anna's parliamentary career, she was an Industrial Officer with VicRoads, Victorian University of Technology and the Financial Sector Union. Anna was appointed as an Officer of the Order of Australia in January 2019 for distinguished service to the Parliament of Australia, particularly as Speaker of the House of Representatives, and to the community.



## Michael R. Gorenstein

*Position:* Non-Executive Director

*Qualifications:* JD (University of Pennsylvania), BEPP (Wharton), BBS (Finance) (Kelley)

*Other responsibilities:* None

*Other Directorships:* Cronos Group Inc. (NASDAQ: CRON; TSX: CRON)

Michael Gorenstein was appointed as a Non-Executive Director of CAL on 1 April 2019. Michael is the Executive Chairman of Cronos Group Inc., the Company's largest shareholder. He also serves as the Chairman of Cronos Group's Board. He is a co-founder and passive Member of Gotham Green Partners and sits on the Board of Directors of Natuera, Cronos Group's South American joint venture. Before joining Cronos Group, Michael was the Vice President and General Counsel at Alphabet Partners, LP, a New York City based multi-strategy investment management firm, focused on identifying mispriced assets across various industries, asset classes and geographies. Prior to Alphabet Partners, LP, he was a corporate attorney at Sullivan & Cromwell LLP where he focused on mergers and acquisitions and capital markets transactions. Michael graduated from the University of Pennsylvania Law School with a Juris Doctor, the Wharton School at University of Pennsylvania with a certificate in Business Economics and Public Policy and the Kelley School of Business at Indiana University with a Bachelor of Science Business in Finance.

## Company Secretary



## Thomas G. Howitt

*Position:* Chief Financial Officer and Company Secretary

*Qualifications:* BCom (University of Western Australia), CA, AICPA, AGIA, ACIS, CTA

*Other responsibilities:* None

*Other Directorships:* None

Thomas Howitt was appointed as the Chief Financial Officer of CAL on 3 December 2018 and as Company Secretary on 14 August 2020. Prior to joining the Company, he was the Chief Financial Officer of Global Kinetics Corporation, a pre-IPO life sciences company, Chief Financial Officer/ Company Secretary of Simavita (ASX:SVA, TSX-V:SV) a digital healthcare company, Chief Financial Officer/Company Secretary of Genetic Technologies Limited (ASX:GTG, NASDAQ:GENE) a genetic testing company, and several other listed life science companies. Prior to that, Thomas worked in the investment banking industry and was a Taxation Manager at EY. Thomas is a member of the Victorian Branch Committee of AusBiotech and a member of the CCRM Australia Industry Interface Committee based at Monash University.

## INTERESTS IN THE SECURITIES OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this Report, the following Directors held beneficial interests in the ordinary shares of the Company:

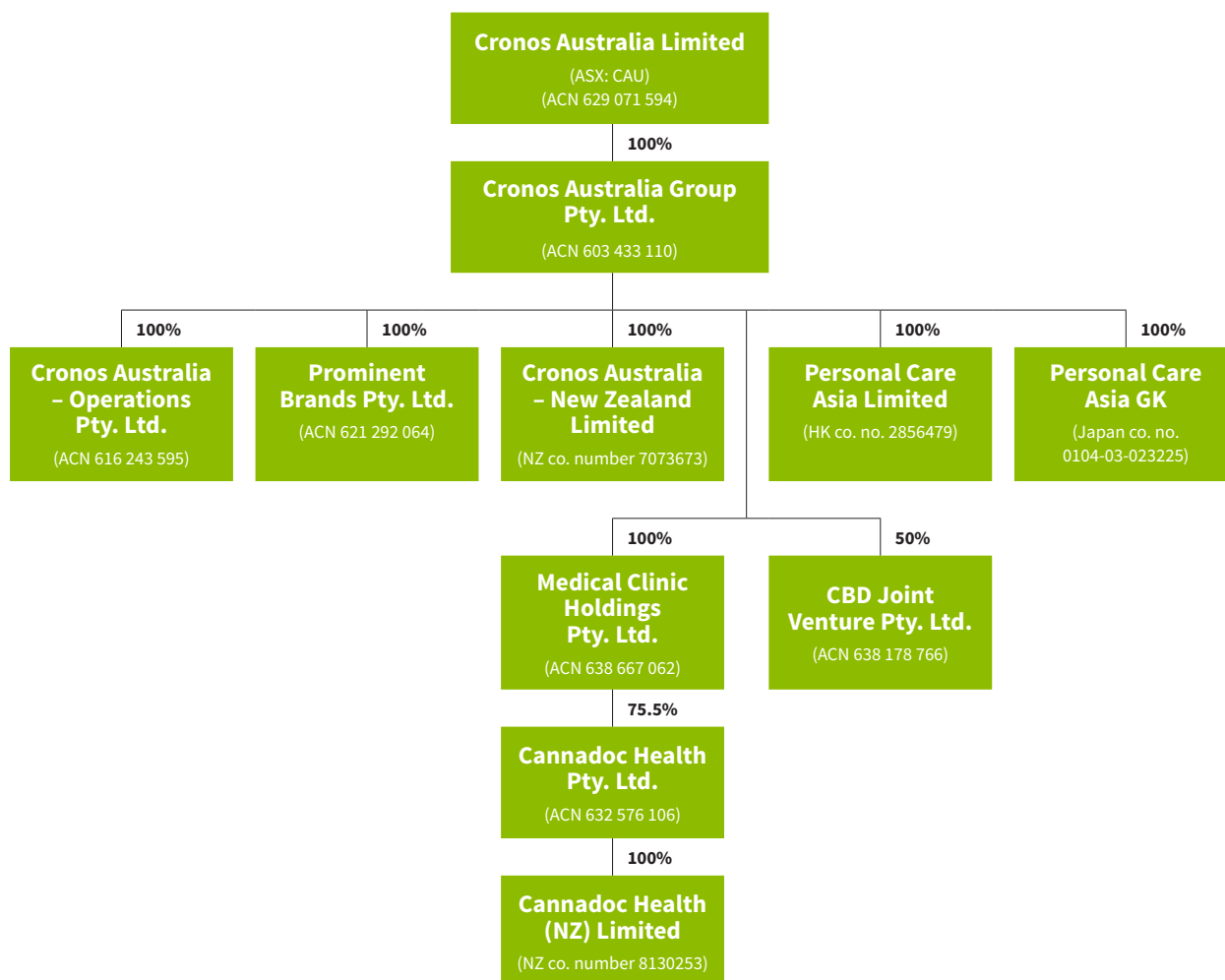
Name of Director	Nature of beneficial interest in ordinary shares
Shane F. Tanner	350,000 ordinary shares (via Tanner Superannuation Fund)
Rodney D. Cocks CSM	20,000,000 ordinary shares (via NewSouthern Investment Holdings 1 Pty. Ltd.)
Daniel E. Abrahams	100,000 ordinary shares (via Dankim Abrahams Investment Trust)
Anna E. Burke AO	50,000 ordinary shares (direct interest)

Apart from the above, no Director held any beneficial interest in the Company's shares as at the date of this Report.

## Corporate structure

Cronos Australia Limited (“CAL” and the “Company”) is a public company limited by shares that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled during the year ended 30 June 2021 which are collectively referred to in this Report as the “Cronos Australia Group” or the “Group”.

The structure of the Group at the date of this Report can be represented as follows:



## Overview

Cronos Australia Limited was incorporated in Victoria, Australia on 27 September 2018 and was admitted to the Official List of the Australian Securities Exchange on 7 November 2019.

CAL is a medicinal cannabis company that has created a number of cannabinoid-based products and brands which it is selling in Australia and target export markets, including Japan and Hong Kong. The first of these brands is the Adaya range of medicinal cannabis products that was launched by the Company in Australia in early July 2020.

In December 2020, the Company’s first range of premium hemp seed oil personal care consumer products, Bathing Shed, was launched in certain North Asian markets, as well as in Australia. In April 2021, the second range of consumer CBD performance products, FCTR, was launched in Japan and Hong Kong, with the Company’s third range of premium personal care products, Saiph, being launched in June 2021. For regulatory reasons, products in the FCTR and Saiph ranges are not yet available for sale in Australia.

In addition to the above products, CAL owns 75.5% of Cannadoc Health Pty. Ltd., a business operating a growing medical practice specialising in the provision of cannabinoid-based therapies and treatments via face-to-face consultations, from its clinics in Melbourne, Australia and New Zealand, and via telehealth.

### Principal activities

The principal activity of the entities within the Group during the year ended 30 June 2021 was the expansion of its business to develop ranges of cannabinoid-based and related brands and sell the resulting products in Australia and target export markets, including Japan and Hong Kong, as well as expanding Cannadoc Health Pty. Ltd., its medical clinic business in Australia and New Zealand.

There were no significant changes in the Group's activities during the year under review.

### Result

During the year ended 30 June 2021, the Company and its subsidiaries generated a consolidated loss after income tax of \$(4,205,850) (2020: \$(3,989,678)). Details relating to the Company's financial results for the year are included below under the heading *Financial Analysis*.

### Dividends and distributions

No dividends have been paid since the Company was incorporated, nor have the Directors recommended that any dividend be paid.

### Review of operations

During the year ended 30 June 2021, the Group continued to develop each of its three discrete business units, or pillars, that were restructured during the year to better reflect the nature of their activities, as summarised below. In addition, a further unit, entitled *Corporate*, manages the Group's administration and head office function.

- *Medical* – development of medicinal cannabis brands and products and the sale of these products in Australia.
- *Clinics* – operation of medicinal cannabis clinics via its 75.5% investment in Cannadoc Health Pty. Ltd.
- *Consumer* – development of consumer brands and products for sale in Australia and certain North Asian markets.

### Medical

On 1 July 2020, the Company launched its proprietary Adaya range of Medicinal Cannabis products in the Australian market to complement the PEACE NATURALS™ range of products it had started selling during the prior year. The Adaya range, which was launched with two initial products, has since been expanded to include the following seven products:

- Adaya THC30 – THC-dominant Medicinal Cannabis Whole Flower
- Adaya THC19 – THC-dominant Medicinal Cannabis Whole Flower
- Adaya 1:25 – CBD-dominant Medicinal Cannabis Oil
- Adaya CBD 100 – CBD-only Medicinal Cannabis Oil
- Adaya 10:10 – THC:CBD-balanced Medicinal Cannabis Oil
- Adaya 20:1 – THC-dominant Medicinal Cannabis Oil
- Adaya THC 26 – THC-only Medicinal Cannabis Oil

Revenue from the sale of Adaya products increased on a quarter-on-quarter basis by an average of more than 200% during the twelve months since the range was launched. Total revenues generated by the Company's medical division increased significantly during the year, from \$11,430 in 2020 to \$1,211,626 in 2021, with early sales achieved in the 2022 financial year already looking encouraging. Importantly, the Adaya range of products is competitively priced and provides patients with value-based medicinal cannabis treatment options.

All products in the Adaya range have been specifically developed based on feedback from Australian patients and healthcare professionals and are only available by a doctor's prescription via the TGA's Special Access Scheme or from an Authorised Prescriber. Importantly, the majority of Adaya products are Australian-grown and processed, manufactured to Australian GMP standards and are widely available through distributors and pharmacies nationwide to ensure no stock outs, which would negatively impact patients.

To help expand the market for Adaya products and drive further growth in sales, agreements with a number of independent distribution partners were executed during the year, providing nationwide access to the Adaya range for patients. In addition, logistics arrangements have been improved and the Company's sales force expanded with the recruitment of Medical Science Liaisons ("MSLs") who now cover all mainland states and territories of Australia. As a result of these activities, the Company's MSLs have identified a significant number of doctors who have since registered to become Authorised Prescribers ("APs") of the Company's Adaya products.

To support its growing network of APs, the Company's MSLs undertook a number of doctor engagement activities during the year, in conjunction with service provider Praxhub Pty. Ltd., including educational seminars, webinars and on-demand videos of RACGP-accredited education programs on medicinal cannabis. These important activities have helped to increase both awareness and understanding of medicinal cannabis.

In response to recent legislative changes, the Company has also continued to work with third parties to conduct studies and prepare a dossier for the TGA to support a Schedule 3 registration of CBD products. The anticipated timing for this project is uncertain as a number of factors are currently unknown.

## Clinics

The financial year ended 30 June 2021 was the first full year of operation of Cannadoc Health Pty. Ltd. ("Cannadoc") since the business was acquired by the Group in February 2020. Revenues for the year then ended were \$471,795, an increase of \$359,375, or 320%, on the prior year figure. The total number of patients seen by the clinic during the year also increased, with the average revenues generated per consultation steadily rising as well. In response to challenges resulting from the COVID-19 pandemic, the Cannadoc business transitioned its operations away from traditional, face-to-face consultations to a telehealth-based model. This new model has been well received by patients, with such consultations now representing approximately 90% of the total number of consultations conducted by the business. For those patients who prefer to meet with a doctor, consultations are still being offered at the Cannadoc clinic located in St. Kilda Road, Melbourne.

In an effort to replicate the Cannadoc business model in other markets, on 9 October 2020, the Group incorporated a New Zealand-based subsidiary, Cannadoc Health (NZ) Limited. This company, which is wholly-owned by Cannadoc Health Pty. Ltd., conducts the Group's activities in New Zealand. These operations, which are currently based in Wellington, are expected to expand into Auckland during the 2022 financial year. Further expansion of the Cannadoc operations to other cities around Australia also occurred during the year, with an early presence in Sydney having now been established.

During the year under review, additional doctors and support nurses were recruited to meet the needs of Cannadoc's growing patient base. Further, to provide a better patient experience, various system and process improvements were also introduced, as were search engine optimisation processes to channel greater numbers of patients to the Company's clinic. Cannadoc continues to build on its strong relationships with a number of pharmacies and general practitioners across the country to provide the best possible service to its patients.

In February 2020, the Group acquired a 51% equity interest in Cannadoc. On 1 February 2021, the Group paid \$101,000 to acquire a further 24.5% interest in Cannadoc, taking the Group's total interest in Cannadoc at balance date to 75.5%.

### Consumer

The Group's consumer division made considerable progress during the 2021 financial year, with three distinct ranges of consumer products established and in market as at the end of the year. While early revenues recorded during the year from the sale of these products was modest due to restrictions and delays caused by the COVID-19 pandemic, it is anticipated that sales will increase quickly during 2022 as further distribution partners are secured and promotional activities expand, particularly in the lucrative Asian markets of Japan and Hong Kong. To support these activities, the Company has established a cost-effective, physical presence in each of these markets.

On 16 December 2020, the Company announced the launch of "Bathing Shed", its first personal care consumer range. The Bathing Shed range is being created by the Company's wholly-owned, Hong Kong-based subsidiary Personal Care Asia Limited and is a premium hemp seed oil range being sold in North Asian personal care consumer markets, and in Australia. The first product in the Bathing Shed range was Fresh Start, a solid soap for face and body, made from ingredients including Tasmanian cold-pressed hemp seed oil, sea salt and various essential oils.

The Bathing Shed range was subsequently expanded with the addition of two new products that were launched in June 2021. The two products are a refreshing gel cleanser called Clean Hands No. 1 and a gel moisturiser called Soft Hands No. 1. The products are also now being sold in Japan and Hong Kong, and in Australia. Clean Hands No. 1 gently exfoliates the skin, using an effective surfactant that thoroughly cleanses the skin, balanced with fresh, cold-pressed Tasmanian Hemp Seed Oil and contains sea salt which has the ability to detoxify, heal, cleanse, gently exfoliate and lock in moisture all at once. Clean Hands No. 1 is a lightweight gel moisturiser formulated for rapid absorption and lasting beneficial effects. It has a softening gel base and essential oil blend, with hemp seed oil that hydrates the skin and may have anti-inflammatory and antioxidant effects.

On 1 April 2021, the Company announced the launch of its second consumer brand, the "FCTR" (pronounced "factor") CBD-based performance range, which is now being sold in Hong Kong and Japan. For regulatory reasons, FCTR's CBD-based consumer products are not yet available for sale in Australia. FCTR, which currently contains two products called Warm Gel and Cool Gel, is a new performance brand and is designed to be a recovery partner for a wide range of athletes. Both FCTR products are entirely formulated and manufactured in Japan and contain compliant CBD in a rapidly absorbed and residue-free gel. FCTR Warm Gel and Cool Gel come in premium, airless packaging with easy grip design, enabling single-handed, mess-free use by athletes. Distribution partners in both Hong Kong and Japan have now been appointed and e-commerce sales are underway in these markets.

On 25 June 2021, the Company announced the launch of its "Saiph" CBD premium personal care range. Saiph is the Company's third consumer brand and, as with FCTR, is being sold in Hong Kong and Japan and is not yet available for sale in Australia. Saiph is a sophisticated CBD personal care brand formulated for sensitive skin. The Company believes that the total value of retail sales in the skin and body care segments of the Company's two initial target markets, Japan and Hong Kong, were in excess of USD20 billion in 2018 (source: *national statistics agencies, export.gov, Statista*). The first two products in the Saiph range are called Ablution, a gentle gel CBD cleanser, and Tranquillity, a protective CBD moisturiser. Both products are made in Japan and are free from parabens, mineral oils, palm oil, silicone, sulphates, alcohols, synthetic fragrances, synthetic colours and chelating agents which can irritate and dehydrate the skin.

Inventories of products in all three consumer ranges have now been purchased in anticipation of growing sales in 2022. Further information regarding the Group's consumer ranges can be found at [www.bathingshed.com](http://www.bathingshed.com), [www.getfctr.com](http://www.getfctr.com) and [www.saiphlife.com](http://www.saiphlife.com).

In the coming financial year, the consumer division will focus on creating demand for its products through consistent and cost-effective awareness and purchasing campaigns, supporting existing wholesale distribution relationships while adding new distribution partners for each brand in each core market, as well as adding selected new products for all three brands that support the brands and create demonstrable value for consumers.

### Legal matters

There were no legal matters affecting the Company as at the date of this Report.

### Profit/(loss) per share

The basic and diluted profit/(loss) per share for the year ended 30 June 2021 was \$(0.03) (2020: \$(0.04)).

## Financial analysis

### Statement of Comprehensive Income/(Loss)

During the year ended 30 June 2021, being the Company's first full year of operations after listing on the ASX in November 2019, the Company generated a consolidated loss after income tax of \$(4,205,850), an increase of \$(216,172), or 5%, on the figure for the prior year. Revenues totaling nearly \$1.7 million for the year were principally generated from the sale of medicinal cannabis products and the provision of medical consultation services, as compared to \$123,850 for the previous corresponding period. The majority of the Company's medicinal cannabis sales came from the sale of products in its Adaya range which was launched in July 2020, while the medical consultation services were provided by Cannadoc Health Pty. Ltd., the business acquired by the Company during the previous financial year. An amount of \$82,266 was also received during the year under the Australian Federal Government's "Cash Flow Boost" scheme. Interest income fell during the year as a result of the Group's declining cash balance and the material falls in deposit interest rates.

Despite the material growth in total revenues and the expansion of the Group's workforce, personnel expenses increased during the year by only \$279,702, or less than 9%, to \$3,425,074. In line with the Company's increasing revenues, total sales, marketing and distribution expenses increased more significantly during 2021 to \$285,629, as the Company launched four new product ranges during the year, including the Adaya range. Finance costs of \$294,158 principally comprised accrued interest on the loan from Cronos Group Inc. Legal and regulatory expenses, which increased to \$309,550 during the year, included expenses related to a potential business development opportunity. Travel expenses fell to \$54,820, as COVID-19 restrictions prevented the movement of employees. Of the total loss of \$(4,205,850), an amount of \$156,641 related to the 24.5% non-controlling interests associated with Cannadoc Health.

### Statement of Financial Position

As at 30 June 2021, the Group's consolidated cash and cash equivalents decreased by \$5,218,768 to \$9,467,175 (2020: \$14,685,943). During the year under review, trade receivables increased to \$317,666 in line with the Company's growing sales, with all receivables at balance date being within normal trading terms. Material inventories of medicinal cannabis oils were purchased to meet the growing demand for the Company's products, while initial orders of products for the Bathing Shed, FCTR and Saiph ranges of consumer products were also made ahead of their respective launches during the year. Other assets included an amount of \$293,321 of capitalised costs in respect of the potential issuance of equity as part of a business development opportunity.

Trade and other payables at 30 June 2021 had increased to \$1,002,226 as material inventory purchases were made near year end, together with the accrual of transaction-related expenses. The Company's loan from Cronos Group Inc., which is notionally repayable on 1 January 2022, was reclassified as a current liability on 1 January 2021. A new capital reserve was established during the year as a result of the acquisition by the Company of a further 24.5% interest in Cannadoc Health Pty. Ltd. on 1 February 2021 (refer *Note 26(d)*). Finally, a credit of \$21,744 was made during the year to the share-based payments reserve as a result of the forfeiture of various options and performance rights which had been granted to former Group employees.

### Statement of Cash Flows

During the 2021 financial year, net cash outflows from operations decreased by \$82,533, or approximately 2%, to \$4,796,055. The net outflows of \$4,796,055 included cash receipts from customers of \$1,228,932, an increase of \$1,114,149, or 971%, over the figure for the previous year. Other cash receipts from operating activities included interest (\$46,091) and payments received under Government stimulus schemes (\$179,263). Payments to suppliers and employees increased to \$6,250,341, in line with the Group's expanding workforce and increasing global operations.

The Group's investing activities included the payment of \$101,000 to acquire a further 24.5% beneficial interest in Cannadoc Health Pty. Ltd., while the net financing cash flows included cash payments totaling \$171,889 in respect of the potential issuance of equity as part of a business development opportunity.

### Business strategy, future developments and prospects

The Company has adopted an “asset light” business model in which it outsources the manufacture of cannabinoid-based products to selected leading manufacturers. The Group’s strategy focusses on the development of brands and products sourced from such parties that the Group sells and distributes in various markets including Australia, Japan and Hong Kong.

As outlined above, the Group is focusing its efforts on three distinct areas, all of which have made significant progress during the year under review. During the first half of the 2022 financial year, the Group intends to leverage the progress made during that period, as summarised below:

- *Medical* – further expand the sale and distribution of medicinal cannabis products in the Company’s Adaya range in Australia and broaden the doctor engagement programs that are now underway.
- *Clinics* – increase the numbers of patients accessing the services provided by the Cannadoc medicinal cannabis clinics and explore opportunities to potentially establish further clinics around Australia and in New Zealand.
- *Consumer* – develop and launch additional products for the Bathing Shed, FCTR and Saiph ranges of personal care and performance products and identify new distribution partners to expand sales in current and future Asian markets.

### Material business risks

The Group operates in the medicinal cannabis industry in Australia and is still largely in the development and expansion phases. Given the relatively early stage of the industry in Australia as a whole, any investment in companies such as CAL should be considered high-risk. The Group is subject to a range of normal business risks including, but not limited to, its ability to hire and retain high quality personnel, government policies, regulations and legislative changes, the state of markets generally, exchange rate fluctuations and a range of other factors which remain outside the control of the Board and management.

More specific material risks that are applicable to the industry and the Group include, but are not limited to:

- **Medicinal cannabis industry in Australia.** An investment in an industry in the relatively early stages of development, such as the Australian medicinal cannabis industry, should be considered speculative and involves risks, including obstacles or delays in the implementation of business plans, uncertainties over the ability to generate revenue and with the legislative regime generally. While regulations and guidelines in relation to the application of reforms are available and improving, there still remains limited guidance. Given the continuing developments in the relevant laws and regulations, there is a risk that a regulatory body could, in future, change the application of laws which may adversely impact the Group.
- **Regulatory.** The Group’s ability to commercialise products for sale in Australia is reliant on the renewal of licences that have been granted to it by the Office of Drug Control (“ODC”). While the Group submits renewal applications by the required dates and is not aware of any reason why the ODC would refuse to grant such renewals, the Company cannot guarantee that the licences will be renewed. Failure to comply with licence conditions may result in one or more of the Company’s licences being suspended or revoked, which could prevent the Group from carrying out its activities.
- **Future revenue and profitability.** To date, the Group has generated growing, but still relatively modest, revenue and has not yet derived a profit from its operations. Future sales of products by the Group and its future profitability are contingent on, amongst other things, its ability to maintain the required licences and permits, develop desirable new brands and products, enter into favourable supply and distribution arrangements, and broader market conditions generally. Consequently, the level of future sales of products by the Group cannot be accurately determined and CAL cannot provide any guarantee that future sales will be achieved and, even if future sales are achieved, they may not result in the Group being profitable.
- **Supply.** As the Company’s business involves the development of brands and products for sale, the Group must maintain an uninterrupted supply of high-quality products from a variety of producers whose production is susceptible to risks. Such risks include insects, disease, storm, fire, frost, flood, drought, water availability and salinity, pests and force majeure events, including the impacts of climate change generally. Any adverse outcomes in relation to these matters may affect the Group’s ability to source suitable products in a timely fashion which, in turn, could adversely impact its activities, operations and financial performance.

- **Growth prospects and expansion plans.** CAL's prospects depend upon various factors, including brand and product acceptance. If CAL fails to execute on its strategic plans, its financial performance is likely to be affected. The Company's financial prospects are dependent on there being sufficient demand for cannabinoid and related products in Australia, and other markets that the Company may seek to enter in the future, including in Asia. There is also a risk that the volume of medicinal cannabis products available in Australia will outstrip the demand for those products, which may result in lower product prices which could adversely affect the Company's performance. The Company's ability to achieve its growth strategy is also dependent on it being able to sell its products internationally which may require changes in the laws relating to cannabis in each of those countries. There are no guarantees that the laws of any of the target markets will be amended or that the Company will be able to successfully access such markets in future.
- **Competition.** The Australian medicinal cannabis market is becoming increasingly more competitive and subject to rapid ongoing development. There can be no assurances that the competitive environment will not change adversely due to the actions of governments or competitors or changes in customer preferences. The actions of an existing competitor or the introduction of a new competitor in a given market may make it difficult for the Group to increase its revenue which, in turn, may have an adverse effect on its profitability. As the Group seeks to enter new markets, including those in Japan, Hong Kong and other Asian countries, the competitive landscape is less clear and may pose further risks when launching additional products in those markets.
- **Product failure.** In the event that any of the Group's products cause serious side effects, or are misused, abused or diverted, CAL may be exposed to increased compliance costs in carrying out trials or testing, or regulatory authorities may revoke approvals granted to the Company, impose more onerous standards or product labelling requirements or require it to conduct a product recall. In these circumstances, CAL could also be subject to regulatory action or be found liable for harm caused which could have an adverse effect on its business, results of operations, financial condition and reputation.
- **COVID-19 pandemic.** Many aspects of the global economy have been adversely impacted by the COVID-19 pandemic. While the Company is still actively pursuing its agreed strategic plan and objectives, the restrictions and uncertainty surrounding the pandemic in both Australia and overseas pose an ongoing potential risk to the Company's future activities, operations and financial performance.
- **IP Licence.** The Group has entered into an IP Licence with Cronos Group Inc. in respect of certain intellectual property rights and to provide access to certain trade secrets and know-how relating to medicinal cannabis. The IP Licence has an initial term of 10 years and will automatically extend for further one-year terms unless terminated by either party. Cronos Group may terminate the IP Licence under certain circumstances which may restrict the Company's ability to use the underlying intellectual property, including various trademarks and, potentially, the "Cronos" name. Any such termination of the Licence could have an adverse impact on the prospects of the Group.

In accordance with good business practice in the medicinal cannabis industry, the Group's Management actively and routinely employs a variety of risk management strategies which are broadly described in the Corporate Governance Statement under the heading *Principle 7: Recognise and manage risk* and maintains a detailed Risk Register which is reviewed and updated on a regular basis.

The Board believes that the Group is not yet sufficiently large to warrant the appointment of an internal auditor.

### Significant changes in the state of affairs

- On 1 July 2020, the Group incorporated a Japanese subsidiary named Personal Care Asia GK from which the Group's operations in Japan are managed.
- On 6 August 2020, Stage 4 COVID-19 restrictions were introduced in the State of Victoria, the location of the Company's headquarters. While a number of the Company's employees were required to work from home, the Group's business operations continued largely unchanged throughout the remainder of the 2021 financial year.
- On 14 August 2020, Lior Harel resigned as General Counsel and Company Secretary of the Company. On the same date, Thomas G. Howitt, the Company's Chief Financial Officer, was also appointed as Company Secretary of the Company and a total of 60,000 performance rights and 461,400 options over the Company's ordinary shares that had previously been granted to Lior Harel were forfeited following his departure from the Company.
- On 9 October 2020, the Company incorporated a New Zealand subsidiary named Cannadoc Health (NZ) Limited from which the Group's clinic operations in New Zealand are managed.

## DIRECTORS' REPORT CONTINUED

### Significant changes in the state of affairs (CONT.)

- On 27 October 2020, the Company held its Annual General Meeting of shareholders. All resolutions that were put before the shareholders at the Meeting were passed.
- On 16 December 2020, the Company announced the launch of "Bathing Shed", its personal care range.
- On 1 April 2021, the Company announced the launch of "FCTR" (pronounced factor), its CBD performance range.
- On 25 June 2021, the Company announced the launch of "Saiph", its CBD premium personal care range.

Apart from these events, there have been no other significant changes which have not been described elsewhere in this Financial Report.

### Significant events after balance date

There have been no significant events which have occurred after balance date which have not been described elsewhere in this Financial Report.

## ENVIRONMENT AND REGULATION

The Group does not believe it is subject to any specific environmental regulations. The Board believes there are adequate systems in place to ensure the Group's compliance with relevant Federal, State and Local government environmental regulations and the Board is not aware of any breach of applicable environmental regulations by the Group. There were no significant changes in laws or regulations during the period from 1 July 2020 to the date of this Report which have affected the business activities of the Group and the Board is not aware of any such changes in the near future.

## SHARE OPTIONS AND PERFORMANCE RIGHTS

### Unissued shares under option

As at 30 June 2021, the Company had a total of 2,565,000 ordinary shares under option, all of which were granted as part of the Company's IPO on 7 November 2019 (refer *Note 25*). Of the total number of options granted, a total of 2,000,000 were granted to the Underwriter of the Company's IPO, while the remaining 565,000 options were granted to an Executive of the Company. The terms and conditions applicable to the above options were detailed in the Company's Prospectus dated 15 October 2019. During the year ended 30 June 2021, a total of 461,400 options that had previously been granted to an executive of the Company were forfeited following his departure from the Company. No ordinary shares were issued as a result of the exercise of any options during the year ended 30 June 2021.

### Performance rights

As at 30 June 2021, the Company had a total of 60,000 performance rights on issue which were granted as part of the Company's IPO on 7 November 2019 (refer *Note 25*). The terms and conditions applicable to these rights were detailed in the Company's Prospectus dated 15 October 2019. During the year ended 30 June 2021, a total of 1,060,000 performance rights that had previously been granted to executives of the Group were forfeited following their departures from the Company and Cannadoc Health Pty. Ltd. No performance rights were converted into ordinary shares during the year ended 30 June 2021.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the year ended 30 June 2021, the Company paid premiums in respect of a contract insuring the Directors and Officers of the Company and any related body corporate against a liability incurred in his or her capacity as a Director or Officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the insurance provided and the amount of the premium. The Company has agreed to indemnify the current and former Directors and Executive Officers against all liabilities to other persons that may arise from their position as Directors or Officers of the Company and its subsidiaries, except in circumstances including where the individual concerned has committed an illegal act, wilful misconduct or dishonesty or where to do so would be generally prohibited by law.

## REMUNERATION REPORT (AUDITED)

### Introduction

This Remuneration Report outlines the Director and Executive remuneration arrangements of Cronos Australia Limited ("CAL" and the "Company") and its subsidiaries as at 30 June 2021 (collectively, the "Group") in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this Report, Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or not) of the parent company, and includes the executives in the Group, as set out below.

For the purposes of this Remuneration Report, the term "Executive" encompasses the Group's Chief Executive Officer, and Chief Financial Officer / Company Secretary. Both Executives were employed by the Company for the entire year ended 30 June 2021.

On 14 August 2020, Lior Harel resigned as General Counsel and Company Secretary of the Company. On the same date, Thomas Howitt, the Company's Chief Financial Officer, was also appointed as Company Secretary of the Company.

### Details of Key Management Personnel as at balance date

Directors	Executives
Shane F. Tanner ( <i>Non-Executive Chairman</i> )	Rodney D. Cocks CSM ( <i>Executive Director / Chief Executive Officer</i> )
Daniel E. Abrahams ( <i>Non-Executive Director</i> )	Thomas G. Howitt ( <i>Chief Financial Officer / Company Secretary</i> )
Jason M. Adler ( <i>Non-Executive Director</i> )	
Anna E. Burke AO ( <i>Non-Executive Director</i> )	
Michael R. Gorenstein ( <i>Non-Executive Director</i> )	

### Details of shares held by Key Management Personnel as at balance date

Interest in shares held in Cronos Australia Limited	Opening balance	Shares issued	Shares purchased	Shares sold	Closing balance
<strong>Directors</strong>					
Shane F. Tanner	350,000	-	-	-	350,000
Daniel E. Abrahams	100,000	-	-	-	100,000
Anna E. Burke AO	50,000	-	-	-	50,000
<strong>Executives</strong>					
Rodney D. Cocks CSM	20,000,000	-	-	-	20,000,000
<strong>Totals</strong>	<strong>20,500,000</strong>	-	-	-	<strong>20,500,000</strong>

### Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Board of Directors of the Company was established on 28 February 2019 and is, amongst other things, responsible for determining and reviewing the remuneration arrangements of the Directors, the Chief Executive Officer and the Executive Team. The Committee is chaired by Anna Burke AO and has as its members Shane Tanner and Daniel Abrahams, all three of whom are independent directors.

The Nomination and Remuneration Committee was established to assess the appropriateness of the nature and amount of remuneration paid to Directors and Executives on a periodic basis by reference to relevant employment market conditions (as described further below), with the overall objective of ensuring maximum shareholder benefit from the retention and incentivisation of a high quality Board and Executive Team.

### Remuneration strategy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain appropriately-skilled Directors and Executives.

To this end, the Company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre Executives, being those individuals charged with the oversight and management of the Company's operations, whose names appear in the list above as at balance date;
- wherever possible, link Executive rewards to the creation of shareholder value;
- ensure that a portion of an Executive's total remuneration package is "at risk"; and
- establish appropriate and demanding performance hurdles for variable Executive remuneration.

The Company's remuneration strategy is approved each year by the Nomination and Remuneration Committee.

### Remuneration structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive remuneration is both separate and distinct.

The key performance indicators applicable for Executives are quantifiable and the methods of measurement are defined and agreed in advance. Potential levels of remuneration are linked to each performance indicator based on the pretext that if the performance indicators, as defined, are met then the business will have more than likely achieved its key financial or strategic objectives. In addition to the various key performance indicators that are used to assess the performance of each Executive, the overall financial performance of the Company is also taken into consideration when determining both base levels of remuneration and short-term incentive payments that may be made to those individuals.

### Non-Executive Director remuneration

#### Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

#### Structure

The Company's Constitution and the Listing Rules of the Australian Securities Exchange specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a General Meeting of shareholders. An amount not exceeding the amount so determined is then divided between the Directors, as agreed. The most recent determination was made on 4 September 2019, when an aggregate remuneration amount not exceeding \$400,000 per annum was approved. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst the Directors are reviewed annually.

Each Non-Executive Director receives a fee for serving as a Director of the Company. No additional fees are paid to any Director for serving on either of the two sub-committees of the Board. The fees paid to Directors may comprise a combination of cash and equity securities which would be granted under the Company's Equity Incentive Plan ("Plan").

### Executive remuneration

#### Objective

The Group aims to reward its Executives with a level and mix of remuneration which is commensurate with their respective positions and responsibilities within the Group and so as to:

- reward Executives for Group and individual performance against targets set by reference to suitable benchmarks;
- align the interests of Executives with those of the shareholders; and
- ensure that the total remuneration paid is competitive by market standards.

## Structure

The remuneration paid to Executives is set with reference to prevailing market levels and conditions and amounts paid by comparable companies. The total remuneration paid comprises a fixed remuneration component comprising base salary and statutory superannuation, together with a variable remuneration component (which is linked to agreed Key Performance Indicators (“KPIs”)) as described below, comprising both short-term incentive payments which are typically paid in cash, and the granting of equity securities as part of a long-term incentive arrangement. The Group aims to target, where possible, a remuneration mix comprising approximately 70% fixed remuneration and 30% variable remuneration.

## Fixed remuneration

### Objective

The Nomination and Remuneration Committee oversees the setting of fixed remuneration for KMP on an annual basis. The process consists of a review of Company, divisional and individual performance, relevant comparable remuneration being paid in the broader market and internally and, where appropriate, external advice on both policies and practices. The members of the Committee have access to external advice independent of Management, if required.

### Structure

Fixed remuneration consists of some or all of the following components:

- base salary;
- non-monetary benefits which may include costs associated with novated motor vehicle leases, vehicle parking etc. (and associated fringe benefits tax, if applicable); and
- superannuation benefits, which includes statutory employer contributions made by the Company.

With the exception of the employer contributions to superannuation, Executives are given some flexibility to decide the composition of their total fixed remuneration and the allocation between cash and other benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating any additional cost for the Group.

Fixed remuneration is reviewed annually with reference to individual performance, market benchmarks for individual roles and the overall financial performance of the Group. Any changes to the fixed remuneration of Executives are first approved by the Nomination and Remuneration Committee.

All employee remuneration is evaluated on a regular basis using a set of variables and taking into account the addition of statutory superannuation contributions. An assessment of existing base salaries is made using comparisons against independent market data which provides information on salaries and other benefits paid for comparable roles within the life sciences sector, using independent salary survey data. Formal annual performance reviews with each employee are undertaken shortly after the end of the financial year and are based on a rating system which is used to assess his or her performance during the year and eligibility for salary increases. Other more qualitative factors, including the specialised knowledge and experience of the individual and the perceived potential difficulty of replacing that person, are also taken into account when considering salary adjustments.

Following performance reviews undertaken with each Executive in July 2021, the Nomination and Remuneration Committee resolved that, in view of economic and other factors resulting from the COVID-19 pandemic, once again no increases in base salaries would be given to any members of KMP in respect of the year ending 30 June 2022.

In respect of the year ended 30 June 2021, the Company provided total remuneration for all Executives that averaged 77.2% fixed and 22.8% at risk (comprising 19.1% short term and 3.7% long term components). In respect of the year ending 30 June 2022, the Company expects to target total remuneration for all Executives that will average 70% fixed and 30% at risk (comprising approximately 50% short-term and 50% long-term components).

### Variable remuneration

#### Objective

The objective of variable remuneration is to:

- align the interests of Executives with those of the shareholders;
- link Executive rewards to the achievement of strategic goals and performance of the Company; and
- ensure that the total remuneration paid by the Company is competitive by market standards.

#### Short Term Incentive ("STI") plan

STI is an annual plan that applies to Executives and other senior employees which is based on the performance of both the Company and the individual during a given financial year. The levels of STI payments made vary depending on the role, responsibilities and deliverables achieved by each individual during the year under review. The amount of actual STI payments made to the relevant employee will depend on the extent to which the pre-agreed specific targets are met within a financial year. Specific targets are quantifiable, with the method of measurement being defined and agreed at the beginning of the financial year. The ongoing performance of the Executive or senior employee is evaluated regularly during the performance cycle.

Group objectives, and their relative weightings, vary depending on the position and responsibility of the respective individual, but in respect of the year ended 30 June 2021 they included, amongst other things, the achievement of:

- earnings before interest, tax, depreciation and amortisation ("EBITDA");
- divisional net profit targets, where an individual has capacity to impact this result;
- agreed revenue targets, on both a divisional and Group basis;
- agreed unit sales targets for products in the Group's various medicinal cannabis and personal care ranges;
- agreed targets for patient and consultation numbers at the Group's medicinal cannabis clinics; and
- targets for cost reduction or efficiency gains.

These latter measures are chosen as they represent the key drivers for the short-term success of the business and provide a framework for delivering long-term value for shareholders. Personal and operating objectives vary according to the role and responsibility of the Executive and may also include a number of non-financial objectives such as progress made in respect of project delivery, sales expansion, capital management, regulatory and compliance/reporting outcomes, intellectual property management and staff and other leadership objectives, as agreed with the Chief Executive Officer.

As the Company continues to expand its operations, future STI payments will also be based on other factors that may be relevant to the Group's operations at that time and best reflect the overall performance of the Group.

Achievement of an individual's targets and objectives is documented and assessed by both the individual and his or her direct manager. Each individual participates in an annual performance review shortly after year end and must provide evidence of the objectives that he or she has delivered during the period under review. Each objective is then rated on an agreed achievement scale. Depending on the total ratings achieved, the individual may then be eligible to receive an STI payment.

STI payments, if any, are typically made in July/August of each year in relation to the previous financial year, subject to the completion of the performance review process, the receipt of a satisfactory rating and the approval of both the Nomination and Remuneration Committee and the Board. The Board, via its Chairman, conducts this process in the case of the Chief Executive Officer. Any such STI payments which may be made are delivered during the following reporting period as a combination of cash payments and the possible granting of equity securities pursuant to the Plan.

The most recent performance appraisals took place in mid-July 2021 in respect of the year ended 30 June 2021.

In respect of the year ended 30 June 2021, payments totalling \$161,070 were accrued as at balance date in respect of STI payments due to Executive members of KMP following the successful achievement of the targets outlined above and the completion of the annual performance appraisal process.

### Long Term Incentive (“LTI”) plan

In order to attract, retain and incentivise high-performing senior executives and to align their overall remuneration with the creation of shareholder wealth, the Company has implemented an Equity Incentive Plan (the “Plan”). LTI grants made to Executives and senior employees are typically delivered in the form of premium priced options over unissued ordinary shares in the Company which are granted under the terms and conditions of the Plan. Only Executives who are able to influence the generation of shareholder wealth and have a material impact on the Group’s long-term profitability are invited to participate in the Plan.

The total value of the LTI grants made to a given Executive varies and is determined with reference to the nature of the individual’s role, as well as his or her future potential and specific individual and Company performance. The value of the grants is generally calculated as a percentage of base salary with reference to the various independent measures, as explained below. No options were granted by the Company during the year ended 30 June 2021. Refer *Note 25* for details of options that were outstanding as at that date.

In cases where an Executive ceases employment with the Company prior to the vesting of his or her options, the options are forfeited. In cases where the relevant options have vested, the prescribed period during which the options may be exercised ranges from two to twelve months, depending on the circumstances under which the employee left the Company, e.g. resignation, retirement, termination or death. In the event of a change of control of the Company, the performance period end date will be brought forward to the date of the change of control and all awards will vest over this shortened period.

#### *Valuation of LTI grants*

As stated above, the Company uses a variety of methods to calculate the percentage of a given Executive’s base salary that could be potentially made available in the form of LTI grants. Specifically, the Company considers industry-accepted rates for comparable companies to arrive at percentages that meet the objectives of the Plan (i.e. that they provide suitable retention and incentive characteristics), while at the same time being fair and reasonable for both the Company and the Executives.

In respect of the LTI securities that the Company granted during the year ended 30 June 2020, the Company first reviewed market surveys prepared by a number of independent organisations to assess the appropriate maximum annual value of long-term equities to be issued to Executives. The reports chosen examined the composition of the total remuneration paid to more than 200 executives based on a number of categories pertaining to the relevant companies employing them, including market capitalisations, numbers of employees and industry sector.

The figures obtained from the reports were then used to calculate the average percentage that should be applied to the current base salaries of the Executives to obtain the maximum value of the LTI component that could potentially be payable. Based on the 50th percentile figure for each of the categories in the reports, the percentage that the value of long-term equity grants represents of base salary was calculated to be 22%.

In addition to the above analysis based on independent anonymous market data, the Company considered the value of the equity grants made to senior executives as a percentage of their base salaries by other ASX-listed healthcare companies that have granted long-term equities to retain and incentivise their executives. The information obtained from this review confirmed that the above figure of 22%, being the ratio of the maximum value of long-term equity grants as a percentage of base salary in a given year, was within the range being paid by other selected healthcare companies listed on the ASX.

The valuation of equity securities for accounting purposes is calculated using a Black-Scholes option-pricing model that takes into account a number of variables including exercise price, term, volatility, dividend payments, interest rates etc. Given the time value of an option, the longer the term of an option, the greater its value. For accounting purposes, based on AASB 2 *Share-based payments*, the total share-based payments expense attributable to such securities is recognised evenly on a monthly basis over the vesting period applicable to the relevant option.

In order to calculate how many options could be granted to each Executive which would result in a fair value of those options being approximately 22% of the individual’s current base salary, an independent valuation of the securities was sought and received from an independent accounting firm. These values were used by the Company to calculate the total share-based payments expense that will be reflected in the Company’s financial statements for the years ended 30 June 2021 and beyond.

## DIRECTORS' REPORT CONTINUED

### Variable remuneration (CONT.)

Following performance reviews undertaken with each Executive in early July 2020, the Nomination and Remuneration Committee resolved that, in view of economic and other factors resulting from the COVID-19 pandemic, there would be no LTI grants made to any Executive in respect of the year ending 30 June 2021. Consequently, no such grants were made during the 2021 financial year.

### STI and LTI payments made

In respect of the years ended 30 June 2021 and 30 June 2020, the following remuneration, STI and LTI payments were made to Executives, as well as the percentages that each payment represents as a proportion of their total remuneration:

Year ended 30 June 2021	Fixed	At risk		Post-employment	
Name and title of Executive	Base salary (% of total) \$	STI (% of total) \$	LTI (% of total) \$	Superannuation (% of total) \$	Totals \$
Rodney D. Cocks CSM Chief Executive Officer	306,806 (73%)	92,040 (22%)	- -	21,694 (5%)	420,540 (100%)
Thomas G. Howitt Chief Financial Officer / Company Secretary	306,806 (72%)	69,030 (16%)	31,026 (7%)	21,694 (5%)	428,556 (100%)
Lior Harel (refer Note) Former General Counsel	36,453 (93%)	- -	- -	2,661 (7%)	39,114 (100%)
<b>Totals</b>	<b>650,065</b>	<b>161,070</b>	<b>31,026</b>	<b>46,049</b>	<b>888,210</b>

Note: On 14 August 2020, Lior Harel resigned as General Counsel and Company Secretary of the Company. On the same date, Thomas Howitt, the Company's Chief Financial Officer, was also appointed as Company Secretary of the Company.

Year ended 30 June 2020	Fixed	At risk		Post-employment	
Name and title of Executive	Base salary (% of total) \$	STI (% of total) \$	LTI (% of total) \$	Superannuation (% of total) \$	Totals \$
Rodney D. Cocks CSM Chief Executive Officer	307,125 (93%)	- -	- -	21,375 (7%)	328,500 (100%)
Thomas G. Howitt Chief Financial Officer	307,125 (69%)	61,500 (14%)	50,158 (11%)	24,655 (6%)	443,438 (100%)
Lior Harel Former General Counsel	250,435 (70%)	39,564 (11%)	45,142 (13%)	21,003 (6%)	356,144 (100%)
Peter J. Righetti (refer Note) Former Chief Op. Officer	435,214 (95%)	- -	- -	21,003 (5%)	456,217 (100%)
<b>Totals</b>	<b>1,299,899</b>	<b>101,064</b>	<b>95,300</b>	<b>88,036</b>	<b>1,584,299</b>

Note: Peter Righetti resigned as a Director of the Company and as its Chief Operating Officer on 19 June 2020. Mr. Righetti's base salary for the year ended 30 June 2020 of \$435,214 included an Eligible Termination Payment of \$172,748 that was accrued as at 30 June 2020 and subsequently paid on 15 July 2020.

## Remuneration of Key Management Personnel (“KMP”) – years ended 30 June 2021 and 2020

Name of Director		Short-term		Post-employment	Share-based	Totals
		Salary/fees \$	STI \$	Superannuation \$	LTI \$	\$
Shane F. Tanner	<b>2021</b>	<b>120,000</b>	-	-	-	<b>120,000</b>
<i>Non-Executive Chairman</i>	2020	155,000	-	-	-	155,000
Daniel E. Abrahams	<b>2021</b>	<b>50,000</b>	-	-	-	<b>50,000</b>
<i>Non-Executive Director</i>	2020	76,136	-	-	-	76,136
Jason M. Adler	<b>2021</b>	<b>50,000</b>	-	-	-	<b>50,000</b>
<i>Non-Executive Director</i>	2020	50,000	-	-	-	50,000
Anna E. Burke AO	<b>2021</b>	<b>50,000</b>	-	<b>4,751</b>	-	<b>54,751</b>
<i>Non-Executive Director</i>	2020	50,000	-	4,751	-	54,751
Michael R. Gorenstein	<b>2021</b>	<b>50,000</b>	-	-	-	<b>50,000</b>
<i>Non-Executive Director</i>	2020	50,000	-	-	-	50,000
<b>Sub-total for Directors</b>	<b>2021</b>	<b>320,000</b>	-	<b>4,751</b>	-	<b>324,751</b>
	2020	381,136	-	4,751	-	385,887
<b>Name of Executive</b>						
Rodney D. Cocks CSM	<b>2021</b>	<b>306,806</b>	<b>92,040</b>	<b>21,694</b>	-	<b>420,540</b>
<i>Executive Director / CEO</i>	2020	307,125	-	21,375	-	328,500
Thomas G. Howitt	<b>2021</b>	<b>306,806</b>	<b>69,030</b>	<b>21,694</b>	<b>31,026</b>	<b>428,556</b>
<i>CFO / Co. Secretary</i>	2020	307,125	61,500	24,655	50,158	443,438
Lior Harel	<b>2021</b>	<b>36,453</b>	-	<b>2,661</b>	-	<b>39,114</b>
<i>Ex. General Counsel</i>	2020	250,435	39,564	21,003	45,142	356,144
Peter J. Righetti (refer Note)	<b>2021</b>	-	-	-	-	-
<i>Ex. Exec. Director / COO</i>	2020	435,214	-	21,003	-	456,217
<b>Sub-total for Executives</b>	<b>2021</b>	<b>650,065</b>	<b>161,070</b>	<b>46,049</b>	<b>31,026</b>	<b>888,210</b>
	2020	1,299,899	101,064	88,036	95,300	1,584,299
<b>Totals for KMP</b>	<b>2021</b>	<b>970,065</b>	<b>161,070</b>	<b>50,800</b>	<b>31,026</b>	<b>1,212,961</b>
	2020	1,681,035	101,064	92,787	95,300	1,970,186

Note: Peter Righetti resigned as a Director of the Company and as its Chief Operating Officer on 19 June 2020. Mr. Righetti's base salary for the year ended 30 June 2020 of \$435,214 included an Eligible Termination Payment of \$172,748 that was accrued as at 30 June 2020 and subsequently paid on 15 July 2020.

The details of those Executives nominated as KMP under section 300A of the *Corporations Act 2001* have been disclosed in this Remuneration Report. No other employees of the Company meet the definition of “Key Management Personnel” as defined in IAS 24 / (AASB 124) Related Party Disclosures, or “senior manager” as defined in the *Corporations Act 2001*.

### Employment contracts

#### Rodney D. Cocks CSM – Chief Executive Officer (“CEO”)

The Company's CEO, Rodney Cocks, is employed under an employment contract the key terms of which include:

- During the year ended 30 June 2021, Mr. Cocks' annual remuneration package was \$328,500, including statutory superannuation contributions as prescribed under the Superannuation Guarantee legislation. There will be no change to Mr. Cocks' remuneration package for the year ending 30 June 2022;
- In respect of the year ended 30 June 2021, Mr. Cocks was eligible to receive an STI payment equal to up to 40% of his base salary subject to the achievement of Key Performance Indicators, of which 75% relate to financial metrics relevant to the Company and its performance, while the remaining 25% relates to individual performance, as determined by the Company's Chairman, with any payments made being subject to Board approval. On 30 July 2021, an STI payment of \$92,040, representing 75% of his maximum entitlement, was paid in respect of the year ended 30 June 2021;
- Mr. Cocks may resign from his position, terminating the contract, by giving up to 12 months written notice and the Company may terminate his contract by providing similar notice or providing payment in lieu of the notice period; and
- The Company may terminate Mr. Cocks' contract at any time without notice if serious misconduct has occurred. Where this occurs with cause, he is only entitled to receive that portion of remuneration which is fixed and only up to the date of termination. In this instance, any entitlements to unvested STI and LTI are forfeited and would lapse.

#### Thomas G. Howitt – Chief Financial Officer and Company Secretary (“CFO”)

The Company's CFO, Thomas Howitt, is employed under an employment contract the key terms of which include:

- During the year ended 30 June 2021, Mr. Howitt's annual remuneration package was \$328,500, including statutory superannuation contributions as prescribed under the Superannuation Guarantee legislation. There will be no change to Mr. Howitt's remuneration package for the year ending 30 June 2022;
- In respect of the year ended 30 June 2021, Mr. Howitt was eligible to receive an STI payment equal to up to 30% of his base salary subject to the achievement of agreed Key Performance Indicators, of which 75% relate to financial metrics relevant to the Company and its performance while the remaining 25% relates to individual performance, as determined by the CEO, with any payments made being subject to Board approval. On 30 July 2021, an STI payment of \$69,030, representing 75% of his maximum entitlement, was paid in respect of the year ended 30 June 2021;
- Mr. Howitt is entitled to receive various equity securities, including options over the Company's ordinary shares and performance rights, subject to the terms of the Company's Equity Incentive Plan (“Plan”). The granting of securities under the Plan are subject to the achievement of agreed Key Performance Indicators, the discretion of the CEO and the approval of the Board. No securities were granted to Mr. Howitt in respect of the year ended 30 June 2021;
- Mr. Howitt may resign from his position, terminating the contract, by giving up to two months written notice and the Company may terminate his contract by providing similar notice or providing payment in lieu of the notice period; and
- The Company may terminate Mr. Howitt's contract at any time without notice if serious misconduct has occurred. Where this occurs with cause, he is only entitled to receive that portion of remuneration which is fixed and only up to the date of termination. In this instance, any entitlements to unvested STI and LTI are forfeited and would lapse.

### End of Remuneration Report

## AUDIT AND NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important. During the year ended 30 June 2021, total fees of \$75,000 (2020: \$82,000) were paid or payable in respect of audit services provided by KPMG to the Company and \$5,000 (2020: \$nil) was paid or payable in respect of securities valuation services provided by KPMG to the Company.

## ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Instrument to the nearest dollar.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in or on behalf of the Company with leave to the Court under section 237 of the *Corporations Act 2001*.

## DIRECTORS' AND COMMITTEE MEETINGS

As at the date of this Report, the Company had six Directors. The Company also had an Audit and Risk Committee (members: Daniel Abrahams (Chair), Shane Tanner and Anna Burke AO) and a Nomination and Remuneration Committee (members: Anna Burke AO (Chair), Shane Tanner and Daniel Abrahams). All of the members of both Committees were independent Directors.

The number of meetings of Directors and the respective Committees held during the period from 1 July 2020 up to the date of this Report, including Circular Resolutions passed by the Board, and the number of such meetings attended by each Director, are summarised in the table below:

Name of Director	Board of Directors		Audit and Risk Committee		Nomination and Remuneration Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Shane F. Tanner ( <i>Chairman</i> )	16	16	4	4	2	2
Rodney D. Cocks CSM	16	16	-	-	-	-
Daniel E. Abrahams	16	16	4	4	2	2
Jason M. Adler	16	14	-	-	-	-
Anna E. Burke AO	16	16	4	4	2	2
Michael R. Gorenstein	16	15	-	-	-	-

## AUDITOR'S INDEPENDENCE DECLARATION

KPMG continues in office as auditor in accordance with section 327 of the *Corporations Act 2001*. A copy of KPMG's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21 of this Report.

This Report is signed in accordance with a resolution of the Directors.



SHANE F. TANNER  
Chairman



RODNEY D. COCKS CSM  
Director

Melbourne, 27 August 2021

# Auditor's Independence Declaration



## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Cronos Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Cronos Australia Limited for the financial year ended 30 June 2021 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized signature of the KPMG firm, written in black ink.

KPMG

A handwritten signature of Gordon Sangster, written in black ink.

Gordon Sangster

*Partner*

Melbourne

27 August 2021

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# Corporate Governance Statement

## INTRODUCTION

Cronos Australia Limited (“CAL” and the “Company”) and its Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review its corporate governance framework and practices to ensure they meet the interests of the shareholders. In this Statement, the Company and the ten entities it controlled as at 30 June 2021 are collectively referred to as the “Group”.

A description of the Group’s main corporate governance practices is set out below. Unless otherwise stated, all of these practices were in place for the entire period from 1 July 2020 to 30 June 2021 and comply with the Corporate Governance Principles and Recommendations (including all relevant amendments) of the Australian Securities Exchange (“ASX”).

While in most respects the Company complies with the Recommendations, in several areas, policies and practices are being further developed to bring them more closely into line. As new policies are produced, or as the existing ones are updated, they are published on the Company’s website.

All of the Company’s significant policies are published on its website ([www.cronosaustralia.com](http://www.cronosaustralia.com)).

As at the date of this Financial Report, the following Corporate Governance documents had been adopted by the Board, in addition to the Company’s Constitution which was adopted on 27 September 2018:

- Board Charter, which defines the role of the Board and that of Management;
- Audit and Risk Committee Charter;
- Nomination and Remuneration Committee Charter;
- Code of Conduct;
- Disclosure and Communication Policy;
- Whistleblower Policy;
- Trading Policy; and
- Diversity Policy.

## ASX PRINCIPLES AND RECOMMENDATIONS

### Principle 1: Lay solid foundations for management and oversight

The relationship between the Board and Management is critical to the Group’s success. The Directors are responsible to the shareholders for the performance of the Group in both the short and long terms. They also seek to balance sometimes competing objectives in the best interests of the Group as a whole, with a focus to enhance the interests of shareholders and other key stakeholders and to ensure the Group is appropriately managed.

The responsibilities of the Board include:

- providing strategic guidance to the Group as a whole, including contributing to the development of and approving the Group’s corporate strategy;
- reviewing and approving the Group’s business plans, its annual budget and financial plans, including available resources and major capital expenditure initiatives;
- overseeing and monitoring:
  - organisational performance and the achievement of the Group’s strategic goals and objectives;
  - compliance with, and effectiveness of, the Company’s governance practices; and
  - progress of major capital and other significant projects, including any acquisitions or divestments;
- monitoring the Group’s financial performance, including approval of the annual and half-year financial reports and regular liaison with the Company’s external auditors;

**Principle 1: Lay solid foundations for management and oversight** (CONT.)

- appointment, performance assessment and, if necessary, removal of the Chief Executive Officer;
- ensuring there are effective processes in place for approving major corporate initiatives;
- ratifying the appointment and/or removal of members of the Company's Executive Team and contributing to the assessment of their performance;
- enhancing and protecting the reputation of the organisation;
- overseeing the operation of the Group's system for compliance and risk management; and
- ensuring appropriate resources are available to the Group's senior Management to enable them to implement the strategies approved by the Board.

Day-to-day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer and the Executive Team as set out in the Group's delegations policies. These delegations are reviewed by the Board on a regular basis.

The Company was admitted to the Official List of the ASX during the year ended 30 June 2020 and a formal process for evaluating the performance of the Board, its Committees and the individual Directors themselves is still being further developed. In the meantime, the Chairman holds regular discussions with Directors to ascertain their views on Company-related matters and to provide feedback to the Directors, where necessary. It is anticipated that further enhancements to the performance evaluation process for all Directors and Committee members will be introduced during the financial year ending 30 June 2022.

The most recent performance appraisals for all members of the Executive Team took place in mid-July 2021 in respect of the year ended 30 June 2021. The process for these assessments is described in detail in the Remuneration Report on pages 12 to 19 of this Financial Report.

**Diversity policy**

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has developed and introduced a diversity policy which outlines its diversity objectives in relation to gender, age, cultural background, ethnicity and other factors. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to annually assess both the objectives, and the Company's progress made in achieving them.

In accordance with the Company's Diversity Policy and ASX Corporate Governance principles, the Board has established various objectives in relation to gender diversity. The aim is to achieve these objectives over the coming two to three years as relevant positions become vacant and appropriately-qualified candidates are available.

The objectives set by the Board in relation to gender diversity, and the actual results as at the date of this Financial Report, are set out in the following table.

	Objective		Actual	
	Number	Percentage	Number	Percentage
Number of women in whole organisation	8	50%	7	42%
Number of women in Executive positions	1	33%	0	0%
Number of women on the Board	2	33%	1	17%

Responsibility for diversity has been included in the Charters for both the Board and the Nomination and Remuneration Committee. The Company anticipates it will be able to more closely achieve its diversity objectives above as it continues to expand its operations and attract more individuals into the organisation.

## Principle 2: Structure the Board to add value

The Board operates in accordance with the broad principles set out in its Charter which is available in the corporate governance information section of the Company's website ([www.cronosaustralia.com](http://www.cronosaustralia.com)). The Charter provides details of the Board's composition and responsibilities.

### Board composition

The Charter provides that:

- the Board may be comprised of both executive and non-executive Directors;
- the Company will seek to have Directors with an appropriate range of skills, experience and expertise, together with an understanding of, and competence to deal with, current and emerging issues faced by the business;
- in recognition of the importance of independent views and the Board's role in supervising the activities of Management, the Chairman must be an independent non-executive Director and all Directors are required to exercise independent judgement and review and constructively challenge the performance of the Executive Team;
- the Chairman is elected by the full Board; and
- independent Directors should regularly meet separately to consider, amongst other things, executive performance.

The Board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors who bring with them an external or fresh perspective; and
- the size of the Board is conducive to effective discussion and efficient decision-making.

### Board members

Details of Directors, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the Directors' Report. As at the date of signing the Directors' Report, three of the Directors served as independent, non-executive Directors. These Directors were Shane Tanner, Daniel Abrahams and Anna Burke AO. None of these Directors had relationships which may adversely affect their independence and, as such, they are deemed independent under the principles set out above.

### Directors' independence

The Board has adopted specific principles in relation to the independence of its Directors. These principles state that, when determining independence, a Director should be non-executive and the Board should consider whether the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is, or has been, employed in an executive capacity by the Company or any other Group member within three years before commencing his or her service on the Board;
- within the last three years has been a principal of a material professional adviser or a material consultant to the Company or other Group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company or a controlled entity other than as a Director of the Group;
- is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's independent exercise of his or her judgement;
- has close family ties with any person who falls within any of the categories described above; and
- has been a Director for such a period that his or her independence may have been compromised.

### Principle 2: Structure the Board to add value (CONT.)

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over five percent of annual turnover of the Company or Group or five percent of the individual Director's net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' perception of the respective Director's performance.

It is a generally held view that a Director's independence may be perceived to be impacted by lengthy service on the Board. To avoid any potential concerns, the Board has determined that a Director will not be deemed independent if he or she has served on the Board of the Company for a period of more than ten years.

The Board assesses the independence of its Directors each year. To enable this process, the Directors must provide all information that may be relevant to the assessment. As at the date of this Financial Report, the Board comprises a total of six Directors, of whom three are deemed to be independent. In addition, the Chairman of the Board is deemed to be independent. The Board believes that its current composition, being an even split of independent and non-independent Directors, is appropriate at this, relatively-early stage of the Company's development.

#### Term of office

The Company's Constitution specifies that all non-executive Directors must retire from office no later than the third Annual General Meeting ("AGM") following his or her last election. Where eligible, a Director may stand for re-election.

#### Chairman and Chief Executive Officer ("CEO")

The Chairman is responsible for leading the Board, ensuring that Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's Executive Team. In accepting the position, the Chairman acknowledges that the role will require a significant time commitment and confirms that other positions held will not hinder his or her effective performance in that role.

The CEO is responsible for implementing Group strategies and policies. The Board Charter specifies that the Chairman and CEO are separate roles to be undertaken by separate people.

#### Company Secretary

Through the Chair, the Company Secretary is accountable directly to the Board on all matters to do with the proper functioning of the Board.

#### Induction

The induction process provided to new Directors enables them to actively participate in Board discussions and decision-making as soon as possible. It ensures that each Director has a complete understanding of the Company's financial position, strategies, operations, culture, values and risk management policies and processes. It also explains the respective rights, duties and responsibilities of each Director and their interaction with the Executive Team as well as the Company's meeting arrangements. Where applicable, the Company provides Directors with opportunities to undertake professional development activities which are relevant to their ability to perform their duties as Directors effectively.

#### Commitment

The Board held/passed a total of sixteen Board meetings and Circular Resolutions during the period from 1 July 2020 to the date of the Directors' Report. Non-executive Directors are expected to spend adequate time preparing for and attending Board and Committee meetings and associated activities. The number of meetings of the Company's Board of Directors and each Committee held during the above period, and the number of such meetings attended, or resolutions passed by, each Director are disclosed on page 20 of this Financial Report.

The commitments of all non-executive Directors are considered by the Nomination and Remuneration Committee prior to the respective Director's appointment to the Board and are reviewed each year as part of the annual performance assessment. Prior to appointment or re-election, each non-executive Director is required to specifically acknowledge that they have, and will continue to have, the time available to fully discharge their responsibilities to the Company.

### Conflict of interests

In accordance with the Board Charter, all Directors are required to declare all interests in dealings with the Company and are required to take no part in decisions relating to them. In addition, those Directors are not entitled to receive any papers from the Group pertaining to those dealings. No such declarations were received from any Directors during the period from 1 July 2020 up to the date of signing the Directors' Report.

### Performance assessment

As detailed above, a formal process for evaluating the performance of the Board, its Committees and each individual Director is still being further developed. In the meantime, the Chairman holds regular discussions with Directors to ascertain their views on Company-related matters and to provide feedback to the Directors, where necessary. It is anticipated that a more formal performance evaluation process, which will include consideration of the adequacy of the Company's induction and continuing education processes, access to information and the support provided to the Board by the Company Secretary, will be implemented during the financial year ending 30 June 2022.

Once established, members of the Executive Team will be invited to contribute to this appraisal process. The results arising from this review and any action plans are to be documented, together with performance goals which will then be agreed for the coming year. The Chairman undertakes to complete an assessment of the performance of all Directors individually and to meet with each Director separately to discuss this assessment.

### Board Sub-Committees

The Board has established two Committees to assist it in the efficient execution of its duties and to enable the detailed consideration of complex issues. The current Committees of the Board are the Audit and Risk Committee and the Nomination and Remuneration Committee. Both Committees are comprised entirely of independent, non-executive Directors. The structure and membership of each Committee is reviewed on an annual basis.

Each Committee has its own written Charter setting out its role and responsibilities and that of its members, its composition, structure, membership requirements and the manner in which the Committee is to operate. Both Charters are reviewed on an annual basis and are available for review on the Company's website. All matters determined by the Committees are submitted to the full Board as recommendations for Board decisions.

All minutes of Committee meetings are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the Committees to the Board are addressed in the Charters of the respective Committees.

### Nomination and Remuneration Committee

The Company's Nomination and Remuneration Committee consists of Anna Burke AO (Chairman), Shane Tanner and Daniel Abrahams, all of whom are independent. Details of their attendance at meetings of the Committee are set out on page 20 of this Financial Report. The Committee, which operates in accordance with its Charter that is available on the Company's website, met twice during the period from 1 July 2020 up to the date of the Directors' Report.

The policies and practices adopted by the Company in relation to the remuneration of all Directors are detailed in the Remuneration Report which is included on pages 12 to 19 of this Financial Report.

The main responsibilities of the Nomination and Remuneration Committee are to:

- conduct an annual review of the membership of the Board, having regard to present and future needs of the Company and to make recommendations on Board composition and appointments;
- conduct an annual review of, and conclude on the independence of, each Director;
- propose candidates to fill Board vacancies;
- oversee the Company's annual performance assessment program;
- consider recommendations for any changes in the future remuneration arrangements for the Chief Executive Officer and the Executive Team;
- consider recommendations for any payments under the Group's short-term and long-term incentive schemes;
- oversee Board succession, including the succession of the Chairman, and review whether succession plans are in place to maintain an appropriately balanced mix of skills, experience and diversity on the Board; and
- assess the effectiveness of the Director induction process.

### Principle 2: Structure the Board to add value (CONT.)

When a new Director is to be appointed, the Committee prepares a Board skills matrix to review the range of skills, experience and expertise on the Board, and to identify its needs. A number of channels are used to source candidates to ensure the Company benefits from a diverse range of individuals in the selection process. Where necessary, advice and support are sought from independent search consultants. While the Company does not currently maintain a detailed skills matrix, given its relatively early stage of development, an assessment of the skills, experience and expertise of the Directors on the Board is prepared prior to the appointment of any new Director.

Appropriate checks are undertaken on all potential candidates, including those necessary for a Director to qualify as a “Fit and Proper” person under the rules of the Office of Drug Control, before any candidate is elected to the Board or put forward for election by the shareholders. From this list of potential candidates, the Committee prepares a short-list of those who are eligible and who have appropriate skills and experience.

The full Board then appoints the most suitable candidate who must stand for election at the Company’s next AGM. The Committee’s nomination of existing Directors for reappointment is not automatic and is contingent on their past performance, contribution to the Board and the current and future needs of both the Board and Company. The Board and the Committee are aware of the advantages of Board renewal and succession planning and notices of meetings for the election of Directors comply with the ASX Corporate Governance Council’s best practice recommendations.

New Directors are provided with a letter of appointment setting out the terms and conditions of their appointment, the Company’s expectations of them, and their rights and responsibilities as Directors. All new Directors participate in a formal induction program which covers the operation of the Board and its Committees, as well as a review of all financial, strategic, operations and risk management issues.

#### Independent professional advice

All Directors and members of the Board’s two Committees have the right, in connection with exercising their duties and responsibilities, to seek independent professional advice at the Company’s expense. Prior written approval of the Chairman is required, however such approval will not be unreasonably withheld. No such advice was sought during the year ended 30 June 2021.

### Principle 3: Promote ethical and responsible decision making

#### Code of conduct

The Company has developed a statement of values and a Code of Conduct (the “Code”) which has been fully endorsed by the Board and applies to all Directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group’s integrity and to take into account its legal obligations and the reasonable expectations of the Company’s stakeholders. A copy of the Code is available on the Company’s website.

In summary, the Code requires that, at all times, Directors and employees act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and the Company’s policies.

The purchase and sale of Company securities by Directors and employees is governed by the Trading Policy, a copy of which is available on the Company’s website. Such trading is not permitted during the two-month periods immediately following the end of the Company’s two financial half-years, i.e. after 31 December and 30 June of each year, respectively. Any transactions undertaken by Directors outside of these periods must be notified to the Company Secretary in advance.

The Code requires employees who become aware of unethical practices within the Group or breaches of the Company’s Trading Policy to report such breaches to the Chairman. The Directors are satisfied that the Group has complied with its policies on ethical standards, including trading in the Company’s securities.

## Principle 4: Safeguard integrity in financial reporting

### Audit and Risk Committee

The Audit and Risk Committee consists of Daniel Abrahams (Chairman), Shane Tanner and Anna Burke AO, all of whom are independent, non-executive Directors. The Committee, which operates in accordance with its Charter that is available on the Company's website, met four times during the period from 1 July 2020 up to the date of the Directors' Report. All members of the Audit and Risk Committee are financially literate and have an appropriate understanding of the industry in which the Group operates. Details of the qualifications and experience of the members of the Committee are disclosed on pages one, two and three of the Directors' Report.

The Company does not have an internal audit function as the Board believes that the scale of the Company's current operations does not warrant the establishment of one. To compensate and ensure appropriate oversight, the members of the Audit and Risk Committee take an active role in reviewing the financial information that is presented to the Committee and, via the Chair of the Committee, ask questions of Management on a regular basis.

The main responsibilities of the Audit and Risk Committee are to:

- review, assess and approve Company's annual financial reports, the half-year financial report and all other financial information published by the Company or released to the Market, including its ASX Appendices 4C, 4D, 4E and 4G;
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
  - the effectiveness and efficiency of its operations;
  - the reliability of financial reporting; and
  - its compliance with applicable laws and regulations;
- oversee the effective operation of the Company's risk management framework and the regular review of the Group's Risk Register;
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their annual engagements, the scope and quality of the audit and assess the auditor's overall performance;
- consider the independence and competence of the external auditor on an ongoing basis;
- review and approve the level of non-audit services provided by the Group's external auditor and ensure that it does not adversely impact the auditor's independence;
- review and monitor all related party transactions and assess their propriety; and
- report to the Board on matters relevant to the Committee's role and responsibilities.

In fulfilling its responsibilities, the Audit and Risk Committee:

- receives regular reports from Management, and in particular the CFO, and the Company's external auditor;
- meets with the external auditor at least twice a year, or more frequently, if necessary;
- reviews the processes the CEO and CFO have in place to support their annual certifications to the Board;
- reviews any significant disagreements between the auditor and Management, irrespective of whether they have been resolved; and
- provides the external auditor with a clear line of direct communication at any time to either the Chairman of the Audit and Risk Committee or, if necessary, the Chairman of the Board.

The Audit and Risk Committee has authority, as part of its responsibilities, to seek any information it requires from any employee or external party.

### Principle 4: Safeguard integrity in financial reporting (CONT.)

#### External auditor

The policy of the Company and the Audit and Risk Committee is to appoint an external auditor who clearly demonstrates quality of service and independence. The performance of the Group's external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration an assessment of performance, existing value and tender costs. KPMG was appointed as the Group's external auditor in 2018. It is a regulatory requirement to rotate audit lead engagement partners on listed companies such as Cronos Australia at least every five years.

An analysis of the fees paid to the external auditor, including a break-down of fees for non-audit services, is provided in the Directors' Report and in *Note 31* to the financial statements. It is the policy of the external auditor to provide an annual declaration of its independence to the Audit and Risk Committee which is reproduced immediately following the Directors' Report on page 21 of this Financial Report.

The external auditor attends the Company's AGM and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

#### Corporate reporting

In complying with recommendation 4.2, the CEO and CFO make the following annual certifications to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and the Group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

### Principles 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

#### Continuous disclosure and shareholder communication

The Company has written policies and procedures regarding the disclosure of information that focus on the continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage their effective participation at general meetings. A summary of these policies and procedures is available on the Company's website.

The Company Secretary has been nominated as the primary person responsible for communications with the Australian Securities Exchange ("ASX"). This role includes the responsibility for ensuring compliance with the various continuous disclosure requirements detailed in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public. An external investor relations group is retained by the Company to assist it with the creation and dissemination of information regarding the Company to its stakeholders.

All information disclosed to the ASX is posted on the Company's website as soon as it is released to the ASX. When analysts are briefed on the Group's operations, the materials used in the presentation are released to the ASX and posted on the Company's website. Procedures have also been established for reviewing whether any price sensitive information may have been inadvertently disclosed and, if so, this information is also immediately released to the Market.

The Company's website enables users to provide feedback to the Company and has an option for shareholders to register their email addresses to receive direct email updates on all Company-related matters that it may release.

All shareholders are entitled to receive a hard copy of the Company's Annual and Half-Year Reports which are also available for download on its website.

## Principle 7: Recognise and manage risk

The Board is responsible for satisfying itself annually, or more frequently as required, that Management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the Audit and Risk Committee and reviewed by the full Board.

The Audit and Risk Committee is responsible for ensuring there are adequate policies in place in relation to risk management, compliance and internal control systems. The Committee monitors the Company's risk management processes by overseeing Management's actions in the evaluation, management, monitoring and reporting of material operational, financial, regulatory, compliance and strategic risks faced by the Company.

In providing this oversight, the Audit and Risk Committee:

- reviews the framework and methodology for risk identification, the degree of risk the Company is willing to accept, the overall management of risk and the processes for reviewing and evaluating the effectiveness of the Company's risk management system;
- reviews Group-wide objectives in the context of the abovementioned categories of corporate risk;
- reviews and, where necessary, approves guidelines and policies governing the identification, assessment and management of the Company's exposure to risk, including the regular review of the Group's detailed Risk Register;
- reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis; and
- reviews compliance with agreed policies.

The Committee recommends any actions it deems appropriate in relation to risk to the Board for its consideration.

Management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system and has to report to the Audit and Risk Committee on the effectiveness of:

- the risk management and internal control system during the year; and
- the Company's management of its material business risks via its documented Risk Register.

The Company does not believe that it has specific exposure to unusual economic, environmental or social sustainability risks beyond those that would apply to all listed companies.

### Risk management group

The Company's risk management policies and the operation of its risk management and compliance system, which are documented in the Group's Risk Register, are managed by the Company's risk management group which consists of selected senior executives and is chaired by the Company's Chief Financial Officer. The Board receives reports from this group as to the effectiveness of the Company's management of material risks that may impede or impact the Company's ability to meet its business objectives. The Risk Register is reviewed and updated on a regular basis, with the most recent review having taken place on 20 May 2021.

Each of the Company's business units report to the risk management group on the key business risks applicable to their respective areas. The review is undertaken by business unit management, following which the risk management group consolidates the business unit reports and recommends any actions to the Audit and Risk Committee, and subsequently the Board, for their consideration.

**Principle 8: Remunerate fairly and responsibly**

All matters pertaining to the remuneration of the Company's Directors and employees are overseen and managed by the Nomination and Remuneration Committee, as described above. As necessary, Committee members consider information received from external remuneration experts and other independent sources in relation to recent developments on remuneration and related matters.

Each member of the Executive Team signs a formal employment contract at the time of his or her appointment which documents a range of matters including their remuneration, duties, rights, responsibilities and any entitlements they may receive on termination. The standard contract refers to a specific formal job description which is reviewed by the Nomination and Remuneration Committee on a regular basis and, where necessary, is revised in consultation with the relevant employee.

Further information on Directors' and Executives' remuneration, including the principles used to determine remuneration, is set out in the Directors' Report under the heading "Remuneration Report" on pages 12 to 19 of this Financial Report. In accordance with the Group's policy, participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

The Nomination and Remuneration Committee also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive training and development programs and ensuring that adequate arrangements are in place so that appropriate candidates can be recruited for promotion to senior positions.

# Consolidated Statement of Comprehensive Income/(Loss)

For the year ended 30 June 2021

	Notes	Consolidated	
		30 June 2021 \$	30 June 2020 \$
<b>Continuing operations</b>			
Revenue	4	1,692,840	123,850
Cost of sales		(819,912)	(7,064)
Gross profit		872,928	116,786
Other income	5	129,101	340,078
Accounting, tax and audit fees		(113,319)	(211,715)
Administration expenses		(725,329)	(533,321)
Finance costs		(294,158)	(205,136)
Legal and regulatory expenses		(309,550)	(166,051)
Personnel expenses		(3,425,074)	(3,145,372)
Sales, marketing and distribution expenses		(285,629)	(65,510)
Travel and accommodation		(54,820)	(119,437)
Loss before income tax		(4,205,850)	(3,989,678)
Income tax benefit/(expense)	8(a)	-	-
<b>Loss for the year</b>	6	(4,205,850)	(3,989,678)
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange gains on translation of controlled foreign operations	22(b)	54,355	205
Other comprehensive income/(loss) for the year, net of tax		54,355	205
<b>Total comprehensive loss for the year</b>		(4,151,495)	(3,989,473)
<b>Loss for the year is attributable to:</b>			
Owners of Cronos Australia Limited		(4,049,209)	(3,937,213)
Non-controlling interests	24	(156,641)	(52,465)
<b>Total loss for the year</b>		(4,205,850)	(3,989,678)
<b>Total comprehensive loss for the year is attributable to:</b>			
Owners of Cronos Australia Limited		(3,994,854)	(3,937,008)
Non-controlling interests	24	(156,641)	(52,465)
<b>Total comprehensive loss for the year</b>		(4,151,495)	(3,989,473)
<b>Loss per share attributable to owners of Cronos Australia Limited and from continuing operations:</b>			
Basic and diluted loss per share	7	(0.03)	(0.04)

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	Consolidated	
		30 June 2021 \$	30 June 2020 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	10	9,467,175	14,685,943
Trade and other receivables	11	433,328	27,200
Inventories	12	1,338,747	192,450
Other assets	13	519,507	339,780
<b>Total Current Assets</b>		<b>11,758,757</b>	<b>15,245,373</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	14	437,862	490,380
Intangible assets and goodwill	15	491,457	491,457
<b>Total Non-Current Assets</b>		<b>929,319</b>	<b>981,837</b>
<b>Total Assets</b>		<b>12,688,076</b>	<b>16,227,210</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	16	1,002,226	452,436
Interest-bearing liabilities	17	2,110,217	72,584
Chattel mortgage liabilities	18	-	31,892
Employee benefit provisions	19	99,516	70,516
<b>Total Current Liabilities</b>		<b>3,211,959</b>	<b>627,428</b>
<b>Non-Current Liabilities</b>			
Interest-bearing liabilities	20	253,687	2,103,113
<b>Total Non-Current Liabilities</b>		<b>253,687</b>	<b>2,103,113</b>
<b>Total Liabilities</b>		<b>3,465,646</b>	<b>2,730,541</b>
<b>Net Assets</b>		<b>9,222,430</b>	<b>13,496,669</b>
<b>Equity</b>			
Share capital	21	20,012,053	20,012,053
Reserves	22	116,827	214,934
Accumulated losses	23	(10,833,270)	(6,784,061)
Equity attributable to owners of the Company		9,295,610	13,442,926
Non-controlling interests	24	(73,180)	53,743
<b>Total Equity</b>		<b>9,222,430</b>	<b>13,496,669</b>

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	Attributable to members of Cronos Australia Limited			Non- controlling interests \$	Totals \$
	Share capital \$	Reserves \$	Accumulated losses \$		
<b>Balance at 30 June 2019</b>	54,655	-	(2,846,848)	-	(2,792,193)
Loss for the year	-	-	(3,937,213)	(52,465)	(3,989,678)
Other comprehensive income/(loss)	-	205	-	-	205
<b>Total comprehensive income/(loss)</b>	-	205	(3,937,213)	(52,465)	(3,989,473)
<i>Transactions with owners</i>					
Shares issued for cash	20,000,000	-	-	98,000	20,098,000
Shares issued for loans	3,500,000	-	-	-	3,500,000
Equity transaction costs	(3,542,602)	-	-	-	(3,542,602)
Share-based payments	-	214,729	-	-	214,729
Proportionate share of assets acquired in subsidiary	-	-	-	8,208	8,208
<b>Total transactions with owners</b>	19,957,398	214,729	-	106,208	20,278,335
<b>Balance at 30 June 2020</b>	20,012,053	214,934	(6,784,061)	53,743	13,496,669
Loss for the year	-	-	(4,049,209)	(156,641)	(4,205,850)
Other comprehensive income/(loss)	-	54,355	-	-	54,355
<b>Total comprehensive income/(loss)</b>	-	54,355	(4,049,209)	(156,641)	(4,151,495)
<i>Transactions with owners</i>					
Share-based payments	-	(21,744)	-	-	(21,744)
Acquisition of non-controlling interests without a change in control	-	(130,718)	-	29,718	(101,000)
<b>Total transactions with owners</b>	-	(152,462)	-	29,718	(122,744)
<b>Balance at 30 June 2021</b>	<b>20,012,053</b>	<b>116,827</b>	<b>(10,833,270)</b>	<b>(73,180)</b>	<b>9,222,430</b>

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Notes	Consolidated	
		30 June 2021 \$	30 June 2020 \$
<b>Cash flows from/(used in) operating activities</b>			
Receipts from customers		1,228,932	114,783
Payments made to suppliers and employees		(6,250,341)	(5,200,773)
Receipts from Government stimulus schemes		179,263	75,478
Interest received		46,091	131,924
<b>Net cash flows from/(used in) operating activities</b>	28	<b>(4,796,055)</b>	<b>(4,878,588)</b>
<b>Cash flows from/(used in) investing activities</b>			
Proceeds from sale of plant and equipment		500	-
Acquisition of non-controlling interests		(101,000)	-
Purchases of plant and equipment	14(c)	(40,185)	(120,201)
Payment of security deposits		(20,000)	(149,204)
Landlord incentive received		-	49,384
Payment for acquisition of subsidiary, net of cash	26(a)	-	(295,894)
<b>Net cash flows from/(used in) investing activities</b>		<b>(160,685)</b>	<b>(515,915)</b>
<b>Cash flows from/(used in) financing activities</b>			
Proceeds from non-controlling interests		30,000	-
Payment of equity issuance costs		(171,889)	-
Payment of lease liabilities	17(a)	(87,316)	(11,215)
Chattel mortgage repayments	18	(32,823)	(53,682)
Proceeds from the issue of shares	21(b)	-	20,000,000
Proceeds from convertible loans	21(b)	-	3,500,000
Proceeds from the issue of shares to non-controlling interests	26(b)	-	98,000
Payment of transaction costs related to the issue of shares		-	(3,092,824)
Repayment of loan from related parties	17(c)	-	(519,512)
<b>Net cash flows from/(used in) financing activities</b>		<b>(262,028)</b>	<b>19,920,767</b>
Net increase/(decrease) in cash and cash equivalents held		<b>(5,218,768)</b>	14,526,264
Cash and cash equivalents at the beginning of the year		<b>14,685,943</b>	159,679
<b>Cash and cash equivalents at the end of the year</b>	<b>10</b>	<b>9,467,175</b>	<b>14,685,943</b>

The accompanying notes form an integral part of these consolidated financial statements.

# Notes to the Financial Statements

For the year ended 30 June 2021

## 1. CORPORATE INFORMATION

The financial statements of Cronos Australia Limited (“CAL” and the “Company”) for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Company’s Board of Directors dated 27 August 2021. CAL was incorporated in Australia on 27 September 2018 and is a company limited by shares. The Company is listed on the Australian Securities Exchange and trades under the ASX symbol CAU.

The Company, together with its subsidiaries, are referred to in these financial statements as the “Group”.

The Company operates in the medicinal cannabis industry in Australia and has also launched three ranges of consumer products for sale in Australia and target markets in Asia. CAL’s operations are headquartered in Melbourne, Australia.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Cronos Australia Limited is a for-profit entity for the purpose of preparing the financial statements.

#### Compliance with IFRS

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

#### New and amended standards adopted by the Group

New Accounting Standards and Interpretations not yet mandatory, or early adopted Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the reporting year ended 30 June 2021.

#### Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2020.

#### Historical cost convention

These financial statements have been prepared under the historical cost convention.

#### Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in *Note 3*.

#### Going concern

The financial statements contained in this consolidated Financial Report have been prepared on a going concern basis. While the longer-term impacts of the COVID-19 pandemic are uncertain, the Company does not believe that the pandemic will have a significant impact on its operations during the coming financial year.

### (b) New and amended accounting standards and interpretations

A number of new and revised standards and interpretations are effective from 1 July 2020, however they did not have a material impact on the disclosures or amounts recognised in the Company’s consolidated financial statements for the year ended 30 June 2021.

A number of new standards are effective for annual periods beginning after 1 July 2021 and earlier application is permitted. However, in preparing these consolidated financial statements, the Group has not early adopted the new or amended standards.

### (c) Principles of consolidation

#### Subsidiaries

The consolidated financial statements of Cronos Australia Limited (the “Company”, “CAL” or the “Parent Entity”) for the year ended 30 June 2021 incorporate the assets and liabilities of the subsidiaries it controlled as at balance date, being Cronos Australia Group Pty. Ltd., Cronos Australia – Operations Pty. Ltd., Prominent Brands Pty. Ltd., Cronos Australia – New Zealand Limited, Personal Care Asia Limited, Personal Care Asia GK, Medical Clinic Holdings Pty. Ltd., Cannadoc Health Pty. Ltd., Cannadoc Health (NZ) Limited and CBD Joint Venture Pty. Ltd. and their results for the periods then ended. CAL and its subsidiaries together are referred to in these financial statements as the “Group”.

Subsidiaries are entities controlled by the Group. The Group “controls” an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intercompany transactions and unrealised gains/losses on transactions between Group companies are offset against the respective loan accounts and eliminated on consolidation. Expenses paid by one Group company on behalf of another and all intercompany charges are offset against the respective loan accounts. Unrealised losses are eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are changed where necessary to ensure consistency with Group policies. Non-controlling interests in the results and equity of the subsidiaries are shown separately in the consolidated statement of comprehensive income/(loss), statement of financial position and statement of changes in equity, respectively.

The functional and presentation currency of the Company and its subsidiaries is the Australian dollar (AUD).

#### Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of at least 20% and less than 50% of the entity’s voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at fair market value. As at 30 June 2021, the Group has no investments in associates.

The Group’s share of any associate’s post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised as a reduction in the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a reserve within equity attributable to owners of Cronos Australia Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

#### (d) Foreign currency translation

The functional and presentation currency of Cronos Australia Limited and its Australian subsidiaries is the Australian dollar (AUD). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction.

Monetary assets and liabilities which are denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate ruling at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates ruling at the date when the fair value was determined. The functional currencies of the Company's four overseas subsidiaries are as follows:

- Cronos Australia – New Zealand Limited and Cannadoc Health (NZ) Limited – New Zealand dollars (NZD)
- Personal Care Asia Limited – Hong Kong dollars (HKD)
- Personal Care Asia GK – Japanese yen (JPY)

As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of Cronos Australia Limited at the rate of exchange ruling at the balance sheet date and the statement of comprehensive income is translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to the foreign currency translation reserve (refer *Note 22*). On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

#### (e) Earnings per share (“EPS”)

Basic EPS is calculated by dividing the profit/(loss) attributable to owners of the Company by the total combined weighted average number of ordinary shares outstanding at the end of the financial year. Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with the dilutive potential of ordinary shares and the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares, if any.

#### (f) Revenue recognition

Revenues are recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenues can be reliably measured. Revenues are recognised at the fair value of the consideration received or receivable net of the amounts of Goods and Services Tax. The following recognition criteria must also be met before revenue is recognised:

##### Revenue from the sale of medicinal cannabis and consumer products

Revenues derived from the sale of medicinal cannabis and consumer products are recognised when ownership of the products passes and all of the Company's related obligations have been met.

##### Rendering of services

Revenues derived from the rendering of medical consulting services by the doctors at Cannadoc Health Pty. Ltd. are recognised when the services have been provided and the fee for the services provided is recoverable. Service arrangements are of short duration (in most cases less than one hour).

##### Interest received

Revenue is recognised as the interest accrues using the effective interest method.

### (g) Government grants

Government grants are assistance provided by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Group other than the requirement to operate in certain regions or industry sectors.

Amounts received under Government COVID-19-related stimulus schemes are recognised as other income when confirmation the payments will be made is received and the Company has satisfied its obligations under the scheme. All such amounts are recorded in the statement of comprehensive income/(loss) on a gross basis. During the year ended 30 June 2021, the Group received payments under the Government's "Cash Flow Boost" scheme totalling \$82,266 (refer *Note 5*). The Group was not eligible to receive payments under the "Job Keeper" scheme.

### (h) Income tax

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the national income tax rate applicable for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those differences and losses. Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Cronos Australia Limited formed a tax consolidated group with its wholly-owned Australian-resident subsidiaries on 27 September 2018.

### (i) Other taxes

Revenues, expenses and assets are recognised net of the amount of Australian Goods and Services Tax (GST), or the respective foreign equivalent thereof, except where the GST incurred on a purchase of goods and services is not recoverable from the respective taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the cash flow statement on a gross basis and the GST component arising from investing and financing activities, which is recoverable from or payable to the taxation authority, are classified as operating cash flows.

#### **(j) Finance costs**

Finance costs are recognised using the effective interest rate method.

#### **(k) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Company's Chief Executive Officer.

#### **(l) Share-based payment transactions**

The Group provides benefits to Group employees in the form of share-based payment transactions, whereby employees render services and receive rights over shares in the form of performance rights and options ("equity-settled transactions"). The Company has an Employee Incentive Plan ("EIP") in place to provide these benefits to executives and the cost of these transactions is measured by reference to the fair value at the date they are granted.

The fair values of performance rights and options granted under the EIP is determined by BDO Corporate Finance (East Coast) Pty. Ltd. ("BDO"), an independent valuer, using a Black-Scholes option-pricing model. In valuing such equity-settled transactions, no account is taken of any non-market performance conditions. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the relevant vesting conditions are fulfilled, ending on the date the relevant employees become entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired; and (ii) the number of awards that, in the opinion of the Directors of CAL, will ultimately vest. This opinion is formed based on the best information available at balance date.

The Group uses non-market vesting conditions for its share-based payment transactions and no cumulative expense is recognised for any awards that do not ultimately vest. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as at the date of modification. Where appropriate, the dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share. The Company's policy is to treat the unexercised performance rights and options of former employees as forfeitures.

#### **(m) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above. Cash at bank earns interest at floating rates based on daily bank deposit rates. Term deposits are typically made for varying periods of between one day and six months, depending on the Company's immediate cash requirements, and earn interest at the respective deposit rates.

#### **(n) Trade and other receivables**

Trade receivables, which are non-interest bearing and generally have terms of between 30 to 90 days, are recognised and carried at the original invoice amount less an allowance for uncollectible amounts. Impairment is valued using a model based on expected credit losses. Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset.

#### **(o) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle. In the case of manufactured inventories, cost includes freight and associated costs incurred to bring the products to the Company in readiness for sale.

#### **(p) Performance bonds and security deposits**

Performance bonds and security deposits include cash deposits held as security for the performance of certain contractual obligations of the Company.

**(q) Deferred IPO expenses**

Costs incurred in relation to the Company's IPO in November 2019, but which were paid prior to the IPO, were capitalised as an asset in the statement of financial position and were subsequently offset against the funds raised from the issue of shares as part of the IPO.

**(r) Leases**

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease contained in AASB 16 *Leases*.

At the commencement, or on modification, of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, in respect of the lease of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore that asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those which apply to other items of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate the lease early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" (*Note 14(a)*) and lease liabilities in "interest-bearing liabilities" (*Notes 17 and 20*) in the statement of financial position.

### (s) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on both diminishing value method ("DVM") and straight line ("SL") bases over the estimated useful lives of the respective assets, as follows:

- Motor vehicles – 25% DVM
- Computer equipment – 66.7% DVM
- Leasehold improvements – 20% SL
- Office and clinic equipment – 40% DVM

Costs relating to the day-to-day servicing of any item of property, plant and equipment are recognised in profit or loss as incurred. The cost of replacing larger parts of some items of property, plant and equipment are capitalised when incurred and depreciated over the period until their next scheduled replacement, with the replacement parts being subsequently written off.

Right-of-use assets in relation to leases are depreciated using the straight-line method from the commencement date to the end of the lease term (refer *Note 2(r)*).

### (t) Intangible assets and goodwill

#### Licences

Licences acquired enable the Group to cultivate, produce, manufacture, research, import and export medicinal cannabis in Australia. As detailed in *Note 15*, the costs incurred to date have been capitalised in the statement of financial position and are carried at their approximate cost. Licences held have an indefinite life and are therefore not amortised but rather assessed annually for impairment or when there are indicators of impairment present.

Licences are carried at historical cost less any accumulated impairment losses. External costs incurred in filing, renewing and protecting the licences, for which no future benefit is assured, are expensed as incurred.

#### Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following its initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment at each reporting date, or more frequently if there is evidence that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with AASB 8 *Operating Segments*.

#### Trademarks

Costs incurred in respect of other intangible assets, including trademarks that are acquired by the Group and have finite useful lives, are expensed as incurred.

**(u) Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value-in-use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at its revalued amount, in which case the impairment loss is treated as a revaluation decrease.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If so, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless it reverses a decrement previously charged to equity, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(v) Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables and other payables generally have terms of between 30 and 60 days.

**(w) Chattel mortgage agreements**

Finance leases and hire purchase agreements, including chattel mortgages, which transfer to the Group substantially all the risks and benefits incidental to ownership of the financed item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

The relevant payments made under the agreements are apportioned between finance charges and a reduction of the associated liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss. Capitalised leased assets and other assets under finance agreements are depreciated over the shorter of the estimated useful life of the asset or the term of the agreement. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

**(x) Borrowings**

Borrowings are recorded as a liability in the statement of financial position at the face value of the amounts borrowed, together with any accrued interest that may be payable. To the extent that a borrowing is likely to be repayable more than twelve months from the balance date, that portion of the borrowing is recorded as a non-current liability.

**(y) Contributed equity**

Issued capital is recognised at the fair value of the consideration received by the Company. Transaction costs arising on the issue of shares are recognised directly in equity as a deduction, net of tax, of the proceeds received.

## **(z) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## **(aa) Employee benefits**

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and, when appropriate to do so, long service leave. Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Expenses for non-accumulating sick leave are recognised when the leave is taken during the year and are measured at rates paid or payable.

In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used. Employee benefits expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits and other types of employee benefits are recognised against profits on a net basis in their respective categories.

## **(bb) Business combinations**

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. All costs relating to acquisitions are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

## **(cc) Comparative information**

Certain comparative information has been restated to ensure consistent treatment with current year numbers.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are evaluated and based on historical experience and other factors, including expectations of events that may have a financial impact on the Company and are believed to be reasonable under the circumstances.

#### (a) Critical accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of certain assets and liabilities within the next annual reporting period are set out below.

##### Research and development tax incentive

The Company's research and development activities may be eligible under the Australian Federal Government's research and development tax incentive scheme (the "Scheme"). A refundable tax offset equal to 43.5% of qualifying expenditure is available to eligible companies, such as CAL. The Group measures the estimated incentive receivable at balance date by applying an allocation methodology to the relevant expenses incurred. Any under/over accrual of the receivable is recognised in the statement of comprehensive income/(loss) when the payment is received. The Group lodged its first claim under the Scheme for the year ended 30 June 2018. No claim has been made in respect of the years ended 30 June 2019, 2020 or 2021, as the Company incurred no eligible expenditure.

##### Inventories

The Group values inventories of finished goods in accordance with the accounting policies stated in *Note 2(o)*. This process requires an estimation to be made of the net realisable value of inventories. Net realisable value is the estimated selling price less the estimated selling expenses.

##### Licences

Determining whether the indefinite life licences described in *Note 2(t)* are impaired is a matter of judgement. The Company undertakes a full assessment of impairment of indefinite life licences annually, as required by Accounting Standards. At other reporting periods, the Company assesses whether there are any indicators of impairment present. Where such indicators exist, a full impairment assessment is undertaken.

##### Impairment of intangible assets and goodwill

The Group determines whether intangible assets, including goodwill, are impaired on at least a bi-annual basis, in accordance with the accounting policies stated in *Notes 2(t)* and *2(u)*. This process requires an estimation to be made of the recoverable amount of the cash-generating units to which the respective assets are allocated.

##### Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the value of the equity instruments at the date on which they are granted. The fair value is determined by an independent valuer using a Black-Scholes options-pricing model.

#### (b) Critical judgements in applying the Group's accounting policies

##### Research and development costs ("R&D costs")

An intangible asset arising from development expenditure incurred on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the project so that it will be available for use or sale, its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to reliably measure the expenditure attributable to the intangible asset during its development. To date, all R&D costs incurred have been expensed, as their recoverability cannot be regarded as assured. In future, the Group will only capitalise R&D costs when specific milestones are met and when the Group is able to demonstrate that future economic benefits are probable.

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
<b>4. REVENUE</b>		
Sale of medicinal cannabis products	1,212,307	11,586
Medical consultation fees	471,795	112,264
Sale of consumer products	8,738	-
Total revenue	1,692,840	123,850
<b>5. OTHER INCOME</b>		
Payments received under Government stimulus schemes	82,266	190,183
Interest received	46,563	132,195
Profit on sale of plant and equipment	272	17,700
Total other income	129,101	340,078
<b>6. PROFIT/(LOSS) BEFORE INCOME TAX</b>		
Profit/(loss) before income tax includes:		
Amortisation of right-of-use assets (refer Note 14(a))	(80,515)	(11,803)
Depreciation of property, plant and equipment (refer Note 14(c))	(55,944)	(29,203)
Employee benefits expenses	(3,425,074)	(3,145,372)
<b>7. PROFIT/(LOSS) PER SHARE</b>		
The following reflects the income and share data used in the calculations of basic and diluted profit/(loss) per share:		
Profit/(loss) for the year attributable to the owners of the Company	(4,049,209)	(3,937,213)
Weighted average number of shares used in calculating profit/(loss) per share	128,750,000	91,739,726
<b>8. INCOME TAX</b>		
<b>(a) Reconciliation of income tax expense to prima facie tax payable</b>		
Profit/(loss) before income tax	(4,205,850)	(3,989,678)
Tax at the Australian tax rate of 26.0% (2020: 27.5%)	1,093,521	1,097,161
<b>Tax effect of adjustments relating to non-temporary differences</b>		
Non-assessable payments under Government stimulus schemes	21,389	40,369
Share-based payments credits/(expenses)	5,653	(59,050)
Equity issuance costs	(11,375)	-
Non-deductible entertainment expenses	(3,042)	(3,166)
	1,106,146	1,075,314
<b>Tax effect of adjustments relating to temporary differences</b>		
Temporary differences not recognised	(66,685)	36,649
	1,039,461	1,111,963
Tax effect of tax losses not recognised	(1,039,461)	(1,111,963)
Income tax benefit/(expense)	-	-

	Consolidated	
	30 June 2021 \$	30 June 2020 \$
<b>8. INCOME TAX (CONT.)</b>		
<b>(b) Deferred tax assets/(liabilities)</b>		
Deferred IPO expenses	138,465	219,680
Accrued interest on loans	121,427	80,330
Lease liabilities	91,987	107,023
Employee benefit provisions and accruals	88,708	20,326
Site-related expenses	37,503	58,247
Intellectual property	16,193	7,840
Right-of-use assets	(79,497)	(94,130)
Licences	(52,000)	(55,000)
Depreciable assets	(3,718)	-
Prepayments	(330)	(14,193)
Tax losses	2,908,120	1,968,565
	3,266,858	2,298,688
Deferred tax assets on temporary differences not brought to account	(3,266,858)	(2,298,688)
Total net deferred tax assets	-	-
<b>(c) Tax losses</b>		
Australia	9,897,908	6,704,742
Total Australian deferred tax assets on tax losses not recognised	2,573,456	1,843,804

Subject to the Group continuing to meet the relevant tests, Australian tax losses are available for offset against future taxable income. As at balance date, there are estimated Australian unrecognised tax losses with a benefit of \$2,573,456 (2020: \$1,843,804) that have not been recognised as a deferred tax asset to the Group. In addition, there are further, unquantified, tax losses that may potentially be available in various foreign jurisdictions, including Hong Kong and Japan.

The unrecognised deferred tax assets will only be obtained if:

- The Group derives future assessable income of a nature and amount to enable the benefits to be realised;
- The Group companies continue to comply with the conditions for deductibility imposed by the law, including the transfer of losses into the tax consolidated group; and
- No changes in tax legislation adversely affect the Group companies from realising the benefit.

#### (d) Tax consolidation legislation

On 27 September 2018, Cronos Australia Limited and its three wholly-owned Australian controlled entities at the time formed an income tax consolidated group under the tax consolidation regime. As at 30 June 2021, the unrecognised tax losses relating to tax consolidated group are \$9,376,639 (2020: \$6,552,631).

## 9. DIVIDENDS AND DISTRIBUTIONS

No dividends were paid during the year ended 30 June 2021, nor have the Directors recommended that any dividend be declared or paid in the foreseeable future. Rather, the Company intends to retain any earnings to finance its future growth and development. Any future payment of cash dividends will be dependent upon, amongst other things, the Company's future earnings, financial condition, capital requirements, and such other factors as the Board of Directors may deem relevant at that time.

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
<b>10. CASH AND CASH EQUIVALENTS</b>		
Cash at bank	<b>9,466,723</b>	14,685,491
Cash on hand	<b>452</b>	452
Total cash and cash equivalents	<b>9,467,175</b>	14,685,943
<b>11. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	<b>317,666</b>	7,518
Net GST receivable	<b>115,167</b>	19,682
Accrued interest	<b>495</b>	-
Total trade and other receivables	<b>433,328</b>	27,200
<i>Note: Trade and other receivables for the Group as at 30 June 2021 (and 30 June 2020) are all stated in Australian dollars. Refer Note 34 for details of contractual maturity and management of the risks applicable to trade and other receivables for which, due to their short-term nature, their carrying value approximates their fair value.</i>		
<b>12. INVENTORIES</b>		
Finished goods on hand, at cost	<b>1,054,068</b>	192,450
Raw materials on hand, at cost	<b>284,679</b>	-
Total inventories	<b>1,338,747</b>	192,450
<b>13. OTHER ASSETS</b>		
Deferred equity issuance costs	<b>293,321</b>	-
Security deposits	<b>175,204</b>	155,204
Prepayments	<b>50,982</b>	184,576
Total other assets	<b>519,507</b>	339,780
<i>Note: Costs incurred in relation to a planned equity issuance are capitalised as an asset in the statement of financial position and will be transferred to equity when the equity transaction is recognised, or recognised in profit or loss if the equity issuance is no longer expected to be completed.</i>		

	Consolidated	
	30 June 2021 \$	30 June 2020 \$
<b>14. PROPERTY, PLANT AND EQUIPMENT</b>		
Right-of-use assets	305,759	342,290
Property, plant and equipment	132,103	148,090
Total property, plant and equipment	437,862	490,380
<b>(a) Right-of-use assets</b>		
Balance at the beginning of the year	342,290	-
Add: recognition of right-of-use asset	43,984	354,093
Less: amortisation expense charged	(80,515)	(11,803)
Net right-of-use assets	305,759	342,290
<p><i>Note: On 13 March 2020, the Company entered into a five-year lease, with effect from 11 May 2020, in respect of office premises located at Suite 8, Level 3, 299 Toorak Road, South Yarra, Victoria 3141. On 11 March 2021, Cannadoc Health Pty. Ltd., a subsidiary, entered into a two-year lease, with effect from 21 January 2021, in respect of office premises located at Suite 3, Level 8, 492 St. Kilda Road, Melbourne, Victoria 3004. Pursuant to AASB 16 Leases, the Company has recorded right-to-use assets (refer above) and current and non-current lease liabilities in respect of the leases (refer Notes 17 and 20, respectively).</i></p>		
<b>(b) Property, plant and equipment</b>		
Office and clinic equipment, at cost	75,735	59,468
Less: accumulated depreciation	(28,743)	(4,945)
Net office and clinic equipment	46,992	54,523
Leasehold improvements, at cost	56,904	56,904
Less: accumulated amortisation	(12,921)	(1,540)
Net leasehold improvements	43,983	55,364
Motor vehicles, at cost	51,512	51,512
Less: accumulated depreciation	(31,536)	(24,878)
Net motor vehicles	19,976	26,634
Computer equipment, at cost	44,635	22,026
Less: accumulated depreciation	(23,483)	(10,457)
Net computer equipment	21,152	11,569
Total net property, plant and equipment	132,103	148,090
<b>(c) Reconciliation of property, plant and equipment</b>		
Opening gross carrying amount	189,910	113,227
Add: additions purchased during the year	40,185	120,201
Add: assets acquired on acquisition (refer Note 26(d))	-	7,994
Less: disposals made during the year	(1,309)	(51,512)
Closing gross carrying amount	228,786	189,910

	Consolidated	
	30 June 2021 \$	30 June 2020 \$
<b>(c) Reconciliation of property, plant and equipment (CONT.)</b>		
Opening accumulated depreciation	<b>(41,820)</b>	(36,825)
Add: depreciation expense charged	<b>(55,944)</b>	(29,203)
Add: accumulated depreciation acquired on acquisition (refer Note 26(d))	-	(404)
Less: disposals made during the year	<b>1,081</b>	24,612
Closing accumulated depreciation	<b>(96,683)</b>	(41,820)
Total net property, plant and equipment	<b>132,103</b>	148,090

Asset category	Opening carrying amount \$	Additions \$	Disposals \$	Depreciation expense \$	Closing carrying amount \$
Office and clinic equipment	54,523	16,267	-	(23,798)	<b>46,992</b>
Leasehold improvements	55,364	-	-	(11,381)	<b>43,983</b>
Motor vehicles	26,634	-	-	(6,658)	<b>19,976</b>
Computer equipment	11,569	23,918	(228)	(14,107)	<b>21,152</b>
Totals	148,090	40,185	(228)	(55,944)	<b>132,103</b>

	Consolidated	
	30 June 2021 \$	30 June 2020 \$
<b>15. INTANGIBLE ASSETS AND GOODWILL</b>		
Goodwill	<b>291,457</b>	291,457
Licences	<b>200,000</b>	200,000
Total intangible assets and goodwill	<b>491,457</b>	491,457

*Note: As part of the restructure of the Group immediately prior to the incorporation of CAL, Cronos Australia Group Pty. Ltd. acquired 100% of the shares of Cronos Australia – Operations Pty. Ltd. (“CAO”) and is therefore considered to control CAO. The accounting implications of this ownership change resulted in the recognition of the fair value of the licences held by CAO at \$200,000 which the Directors have determined approximates the costs incurred in obtaining them.*

*On 3 February 2020, the Group paid \$300,000 to the Founders of Cannadoc Health Pty. Ltd. (“Cannadoc”) to acquire a total of 102 of the 200 shares in Cannadoc, representing 51% of the issued capital of that company. The net assets of Cannadoc on the date of acquisition were \$8,543, such that goodwill of \$291,457 arose on that date (refer Note 26(c)).*

For the purposes of impairment testing, the above goodwill and licences, being indefinite-lived intangible assets, have been allocated to the Group’s clinics and medical CGUs (operating divisions), respectively.

The recoverable amount of both CGUs was based on their value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGUs. The recoverable amount of the CGUs was determined to be higher than their carrying amounts.

The key assumptions used in the estimation of value in use for both CGUs were as follows:

- Discount rate 12%: Based on a market-determined, risk adjusted pre-tax nominal discount rate of 12%.
- Terminal growth rate 2%: The terminal growth rate of 2% adopted for all CGUs represents the growth rate applied to cash flows beyond the five-year forecast period. The terminal growth rate is based on management expectations of the CGU’s long-term performance after considering current conditions and available external market data.
- Budgeted EBITDA: Budgeted EBITDA was based on management’s expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
<b>16. TRADE AND OTHER PAYABLES</b>		
Trade payables	495,395	95,295
Accrued expenses	423,832	226,586
Payroll-related payables (excluding annual leave)	77,627	87,735
Other payables	5,372	42,820
<b>Total trade and other payables</b>	<b>1,002,226</b>	<b>452,436</b>
<p><i>Note: Trade and other payables for the Group as at 30 June 2021 include amounts due in Japanese yen of JPY 1,094,529 (2020: JPY 280,800), Hong Kong dollars of HKD 49,616 (2020: nil), US dollars of USD 8,500 (2020: USD 34,088) and Great British pounds of GBP 3,006 (2020: GBP 2,879). Refer Note 34 for details of contractual maturity and management of the risks applicable to trade and other payables for which, due to their short-term nature, their carrying value approximates their fair value.</i></p>		
<b>17. INTEREST-BEARING LIABILITIES (CURRENT)</b>		
Lease liabilities	100,111	72,584
Unsecured loan	2,010,106	-
<b>Total interest-bearing liabilities (current)</b>	<b>2,110,217</b>	<b>72,584</b>
<b>(a) Lease liabilities (current)</b>		
Balance at the beginning of the year	72,584	-
Add: recognition of lease liability	43,984	354,093
Add: interest charged on leases	7,954	1,403
Add: landlord incentive received	-	44,895
Less: payments made under leases	(87,316)	(11,215)
<b>Net total lease liabilities</b>	<b>37,206</b>	<b>389,176</b>
Net transfer from/(to) non-current liabilities (refer Note 20(a))	62,905	(316,592)
<b>Net lease liabilities (current)</b>	<b>100,111</b>	<b>72,584</b>
<b>Reconciliation of net lease liabilities (current)</b>		
Future payments to be made under leases	106,550	80,099
Future interest to be paid on lease liabilities	(6,439)	(7,515)
<b>Net lease liabilities (current)</b>	<b>100,111</b>	<b>72,584</b>
<p><i>Note: On 13 March 2020, the Company entered into a lease, with effect from 11 May 2020, in respect of office premises located at Suite 8, Level 3, 299 Toorak Road, South Yarra, Victoria 3141. On 11 March 2021, Cannadoc Health Pty. Ltd., one of the Company's subsidiaries, entered into a lease, with effect from 21 January 2021, in respect of office premises located at Suite 3, Level 8, 492 St. Kilda Road, Melbourne, Victoria 3004.</i></p> <p><i>Pursuant to AASB 16 Leases, the Company has recorded right-to-use assets (refer Note 14(a)) and lease liabilities in respect of both leases (refer above and Note 20(a)).</i></p>		

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
<b>17. INTEREST-BEARING LIABILITIES (CURRENT) (CONT.)</b>		
<b>(b) Unsecured loan</b>		
Balance at the beginning of the year	-	-
Add: balance transferred from non-current liability on 1 January 2021 (refer Note 20(b))	<b>1,877,754</b>	-
Add: interest accrued on loan	<b>89,274</b>	-
Add: royalties accrued via addition to loan	<b>43,078</b>	-
Balance at the end of the year	<b>2,010,106</b>	-
<p><i>Note: During the year ended 30 June 2019, Cronos Australia – Operations Pty. Ltd. (a wholly-owned subsidiary of CAL) established a loan facility via an agreement with Cronos Group Inc. (“CGI”), the Company’s largest shareholder. Under the loan agreement, CGI made available a facility of \$1,500,000 that was applied towards working capital and costs associated with the Company’s listing on the ASX. The full amount of the facility was drawn down during the year ended 30 June 2019. The loan is unsecured and attracts an interest rate of 12% per annum. Under the terms of the agreement, the loan from CGI (plus the royalties accrued in respect of the Company’s IP Licence with CGI and interest accrued) is not repayable until 1 January 2022.</i></p>		
<b>(c) Unsecured loan</b>		
Balance at the beginning of the year	-	513,923
Add: interest accrued on loan	-	5,589
Less: repayment of loan	-	(519,512)
Balance at the end of the year	-	-
<p><i>Note: During the year ended 30 June 2019, Cronos Australia – Operations Pty. Ltd. established a loan facility via an agreement with NewSouthern Capital Pty. Ltd. (“NSC”). Under the agreement, NSC made available a facility of \$500,000 to be applied towards working capital and costs associated with the listing of the Company on the ASX. The balance of the loan from NSC (plus accrued interest), of \$519,512, was repaid in full on 2 August 2019.</i></p>		
<b>18. CHATTEL MORTGAGE LIABILITIES</b>		
Balance at the beginning of the year	<b>31,892</b>	81,976
Add: interest charged	<b>931</b>	3,598
Less: mortgage payments made	<b>(7,031)</b>	(21,422)
Less: payout of residual	<b>(25,792)</b>	(32,260)
Balance at the end of the year	-	31,892
<b>(a) Reconciliation of chattel mortgage liabilities</b>		
Current liability	-	31,892
Total chattel mortgage liabilities	-	31,892

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 18. CHATTEL MORTGAGE LIABILITIES (CONT.)

#### (b) Reconciliation of future payments

	Future minimum payments		Interest		Present value of minimum lease payments	
	2021	2020	2021	2020	2021	2020
Less than one year	-	32,823	-	931	-	31,892
Total payments	-	32,823	-	931	-	31,892

Note: During the year ended 30 June 2018, Cronos Australia Group Pty. Ltd. financed via chattel mortgages the purchase of two commercial vehicles used in the Group's business. The mortgages covered a period of three years and were subject to an interest rate of 4.31% per annum. A total of 36 monthly payments were initially payable, with a residual payment equal to 50% of the total purchase price payable at the end of each mortgage period.

On 9 June 2020, an amount of \$32,260 was paid to extinguish the chattel mortgage in respect of one of the above vehicles that was subsequently sold for \$44,600. A profit on sale amounting to \$17,700 was recorded on the date of sale, being 19 June 2020 (refer Note 5). On 5 March 2021, an amount of \$25,792 was paid to extinguish the chattel mortgage in respect of the remaining vehicle which is still being used in the Company's business.

	Consolidated	
	30 June 2021 \$	30 June 2020 \$
<b>19. EMPLOYEE BENEFIT PROVISIONS</b>		
<b>Annual leave</b>		
Balance at the beginning of the year	70,516	2,968
Add: annual leave obligation accrued during the year	122,248	142,284
Less: annual leave utilised during the year	(65,759)	(52,647)
Less: annual leave paid out on termination of employees	(27,489)	(22,089)
Balance at the end of the year	99,516	70,516
<b>20. INTEREST-BEARING LIABILITIES (NON-CURRENT)</b>		
Lease liabilities	253,687	316,592
Unsecured loan	-	1,786,521
Total interest-bearing liabilities (non-current)	253,687	2,103,113
<b>(a) Lease liabilities (non-current)</b>		
Balance at the beginning of the year	316,592	-
Net transfer from/(to) current liabilities (refer Note 17(a))	(62,905)	316,592
Net lease liabilities (non-current)	253,687	316,592

	Consolidated	
	30 June 2021 \$	30 June 2020 \$
<b>20. INTEREST-BEARING LIABILITIES (NON-CURRENT) (CONT.)</b>		
<b>Reconciliation of net lease liabilities (non-current)</b>		
Future payments to be made under leases	<b>261,010</b>	329,756
Future interest to be paid on lease liabilities	<b>(7,323)</b>	(13,164)
Net lease liabilities (non-current)	<b>253,687</b>	316,592
<p><i>Note: On 13 March 2020, the Company entered into a lease, with effect from 11 May 2020, in respect of office premises located at Suite 8, Level 3, 299 Toorak Road, South Yarra, Victoria 3141. On 11 March 2021, Cannadoc Health Pty. Ltd., one of the Company's subsidiaries, entered into a two-year lease, with effect from 21 January 2021, in respect of office premises located at Suite 3, Level 8, 492 St. Kilda Road, Melbourne, Victoria 3004.</i></p> <p><i>Pursuant to AASB 16 Leases, the Company has recorded right-to-use assets (refer Note 14(a)) and lease liabilities in respect of both leases (refer Note 17(a) and above).</i></p>		
<b>(b) Unsecured loan</b>		
Balance at the beginning of the year	<b>1,786,521</b>	1,606,027
Add: interest accrued on loan	<b>91,233</b>	180,494
Less: balance transferred to current liability on 1 January 2021 (refer Note 17(b))	<b>(1,877,754)</b>	-
Balance at the end of the year	-	1,786,521
	Consolidated	
	30 June 2021 \$	30 June 2020 \$
<b>21. SHARE CAPITAL</b>		
<b>(a) Issued and paid-up capital</b>		
Fully paid ordinary shares	<b>20,012,053</b>	20,012,053
Total share capital	<b>20,012,053</b>	20,012,053
<b>(b) Movements in shares on issue</b>		
<b>Year ended 30 June 2021</b>	<b>Number</b>	<b>\$</b>
Balance at the beginning of the year	<b>128,750,000</b>	<b>20,012,053</b>
Balance at the end of the year	<b>128,750,000</b>	<b>20,012,053</b>
<b>Year ended 30 June 2020</b>	<b>Number</b>	<b>\$</b>
Balance at the beginning of the year	4,000,000	54,655
Add: issue of ordinary shares prior to IPO (not for cash)	76,000,000	-
Add: issue of ordinary shares on IPO at 50 cents per share (for cash)	40,000,000	20,000,000
Add: issue of ordinary shares on conversion of unsecured loans	8,750,000	3,500,000
Less: transaction costs related to IPO	-	(3,542,602)
Balance at the end of the year	128,750,000	20,012,053

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 21. SHARE CAPITAL (CONT.)

#### (c) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

#### (d) Capital management

When managing capital, Management's objective is to ensure that the Group continues as a going concern as well as to provide returns for shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure to minimise the entity's cost of capital.

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
<b>22. RESERVES</b>		
Share-based payments reserve	192,985	214,729
Foreign currency translation reserve	54,560	205
Capital reserve	(130,718)	-
Total reserves	116,827	214,934
<b>(a) Share-based payments reserve</b>		
Balance at the beginning of the year	214,729	-
Movement in reserve during the year	(21,744)	214,729
Balance at the end of the year	192,985	214,729
<i>Note: This reserve is used to record the value of share-based payments provided to employees and others providing similar services as part of their remuneration.</i>		
<b>(b) Foreign currency translation reserve</b>		
Balance at the beginning of the year	205	-
Movement in reserve during the year	54,355	205
Balance at the end of the year	54,560	205
<i>Note: This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.</i>		
<b>(c) Capital reserve</b>		
Balance at the beginning of the year	-	-
Movement in reserve during the year	(130,718)	-
Balance at the end of the year	(130,718)	-
<i>Note: This reserve is used to record the value of amounts paid to increase the Group's equity interest in Cannadoc Health Pty. Ltd. (refer Note 26(d)).</i>		
<b>23. ACCUMULATED LOSSES</b>		
Balance at the beginning of the year	(6,784,061)	(2,846,848)
Add: loss attributable to owners of Cronos Australia Limited	(4,049,209)	(3,937,213)
Balance at the end of the year	(10,833,270)	(6,784,061)

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
<b>24. NON-CONTROLLING INTERESTS</b>		
Balance at the beginning of the year	<b>53,743</b>	-
Add: share of net assets acquired by non-controlling interests	<b>29,718</b>	8,208
Less: share of operating losses	<b>(156,641)</b>	(52,465)
Add: investment made by non-controlling interests	-	98,000
Balance at the end of the year	<b>(73,180)</b>	53,743

	30 June 2021	30 June 2020
<b>25. OPTIONS AND PERFORMANCE RIGHTS</b>		
<b>(a) Reconciliation of options granted</b>		
Balance at the beginning of the year	<b>3,026,400</b>	-
Less: options forfeited during the year	<b>(461,400)</b>	-
Add: options granted during the year to Underwriters of IPO	-	2,000,000
Add: options granted during the year to Executives of the Company	-	1,026,400
Balance at the end of the year	<b>2,565,000</b>	3,026,400

**(b) Option terms**

Date granted	Quantity	Exercise price (cents)	Vesting date	Expiry date	Fair market value (cents)
7 November 2019	86,300	50.0	7 November 2020	7 November 2023	17.40
7 November 2019	2,000,000	65.0	7 November 2019	31 December 2021	5.59
7 November 2019	181,200	67.0	7 November 2021	7 November 2023	14.71
7 November 2019	297,500	83.0	7 November 2022	7 November 2023	12.80
Totals	2,565,000				

Note: None of the above options are listed on the ASX.

	30 June 2021	30 June 2020
<b>(c) Reconciliation of performance rights</b>		
Balance at the beginning of the year	<b>1,120,000</b>	-
Less: rights forfeited during the year	<b>(1,060,000)</b>	-
Add: rights granted during the year to Executives of the Company	-	120,000
Add: rights granted to Founders of Cannadoc Health Pty. Ltd.	-	1,000,000
Balance at the end of the year	<b>60,000</b>	1,120,000

Note: None of the above performance rights are listed on the ASX.

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
<b>26. ACQUISITION OF SUBSIDIARY</b>		
<b>(a) Payment for acquisition of subsidiary, net of cash</b>		
Cash consideration paid	-	(300,000)
Add: cash acquired	-	4,106
Net payment for acquisition of subsidiary	-	(295,894)
<b>(b) Contribution of equity capital made to subsidiary</b>		
Equity capital contribution made by Company (51%)	-	102,000
Add: equity capital contribution made by non-controlling interests (49%)	-	98,000
Total equity capital contribution made to subsidiary	-	200,000
<b>(c) Goodwill arising on acquisition of subsidiary</b>		
Cash consideration paid	-	300,000
Add: non-controlling interests	-	8,208
Less: net assets acquired	-	(16,751)
Goodwill arising on acquisition of subsidiary (refer Note 15)	-	291,457
<b>(d) Assets purchased on acquisition of subsidiary</b>		
Office equipment, at cost	-	7,609
Less: accumulated depreciation	-	(352)
Net office equipment purchased	-	7,257
Computer equipment, at cost	-	385
Less: accumulated depreciation	-	(52)
Net computer equipment purchased	-	333
Total net assets purchased on acquisition of subsidiary	-	7,590

*Note: On 3 February 2020, the Group executed a Share Transfer and Shareholders Agreement (the "Agreement") pursuant to which it paid \$300,000 to acquire a 51% equity interest in Cannadoc Health Pty. Ltd. ("Cannadoc"), a company operating a medical clinic business specialising in cannabinoid-based therapies. Immediately following the acquisition, the shareholders of Cannadoc contributed a further \$200,000 in equity capital (refer Note 26(b)). Under the Agreement, the Company acquired its economic interest in the Cannadoc business with effect from 1 January 2020 and, accordingly, the results of the Cannadoc business have been consolidated into the Group result from that date.*

*Under the terms of the Agreement, CAL agreed to make available to Cannadoc a loan facility of up to \$1 million on commercial terms, which may be used for working capital purposes and to further expand the business (refer Note 32(c)). As at balance date, an amount of \$250,000 has been advanced to Cannadoc under this facility. The loan is secured and attracts interest at a rate of 9% per annum, which has been accrued into the outstanding balance.*

*On 1 February 2021, the Group paid \$101,000 to acquire a further 24.5% interest in Cannadoc, taking the Group's total interest in Cannadoc to 75.5%. The amount paid by the Group to acquire this interest has been reflected in a capital reserve (refer Note 22(c)).*

## 27. EMPLOYEE BENEFITS

### (a) Employee options and performance rights

On 4 September 2019, the Company established an Employee Incentive Plan (“EIP”) pursuant to which the Directors may, at their discretion, grant options and performance rights over the Company’s ordinary shares to Executives and employees of the Group (refer Note 25).

During the year ended 30 June 2020, the Company granted a total of 3,026,400 options over the Company’s ordinary shares to the Underwriter of its IPO (2,000,000) and to certain Executives of the Company (1,026,400). In addition, a total of 1,120,000 performance rights were granted to certain Executives of the Company (120,000) and employees of Cannadoc Health Pty. Ltd. (1,000,000).

During the year ended 30 June 2021, a total of 461,400 options and 1,060,000 performance rights were forfeited following the resignations of the holders of the respective securities. There were no further options or performance rights issued during the year ended 30 June 2021.

The fair value of each option granted under the EIP is estimated by an external independent valuer using a Black-Scholes option-pricing model, with the following assumptions used for grants made during the year ended 30 June 2020:

	30 June 2020
Dividend yield	N/A
Historic volatility and expected volatility	70%
Option exercise prices	\$0.50 to \$0.83
Weighted average exercise price	\$0.677
Risk-free interest rate	0.75% to 0.88%
Expected life of an option	2.15 years to 4 years

### (b) Superannuation commitments

During the year ended 30 June 2021, the Group made statutory contributions to superannuation funds on behalf of its Australian employees at a rate of 9.5% per annum, in addition to other superannuation contributions as part of salary packaging arrangements with certain staff. All contributions are expensed when incurred. Contributions made by the Group of 9.5% per annum of an employee’s salaries up to a statutory limit are legally enforceable in Australia. A provision for annual leave accrued and taken during the year by employees of the Group was also maintained.

Effective from 1 July 2021, the rate at which the Group will make statutory contributions to superannuation funds on behalf of its Australian employees will increase to 10.0% per annum.

	Consolidated	
	30 June 2021 \$	30 June 2020 \$
<b>28. RECONCILIATION OF CASH FLOWS</b>		
<b>Reconciliation of loss for the year</b>		
Reconciliation of loss for the year after income tax to the net cash flows from/(used in) operating activities		
Loss for the year	<b>(4,205,850)</b>	(3,989,678)
<b>Non-cash items</b>		
Interest expense accrued	<b>180,507</b>	186,083
Amortisation of right-of-use assets	<b>80,515</b>	11,803
Depreciation of property, plant and equipment	<b>55,944</b>	29,203
Royalties accrued	<b>43,078</b>	-
Unrealised foreign currency losses	<b>24,848</b>	7,958
Interest charged on lease liabilities	<b>7,954</b>	1,403
Share-based payments expense/(credit)	<b>(21,744)</b>	214,729
Bad debts written off	<b>(9,389)</b>	(1,975)
Profit on sale of plant and equipment	<b>(272)</b>	(17,700)
Government stimulus payments accrued	<b>-</b>	(96,798)
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in trade and other receivables	<b>(406,128)</b>	7,758
(Increase)/decrease in inventories	<b>(1,146,297)</b>	(192,450)
(Increase)/decrease in other assets	<b>(133,594)</b>	(124,053)
Increase/(decrease) in trade and other payables	<b>705,373</b>	(982,419)
Increase/(decrease) in employee benefit provisions	<b>29,000</b>	67,548
Net cash flows from/(used in) operating activities	<b>(4,796,055)</b>	(4,878,588)

## 29. SEGMENT INFORMATION

### (a) Reportable segments

The Group has identified three reportable business segments based on the products sold and/or the services provided, as set out below, as these represent the source of the Group's major risks and have the greatest effect on the rates of return. The Group has identified two geographic segments, being Australia (including New Zealand) and Asia, based on the jurisdictions where the Company's operations are located. The segments are reported in a manner consistent with the reporting provided to the chief operating decision maker, being the Company's Chief Executive Officer.

### (b) Segment accounting policies

Segment information is prepared in conformity with the accounting policies of the entity and Accounting Standard AASB 8 *Operating Segments*. As a result, the primary reporting segments reflect more closely the information that Management uses to make decisions about operating matters. Interest received and finance costs are allocated under the heading *Corporate* as they are not part of the core operations of any other segment.

## 29. SEGMENT INFORMATION (CONT.)

### (c) Business segments

The Group's three business segments can be described as follows:

- *Medical* – involving the sale of medicinal cannabis products
- *Clinics* – involving the operation of medicinal cannabis clinics
- *Consumer* – involving the sale of consumer products

The *Corporate* disclosures below include revenues, costs, assets and liabilities associated with CAL's headquarter function.

Segment		Sales revenue \$	Other income \$	Totals \$	Profit/(loss) \$
Medical	2021	1,211,626	-	1,211,626	(461,353)
	2020	11,430	21,798	33,228	(520,053)
Clinics	2021	471,795	-	471,795	(571,082)
	2020	112,420	62,500	174,920	(106,042)
Consumer	2021	9,419	-	9,419	(1,013,835)
	2020	-	-	-	(451,673)
Sub-totals	2021	1,692,840	-	1,692,840	(2,046,270)
	2020	123,850	84,298	208,148	(1,077,768)
Corporate	2021	-	129,101	129,101	(2,159,580)
	2020	-	255,780	255,780	(2,911,910)
Totals	2021	1,692,840	129,101	1,821,941	(4,205,850)
	2020	123,850	340,078	463,928	(3,989,678)

Segment		Assets \$	Liabilities \$	Depreciation/ amortisation \$	Purchases of equipment \$
Medical	2021	1,615,159	(385,583)	-	-
	2020	429,159	-	-	-
Clinics	2021	114,649	(96,091)	(10,075)	364
	2020	300,176	(28,449)	(2,026)	5,205
Consumer	2021	281,142	(102,921)	-	-
	2020	803	(54,498)	-	-
Sub-totals	2021	2,010,950	(584,595)	(10,075)	364
	2020	730,138	(82,947)	(2,026)	5,205
Corporate	2021	10,677,126	(2,881,051)	(126,384)	39,821
	2020	15,497,072	(2,647,594)	(38,980)	114,996
Totals	2021	12,688,076	(3,465,646)	(136,459)	40,185
	2020	16,227,210	(2,730,541)	(41,006)	120,201

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 29. SEGMENT INFORMATION (CONT.)

#### (d) Geographic segments

The Group's two geographic segments can be described as follows:

- *Australia* is the home country of the parent entity, Cronos Australia Limited, and the location of the Group's medicinal cannabis and clinics operations. Due to the relatively modest revenues generated by the Group in New Zealand, the activities undertaken by the Group in that country have been included under the heading *Australia*.
- *Asia* is the home of the Group's consumer business.

The *Corporate* disclosures below include revenues, costs, assets and liabilities associated with CAL's headquarter function.

		Sales revenue \$	Other income \$	Totals \$	Profit/(loss) \$
Australia	<b>2021</b>	<b>1,686,247</b>	-	<b>1,686,247</b>	<b>(1,193,569)</b>
	2020	123,850	84,298	208,148	(627,103)
Asia	<b>2021</b>	<b>6,593</b>	-	<b>6,593</b>	<b>(852,701)</b>
	2020	-	-	-	(450,665)
Sub-totals	<b>2021</b>	<b>1,692,840</b>	-	<b>1,692,840</b>	<b>(2,046,270)</b>
	2020	123,850	84,298	208,148	(1,077,768)
Corporate	<b>2021</b>	-	<b>129,101</b>	<b>129,101</b>	<b>(2,159,580)</b>
	2020	-	255,780	255,780	(2,911,910)
Totals	<b>2021</b>	<b>1,692,840</b>	<b>129,101</b>	<b>1,821,941</b>	<b>(4,205,850)</b>
	2020	123,850	340,078	463,928	(3,989,678)

		Assets \$	Liabilities \$	Depreciation/ amortisation \$	Purchases of equipment \$
Australia	<b>2021</b>	<b>1,759,762</b>	<b>(488,500)</b>	<b>(10,075)</b>	<b>364</b>
	2020	729,486	(28,449)	(2,026)	5,205
Asia	<b>2021</b>	<b>251,188</b>	<b>(96,095)</b>	-	-
	2020	652	(54,498)	-	-
Sub-totals	<b>2021</b>	<b>2,010,950</b>	<b>(584,595)</b>	<b>(10,075)</b>	<b>364</b>
	2020	730,138	(82,947)	(2,026)	5,205
Corporate	<b>2021</b>	<b>10,677,126</b>	<b>(2,881,051)</b>	<b>(126,384)</b>	<b>39,821</b>
	2020	15,497,072	(2,647,594)	(38,980)	114,996
Totals	<b>2021</b>	<b>12,688,076</b>	<b>(3,465,646)</b>	<b>(136,459)</b>	<b>40,185</b>
	2020	16,227,210	(2,730,541)	(41,006)	120,201

#### (e) Additional segment disclosures

*Other income* – corporate includes interest received of \$46,563 (2020: \$132,195).

*Assets* – corporate includes cash and cash equivalents of \$9,117,798 (2020: \$14,685,943).

There were no intersegment sales.

#### (f) Major customers

As at 30 June 2021, the Group has two customers to whom it distributes products and from whom the Group generated revenues representing more than 10% of the total consolidated revenue from operations.

### 30. RELATED PARTY TRANSACTIONS

#### (a) Ultimate parent

Cronos Australia Limited is the ultimate Australian parent company. As at the date of this Report, no single shareholder controls more than 50 percent of the issued capital of the Company.

#### (b) Related party transactions

##### Unsecured loan – Cronos Group Inc.

During the year ended 30 June 2019, Cronos Australia – Operations Pty. Ltd. (a subsidiary of CAL) established a loan facility via an agreement with Cronos Group Inc. (“CGI”), the Company’s largest shareholder. Under the agreement, CGI made available a loan of \$1,500,000 that was applied towards working capital and costs associated with the Company’s listing on the ASX. The full amount of the facility was drawn down during the year ended 30 June 2019. The loan, which is unsecured and attracts an interest rate of 12% per annum, is repayable on, or before, 1 January 2022.

Apart from the above transaction, there were no transactions with related parties during the year ended 30 June 2021.

#### (c) Details Key Management Personnel as at balance date

##### Directors

Shane F. Tanner (*Non-Executive Chairman*)  
Daniel E. Abrahams (*Non-Executive Director*)  
Jason M. Adler (*Non-Executive Director*)  
Anna E. Burke AO (*Non-Executive Director*)  
Michael R. Gorenstein (*Non-Executive Director*)

##### Executives

Rodney D. Cocks CSM (*Executive Director / Chief Executive Officer*)  
Thomas G. Howitt (*Chief Financial Officer / Company Secretary*)

*Note: Lior Harel resigned as General Counsel and Company Secretary of the Company on 14 August 2020.*

#### (d) Remuneration of Key Management Personnel

	Consolidated	
	30 June 2021	30 June 2020
	\$	\$
Short-term employee benefits	1,131,135	1,782,099
Post-employment benefits	50,800	92,787
Share-based payments	31,026	95,300
Total remuneration of Key Management Personnel	1,212,961	1,970,186

*Note: Key Management Personnel include all Directors of the Company and members of the Executive Team that report directly to the CEO.*

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 30. RELATED PARTY TRANSACTIONS (CONT.)

#### (e) Shares held by Key Management Personnel

Interest in shares held in Cronos Australia Limited	Opening balance	Shares issued	Shares purchased	Shares sold	Closing balance
<b>Directors</b>					
Shane F. Tanner	350,000	-	-	-	350,000
Daniel E. Abrahams	100,000	-	-	-	100,000
Anna E. Burke AO	50,000	-	-	-	50,000
<b>Executives</b>					
Rodney D. Cocks CSM	20,000,000	-	-	-	20,000,000
Totals	20,500,000	-	-	-	20,500,000

#### (f) Options held by Key Management Personnel

Interest in options over Cronos Australia shares	Opening balance	Options granted	Options exercised	Closing balance	Vested at year end
<b>Executives</b>					
Thomas G. Howitt	565,000	-	-	565,000	86,300
Totals	565,000	-	-	565,000	86,300

Note: None of the above options are listed on the ASX.

#### (g) Performance rights held by Key Management Personnel

Interest in rights over Cronos Australia shares	Opening balance	Rights granted	Rights converted	Closing balance	Vested at year end
<b>Executives</b>					
Thomas G. Howitt	60,000	-	-	60,000	60,000
Totals	60,000	-	-	60,000	60,000

### 31. AUDITORS' REMUNERATION

Name of Auditor	Year	Audit services \$	Other services \$	Totals \$
KPMG	2021	75,000	5,000	80,000
	2020	82,000	-	82,000
Parkwell CPA Limited	2021	3,378	-	3,378
	2020	-	-	-
Total auditors' remuneration	2021	78,378	5,000	83,378
	2020	82,000	-	82,000

Note: Parkwell CPA Limited acts as auditor of the Company's wholly-owned, Hong Kong based subsidiary, Personal Care Asia Limited.

	Consolidated	
	30 June 2021 \$	30 June 2020 \$
<b>32. COMMITMENTS AND CONTINGENCIES</b>		
<b>(a) Lease expenditure commitments</b>		
<b>Minimum lease payments</b>		
Not later than one year	<b>106,550</b>	80,099
Later than one year but not later than five years	<b>261,010</b>	329,756
Later than five years	-	-
Total minimum lease payments	<b>367,560</b>	409,855

As at 30 June 2021, the Group had entered into two leases relating to the following office premises which has been recognised, along with corresponding right-of-use assets, under AASB 16 *Leases* (refer *Notes 14, 17 and 20*):

Location	Landlord	Date of expiry of lease	Minimum payments (\$)
Suite 8, Level 3, 299 Toorak Road South Yarra, Victoria 3141	Newmark Como Property Trust	10 May 2025	329,755
Suite 3, Level 8, 492 St. Kilda Road Melbourne, Victoria 3004	Perpetual Corporate Trust Limited	21 January 2023	37,805
			<b>367,560</b>

**(b) Chattel mortgage commitments**

**Minimum chattel mortgage payments**

Not later than one year	-	32,823
Later than one year but not later than five years	-	-
Later than five years	-	-
Total minimum chattel mortgage payments	-	<b>32,823</b>

*Note: The Company, via its wholly-owned subsidiary Cronos Australia Group Pty. Ltd., financed via a chattel mortgage the purchase of a commercial vehicle used in the Company's business. An amount of \$25,792 was paid on 5 March 2021 to extinguish the mortgage at the expiry of the mortgage term. The vehicle is now owned outright by the Company.*

**(c) Finance commitments**

**CBD Joint Venture Pty. Ltd.**

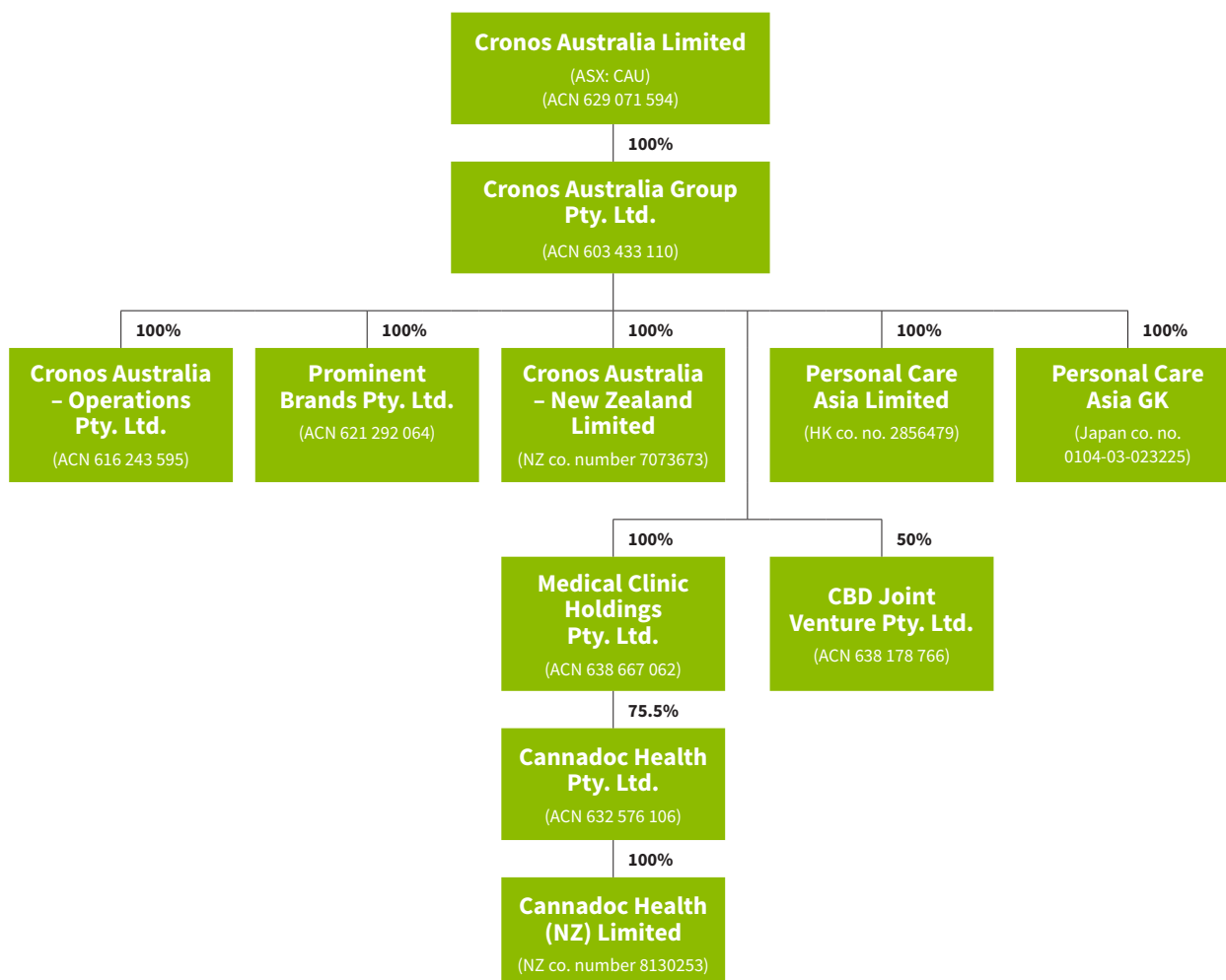
On 23 December 2019, the Company announced that it had formed a joint venture with A&S Branding Pty. Ltd. for the development of cannabidiol-based products. CAL will make available to the joint venture vehicle (CBD Joint Venture Pty. Ltd.) an unsecured loan facility of up to \$250,000 on commercial terms, which may be used for working capital purposes and to further expand the business. As at 30 June 2021, an amount of \$30,000 had been advanced by the Company to CBD Joint Venture Pty. Ltd. The loan is unsecured and no interest is charged.

**Cannadoc Health Pty. Ltd.**

On 3 February 2020, the Group executed a Share Transfer and Shareholders Agreement (the "Agreement") pursuant to which it acquired a 51% equity interest in Cannadoc Health Pty. Ltd. ("Cannadoc"), a Melbourne-based company operating a medical clinic business specialising in cannabinoid-based therapies. On 1 February 2021, the Group paid \$101,000 to acquire a further 24.5% interest in Cannadoc, taking the Group's total interest in Cannadoc to 75.5%. Under the terms of the Agreement, CAL agreed to make available to Cannadoc a loan facility of up to \$1 million on commercial terms, which may be used for working capital purposes and to further expand the business. As at 30 June 2021, an amount of \$250,000 had been advanced by the Company to Cannadoc. The loan is secured and interest is charged at a rate of 9.0 per cent per annum on the outstanding balance.

### 33. GROUP STRUCTURE

The following diagram is a depiction of the Group structure as at the date of this Report:



Name of Group company	Incorporation details (date and place)
Cronos Australia Limited	27 September 2018; Victoria, Australia
Cronos Australia Group Pty. Ltd.	18 December 2014, Victoria, Australia
Cronos Australia – Operations Pty. Ltd.	2 December 2016; Victoria, Australia
Prominent Brands Pty. Ltd.	24 August 2017; Victoria, Australia
Cronos Australia – New Zealand Limited	12 October 2018; New Plymouth, New Zealand
Personal Care Asia Limited	25 July 2019; Central, Hong Kong
Personal Care Asia GK	1 July 2020; Tokyo, Japan
Medical Clinic Holdings Pty. Ltd.	23 January 2020; Victoria, Australia
CBD Joint Venture Pty. Ltd.	20 December 2019; Victoria, Australia
Cannadoc Health Pty. Ltd.	28 March 2019; Victoria, Australia
Cannadoc Health (NZ) Limited	9 October 2020; New Plymouth, New Zealand

## 34. FINANCIAL RISK MANAGEMENT

### (a) Introduction

The Group's activities expose it to various financial risks such as credit risk, market risk (including foreign currency risk and interest rate risk) and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange, and interest rate and aging analysis in the case of credit risk.

The Group's overall risk profile is managed by the Company's Chief Risk Officer in conjunction with the other members of the Executive team. During the year ended 30 June 2021, the Company reviewed and updated its comprehensive Risk Register and documented the material perceived risks that the Group is currently exposed to, together with a detailed summary of the consequences of such risks occurring and the various actions that the Company can take to mitigate their impact. The updated Risk Register was tabled and discussed at a meeting of the Company's Audit and Risk Committee held on 20 May 2021, following which it was distributed to the Board for noting and comment.

The Group's principal financial instruments comprise cash and cash equivalents. The Group also has other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from its operations.

The Group does not enter into derivative transactions, such as interest rate swaps or forward currency contracts. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk exposures, foreign currency risk, interest rate risk and liquidity risk. The policies and procedures for managing these risks are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in Note 2.

The Group holds the following financial instruments:

	Consolidated	
	30 June 2021 \$	30 June 2020 \$
<b>Financial assets</b>		
Cash and cash equivalents	<b>9,467,175</b>	14,685,943
Trade and other receivables	<b>433,328</b>	27,200
Other assets	<b>226,186</b>	339,780
Total financial assets	<b>10,126,689</b>	15,052,923
<b>Financial liabilities</b>		
Trade and other payables	<b>1,002,226</b>	452,436
Interest-bearing liabilities	<b>2,010,106</b>	1,786,521
Lease liabilities	<b>353,798</b>	389,176
Chattel mortgage liabilities	-	31,892
Total financial liabilities	<b>3,366,130</b>	2,660,025

### 34. FINANCIAL RISK MANAGEMENT (CONT.)

#### (b) Credit risk

The Group's credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. If there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal and/or external ratings. The compliance with credit limits by customers is regularly monitored by Management. The maximum exposures to credit risk as at 30 June 2021 in relation to each class of recognised financial asset is the carrying amount of that asset, as recorded in the statement of financial position.

Financial assets included on the statement of financial position that potentially subject the Group to a concentration of credit risk consist principally of cash and cash equivalents. The Group minimises this concentration of risk by placing its cash and cash equivalents with financial institutions that maintain superior credit ratings in order to limit the degree of credit exposure. For banks and financial institutions, only independently-rated parties with a satisfactory credit rating are accepted. The Group has not entered into any transactions that qualify as a financial derivative instrument.

In addition, receivable balances are monitored on an ongoing basis such that the Group's exposure to bad debts is not significant. During the year ended 30 June 2021, an amount of \$9,389 (2020: \$1,975) had been written off in respect of bad debts. As at 30 June 2021, the Group had not raised any provisions for doubtful debts.

An analysis of the aging of trade receivables is provided below:

	Consolidated	
	30 June 2021 \$	30 June 2020 \$
<b>Trade receivables</b>		
Current (less than 30 days)	312,951	5,504
31 days to 60 days	4,346	190
61 days to 90 days	369	600
Greater than 90 days	-	1,224
Total trade receivables ( <i>Note 11</i> )	317,666	7,518

#### (c) Market risk

##### Foreign currency risk

The Group currently operates predominantly in Australia and Asia and, at balance date, has exposure to foreign currency exchange risk in currencies including Japanese yen, Hong Kong dollars, US dollars and Great British pounds. As the Company continues to expand its operations into other markets, this situation may change.

##### Interest rate risk

The Group's main interest rate risk arises in relation to its short-term deposits with various financial institutions. If interest rates were to decrease, the Group may generate less interest revenue from such deposits. However, given the relatively short duration of such deposits and the historically low deposit rates currently being offered by major banks in Australia, the associated risk is minimal. As at balance date, the Group had exposure to one interest bearing loan with a face value of \$1,500,000 that was subject to a fixed rate of interest of 12 percent per annum. This loan is due for repayment on, or before, 1 January 2022, though it is possible that the loan, together with all accrued interest, may be converted into equity before that date. Other than this loan, and the Company's various leases, the Company has no liabilities on which interest is charged as at balance date.

### 34. FINANCIAL RISK MANAGEMENT (CONT.)

#### (c) Market risk (CONT.)

The Group adopts a prudent approach to cash management that is tailored to cash forecasts rather than seeking the highest rates of return that may compromise access to funds as and when they are required. Where appropriate, the Group strives to deposit its surplus cash in a range of deposits over different time frames in order to diversify its portfolio and thereby minimise its overall risk. On a monthly basis, Management reviews all cash and cash equivalents, including the periods over which the cash has been deposited, the name and credit rating of the institution holding the deposit and the interest rates at which the funds have been deposited.

Given the historically low deposit interest rates being offered by major banks in Australia in respect of cash and cash equivalents held by the Group held during the year ended 30 June 2021, if interest rates had changed by +/- 50 percent from the year-end rates, with all other variables held constant, the Group's equity, relating solely to the movement in profit and loss for the year, would not have changed materially. The Group's principal interest rate exposure during the year ended 30 June 2021 arose in respect of a fixed rate borrowing from its major shareholder which was subject to an interest rate that did not fluctuate (see above).

The Group's exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both realised and unrealised, is as follows:

	Year	Floating rate \$	Fixed rate \$	Carrying amount \$	Weighted- average rate %	Maturity period days
<b>Financial assets</b>						
Cash and cash equivalents (Note 10)	<b>2021</b>	<b>9,467,175</b>	-	<b>9,467,175</b>	<b>0.10%</b>	<b>At call</b>
	2020	14,685,943	-	14,685,493	0.25%	At call
Other assets (Note 13)	<b>2021</b>	<b>226,186</b>	-	<b>226,186</b>	<b>0.39%</b>	<b>N/A</b>
	2020	339,780	-	339,780	0.28%	N/A
Totals	<b>2021</b>	<b>9,693,361</b>	-	<b>9,693,361</b>		
	2020	15,025,723	-	15,025,723		
<b>Financial liabilities</b>						
Interest-bearing liabilities (Notes 17 and 20)	<b>2021</b>	-	<b>2,010,106</b>	<b>2,010,106</b>	<b>12.00%</b>	<b>N/A</b>
	2020	-	1,786,521	1,786,521	12.00%	N/A
Lease liabilities (Notes 17 and 20)	<b>2021</b>	-	<b>353,798</b>	<b>353,798</b>	<b>2.15%</b>	<b>N/A</b>
	2020	-	389,176	389,176	2.15%	N/A
Chattel mortgage liabilities (Note 18)	<b>2021</b>	-	-	-	-	<b>N/A</b>
	2020	-	31,892	31,892	4.31%	N/A
Totals	<b>2021</b>	-	<b>2,363,904</b>	<b>2,363,904</b>		
	2020	-	2,207,589	2,207,589		

Note: All periods in respect of financial assets are for less than one year.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 34. FINANCIAL RISK MANAGEMENT (CONT.)

#### (d) Liquidity risk

Prudent liquidity risk management necessitates maintaining sufficient cash and cash equivalents and the availability of funding through committed credit facilities, such as credit card facilities. The Group manages liquidity risk by regularly monitoring forecast and actual cash flows and, wherever possible, matching the maturity profiles of financial assets and liabilities.

Due to the dynamic nature of the Company's underlying business, Management aims to maintain flexibility in funding by keeping committed credit lines available. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets. An analysis of the aging of trade payables is provided below:

	Consolidated	
	30 June 2021 \$	30 June 2020 \$
<b>Trade payables</b>		
Current (less than 30 days)	<b>460,413</b>	80,253
31 days to 60 days	<b>26,631</b>	15,042
61 days to 90 days	<b>8,351</b>	-
Greater than 90 days	-	-
Total trade payables (Note 16)	<b>495,395</b>	95,295

A balanced view of cash inflows and outflows affecting the Group is summarised in the table below:

		< 6 months \$	6 to 12 months \$	1 to 5 years \$	> 5 years \$	Totals \$
<b>Inflows – financial assets</b>						
Cash and cash equivalents	<b>2021</b>	<b>9,467,175</b>	-	-	-	<b>9,467,175</b>
	2020	14,685,943	-	-	-	14,685,943
Trade and other receivables	<b>2021</b>	<b>433,328</b>	-	-	-	<b>433,328</b>
	2020	27,200	-	-	-	27,200
Other assets	<b>2021</b>	<b>226,186</b>	-	-	-	<b>226,186</b>
	2020	339,780	-	-	-	339,780
Total financial assets	<b>2021</b>	<b>10,126,689</b>	-	-	-	<b>10,126,689</b>
	2020	15,052,923	-	-	-	15,052,923
<b>Outflows – financial liabilities</b>						
Trade and other payables	<b>2021</b>	<b>1,002,226</b>	-	-	-	<b>1,002,226</b>
	2020	452,436	-	-	-	452,436
Interest-bearing liabilities	<b>2021</b>	<b>2,010,106</b>	-	-	-	<b>2,010,106</b>
	2020	-	-	1,786,521	-	1,786,521
Lease liabilities	<b>2021</b>	<b>49,385</b>	<b>50,727</b>	<b>253,686</b>	-	<b>353,798</b>
	2020	35,898	36,686	316,592	-	389,176
Chattel mortgage liabilities	<b>2021</b>	-	-	-	-	-
	2020	4,638	27,254	-	-	31,892
Total financial liabilities	<b>2021</b>	<b>3,061,717</b>	<b>50,727</b>	<b>253,686</b>	-	<b>3,366,130</b>
	2020	492,972	63,940	2,103,113	-	2,660,025

## 34. FINANCIAL RISK MANAGEMENT (CONT.)

### (e) Classification of financial instruments

AASB 13 *Fair Value Measurement* establishes a fair value hierarchy that prioritises the input to valuation techniques used to measure fair value, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of the Company's financial assets and liabilities as at 30 June 2021 (as set out above), all of which are Level 3, approximate their carrying values due to the short-term nature of these instruments.

### (f) Borrowing facilities

The Group had access to the following borrowing facilities as at 30 June 2021:

	Facility limit \$	Amount used \$	Amount available \$
Nature of facility			
Loan from Cronos Group Inc.	1,500,000	(1,500,000)	-
Credit card facility from ANZ Banking Group	50,000	(16,275)	33,725

## 35. SUBSEQUENT EVENTS

There were no events that have occurred subsequent to balance date that have not been disclosed elsewhere in this Financial Report.

## Directors' Declaration

In the opinion of the Directors of Cronos Australia Limited:

1. the Financial Statements and accompanying notes, as set out on pages 32 to 70, are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

*Note 2* confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This Declaration is made in accordance with a resolution of the Directors.



SHANE F. TANNER  
Chairman



RODNEY D. COCKS CSM  
Director

Melbourne, 27 August 2021

# Corporate Directory

## DIRECTORS

Shane F. Tanner (*Non-Executive Chairman*)  
Rodney D. Cocks CSM (*Executive Director and Chief Executive Officer*)  
Daniel E. Abrahams (*Non-Executive*)  
Jason M. Adler (*Non-Executive*)  
Anna E. Burke AO (*Non-Executive*)  
Michael R. Gorenstein (*Non-Executive*)

## COMPANY SECRETARY

Thomas G. Howitt

## REGISTERED OFFICE

Suite 8, Level 3, 299 Toorak Road  
South Yarra Vic. 3141  
Australia

Email: [info@cronosaustralia.com](mailto:info@cronosaustralia.com)

## AUSTRALIAN BUSINESS NUMBER

59 629 071 594

## COMPANY WEBSITE

[www.cronosaustralia.com](http://www.cronosaustralia.com)

## STOCK EXCHANGE

**Australian Securities Exchange**  
Level 4, Rialto North Tower  
525 Collins Street  
Melbourne Vic. 3000  
Australia

ASX code: **CAU**

## SHARE REGISTER

**Link Market Services Limited**  
Level 13, Tower Four, Collins Square  
727 Collins Street  
Melbourne Vic. 3008  
Australia

Shareholder enquiries: **1300 554 474 (toll free)**

## BANKER

**Australia and New Zealand Banking Group Limited**  
833 Collins Street  
Docklands Vic. 3008  
Australia

## AUDITOR

**KPMG**  
Chartered Accountants  
Level 36, Tower Two, Collins Square  
727 Collins Street  
Melbourne Vic. 3008  
Australia



## Independent Auditor's Report

To the shareholders of Cronos Australia Limited

### Report on the audit of the Financial Report

#### Opinion

We have audited the **Financial Report** of Cronos Australia Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Statement of financial position as at 30 June 2021
- Statement of comprehensive income/(loss), Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of Cronos Australia Limited (the Company) and the entities it controlled at the year end or from time to time during the financial year.

#### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code)* that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

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### Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

#### Revenue recognition (\$1,692,840)

Refer to Note 2(f) *Revenue recognition* and Note 4 *Revenue*

The key audit matter	How the matter was addressed in our audit
<p>Revenue from the sale of medicinal cannabis products is recognised when the Group has delivered the product to its customers and revenue from medical consultation fees is recognised when the service has been provided.</p> <p>Revenue recognition is a key audit matter due to:</p> <ul style="list-style-type: none"><li>• the revenue recognised being significant to the understanding of the financial performance of the Group;</li><li>• the high volume of relatively low value individual transactions; and</li><li>• the judgements applied in determining whether the criteria for revenue recognition has been met and that revenue is recognised in the correct period.</li></ul>	<p>Our procedures included:</p> <ul style="list-style-type: none"><li>• We assessed the Group's revenue recognition accounting policies against the criteria in the accounting standards.</li><li>• We selected a sample of medical cannabis product sales and a sample of medical consultation fees. We checked the samples to underlying records including evidence of payment to assess the accuracy of revenue recognised and whether the revenue was recognised in the correct period.</li><li>• We evaluated the disclosures relating to revenue recognition against the criteria in the accounting standards.</li></ul>

### Other Information

Other Information is financial and non-financial information in Cronos Australia Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

#### Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our Auditor's Report.



## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Cronos Australia Limited for the year ended 30 June 2021, complies with *Section 300A of the Corporations Act 2001*.

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

### Our responsibilities

We have audited the Remuneration Report included in pages 12 to 19 of the Directors' report for the year ended 30 June 2021.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Gordon Sangster

*Partner*

Melbourne

27 August 2021

# Appendix 4G

## Key to Disclosures

### Corporate Governance Council Principles and Recommendations

Name of entity

**Cronos Australia Limited (ASX: CAU)**

ABN/ARBN

**59 629 071 594**

Financial year ended:

**30 June 2021**

Our corporate governance statement<sup>1</sup> for the period above can be found at:<sup>2</sup>

- ☒ These pages of our annual report: **Pages 22 to 31**
- ☐ This URL on our website:

The Corporate Governance Statement is accurate and up to date as at **27 August 2021** and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.<sup>3</sup>

Date: **27 August 2021**

Name of authorised officer  
authorising lodgement:

**Rodney Damon Cocks**

<sup>1</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of Listing Rule 4.10.3.

Under Listing Rule 4.7.3, an entity must also lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX. The Appendix 4G serves a dual purpose. It acts as a key designed to assist readers to locate the governance disclosures made by a listed entity under Listing Rule 4.10.3 and under the ASX Corporate Governance Council's recommendations. It also acts as a verification tool for listed entities to confirm that they have met the disclosure requirements of Listing Rule 4.10.3.

The Appendix 4G is not a substitute for, and is not to be confused with, the entity's corporate governance statement. They serve different purposes and an entity must produce each of them separately.

<sup>2</sup> Tick whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where your corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

<sup>3</sup> Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

See notes 4 and 5 below for further instructions on how to complete this form.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		Where a box below is ticked, <sup>4</sup> we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: <sup>5</sup>
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	A listed entity should have and disclose a board charter setting out: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	<input checked="" type="checkbox"/> and we have disclosed a copy of our board charter at: <b>www.cronosaustralia.com</b> ..... [insert location]	<input type="checkbox"/> set out in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

<sup>4</sup> Tick the box in this column only if you have followed the relevant recommendation in full for the whole of the period above. Where the recommendation has a disclosure obligation attached, you must insert the location where that disclosure has been made, where indicated by the line with “insert location” underneath. If the disclosure in question has been made in your corporate governance statement, you need only insert “our corporate governance statement”. If the disclosure has been made in your annual report, you should insert the page number(s) of your annual report (eg “pages 10-12 of our annual report”). If the disclosure has been made on your website, you should insert the URL of the web page where the disclosure has been made or can be accessed (eg “www.entityname.com.au/corporate governance/charters/”).

<sup>5</sup> If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

## Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation	Where a box below is ticked, <sup>4</sup> we have followed the recommendation <b>in full</b> for the <b>whole</b> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: <sup>5</sup>
<p>1.5 A listed entity should:</p> <p>(a) have and disclose a diversity policy;</p> <p>(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and</p> <p>(c) disclose in relation to each reporting period:</p> <p>(1) the measurable objectives set for that period to achieve gender diversity;</p> <p>(2) the entity's progress towards achieving those objectives; and</p> <p>(3) either:</p> <p>(A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or</p> <p>(B) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p> <p>If the entity was in the S&amp;P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.</p>	<p><input checked="" type="checkbox"/> and we have disclosed a copy of our diversity policy at: <b>www.cronosaustralia.com</b></p> <p>..... [insert location]</p> <p>and we have disclosed the information referred to in paragraph (c) at: <b>Page 23 of our 2021 Financial Report</b></p> <p>..... [insert location]</p> <p>and if we were included in the S&amp;P / ASX 300 Index at the commencement of the reporting period our measurable objective for achieving gender diversity in the composition of its board of not less than 30% of its directors of each gender within a specified period.</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	<p><input type="checkbox"/> and we have disclosed the evaluation process referred to in paragraph (a) at:</p> <p>..... [insert location]</p> <p>and whether a performance evaluation was undertaken for the reporting period in accordance with that process at:</p> <p>..... [insert location]</p>	<p><input checked="" type="checkbox"/> set out in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

## Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, <sup>4</sup> we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: <sup>5</sup>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and</p> <p>(b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.</p>	<p><input checked="" type="checkbox"/> and we have disclosed the evaluation process referred to in paragraph (a) at:</p> <p><b>In the Remuneration Report contained on pages 12 to 19 of our 2021 Financial Report</b></p> <p>.....</p> <p><i>[insert location]</i></p> <p>and whether a performance evaluation was undertaken for the reporting period in accordance with that process at:</p> <p><b>As above</b></p> <p>.....</p> <p><i>[insert location]</i></p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

## Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, <sup>4</sup> we have followed the recommendation <b>in full</b> for the <b>whole</b> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: <sup>5</sup>
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p><input checked="" type="checkbox"/> <i>[If the entity complies with paragraph (a):]</i></p> <p>and we have disclosed a copy of the charter of the committee at:</p> <p><b>www.cronosaustralia.com</b></p> <p>.....</p> <p><i>[insert location]</i></p> <p>and the information referred to in paragraphs (4) and (5) at:</p> <p><b>Page 20 of our 2021 Financial Report</b></p> <p>.....</p> <p><i>[insert location]</i></p> <p><i>[If the entity complies with paragraph (b):]</i></p> <p>and we have disclosed the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively at:</p> <p>.....</p> <p><i>[insert location]</i></p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.	<p><input type="checkbox"/></p> <p>and we have disclosed our board skills matrix at:</p> <p>.....</p> <p><i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> set out in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

## Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, <sup>4</sup> we have followed the recommendation <b>in full</b> for the <b>whole</b> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: <sup>5</sup>
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, affiliation or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	<input checked="" type="checkbox"/> and we have disclosed the names of the directors considered by the board to be independent directors at: <b>Page 24 of our 2021 Financial Report</b> ..... [insert location] and, where applicable, the information referred to in paragraph (b) at: ..... [insert location] and the length of service of each director at: <b>Pages 1 and 2 of our 2021 Financial Report</b> ..... [insert location]	<input type="checkbox"/> set out in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	<input type="checkbox"/>	<input checked="" type="checkbox"/> set out in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

## Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, <sup>4</sup> we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: <sup>5</sup>
<b>PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should articulate and disclose its values.	<input type="checkbox"/> and we have disclosed our values at: ..... <i>[insert location]</i>	<input checked="" type="checkbox"/> set out in our Corporate Governance Statement
3.2	A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code.	<input checked="" type="checkbox"/> and we have disclosed our code of conduct at: <b>www.cronosaustralia.com</b> ..... <i>[insert location]</i>	<input type="checkbox"/> set out in our Corporate Governance Statement
3.3	A listed entity should: (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	<input checked="" type="checkbox"/> and we have disclosed our whistleblower policy at: <b>www.cronosaustralia.com</b> ..... <i>[insert location]</i>	<input type="checkbox"/> set out in our Corporate Governance Statement
3.4	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or committee of the board is informed of any material breaches of that policy.	<input checked="" type="checkbox"/> and we have disclosed our anti-bribery and corruption policy at: <b>www.cronosaustralia.com</b> ..... <i>[insert location]</i>	<input type="checkbox"/> set out in our Corporate Governance Statement

## Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, <sup>4</sup> we have followed the recommendation <b>in full</b> for the <b>whole</b> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: <sup>5</sup>
<b>PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p><input checked="" type="checkbox"/></p> <p><i>[If the entity complies with paragraph (a):]</i></p> <p>and we have disclosed a copy of the charter of the committee at:</p> <p><b>www.cronosaustralia.com</b></p> <p>.....</p> <p><i>[insert location]</i></p> <p>and the information referred to in paragraphs (4) and (5) at:</p> <p><b>Page 20 of our 2021 Financial Report</b></p> <p>.....</p> <p><i>[insert location]</i></p> <p><i>[If the entity complies with paragraph (b):]</i></p> <p>and we have disclosed the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner at:</p> <p>.....</p> <p><i>[insert location]</i></p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p><input checked="" type="checkbox"/></p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement</p>
4.3	<p>A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.</p>	<p><input type="checkbox"/></p>	<p><input checked="" type="checkbox"/> set out in our Corporate Governance Statement</p>

## Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, <sup>4</sup> we have followed the recommendation <b>in full</b> for the <b>whole</b> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: <sup>5</sup>
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	<input checked="" type="checkbox"/> and we have disclosed our continuous disclosure compliance policy at: <b>www.cronosaustralia.com</b> ..... <i>[insert location]</i>	<input type="checkbox"/> set out in our Corporate Governance Statement
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<input checked="" type="checkbox"/> and we have disclosed information about us and our governance on our website at: <b>www.cronosaustralia.com</b> ..... <i>[insert location]</i>	<input type="checkbox"/> set out in our Corporate Governance Statement
6.2	A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement
6.3	A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	<input type="checkbox"/> and we have disclosed how we facilitate and encourage participation at meetings of security holders at: ..... <i>[insert location]</i>	<input checked="" type="checkbox"/> set out in our Corporate Governance Statement
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement

## Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, <sup>4</sup> we have followed the recommendation <b>in full</b> for the <b>whole</b> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: <sup>5</sup>
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p><input checked="" type="checkbox"/></p> <p><i>[If the entity complies with paragraph (a):]</i></p> <p>and we have disclosed a copy of the charter of the committee at:</p> <p><b>www.cronosaustralia.com</b></p> <p>.....</p> <p><i>[insert location]</i></p> <p>and the information referred to in paragraphs (4) and (5) at:</p> <p><b>Page 20 of our 2021 Financial Report</b></p> <p>.....</p> <p><i>[insert location]</i></p> <p><i>[If the entity complies with paragraph (b):]</i></p> <p>and we have disclosed the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework at:</p> <p>.....</p> <p><i>[insert location]</i></p>	<input type="checkbox"/> set out in our Corporate Governance Statement
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p><input checked="" type="checkbox"/></p> <p>and we have disclosed whether a review of the entity's risk management framework was undertaken during the reporting period at:</p> <p><b>Page 66 of our 2021 Financial Report</b></p> <p>.....</p> <p><i>[insert location]</i></p>	<input checked="" type="checkbox"/> set out in our Corporate Governance Statement

## Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, <sup>4</sup> we have followed the recommendation <b>in full</b> for the <b>whole</b> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: <sup>5</sup>
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.	<input checked="" type="checkbox"/> <i>[If the entity complies with paragraph (a):]</i> and we have disclosed how our internal audit function is structured and what role it performs at: ..... <i>[insert location]</i> <i>[If the entity complies with paragraph (b):]</i> and we have disclosed the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes at: <b>Page 28 of our 2021 Financial Report</b> ..... <i>[insert location]</i>	<input type="checkbox"/> set out in our Corporate Governance Statement
7.4	A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.	<input type="checkbox"/> and we have disclosed whether we have any material exposure to environmental and social risks at: ..... <i>[insert location]</i> and, if we do, how we manage or intend to manage those risks at: ..... <i>[insert location]</i>	<input checked="" type="checkbox"/> set out in our Corporate Governance Statement

## Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, <sup>4</sup> we have followed the recommendation <b>in full</b> for the <b>whole</b> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: <sup>5</sup>
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p><input checked="" type="checkbox"/> [If the entity complies with paragraph (a):]</p> <p>and we have disclosed a copy of the charter of the committee at:</p> <p><b>www.cronosaustralia.com</b></p> <p>.....</p> <p>[insert location]</p> <p>and the information referred to in paragraphs (4) and (5) at:</p> <p><b>Page 20 of our 2021 Financial Report</b></p> <p>.....</p> <p>[insert location]</p> <p>[If the entity complies with paragraph (b):]</p> <p>and we have disclosed the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p>.....</p> <p>[insert location]</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p><input checked="" type="checkbox"/> and we have disclosed separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives at:</p> <p><b>In the Remuneration Report contained on pages 12 to 19 of our 2021 Financial Report</b></p> <p>.....</p> <p>[insert location]</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		Where a box below is ticked, <sup>4</sup> we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: <sup>5</sup>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p><input checked="" type="checkbox"/> and we have disclosed our policy on this issue or a summary of it at: <b>In the Remuneration Report contained on pages 12 to 19 of our 2021 Financial Report</b> ..... [insert location]</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<b>ADDITIONAL RECOMMENDATIONS THAT APPLY ONLY IN CERTAIN CASES</b>			
9.1	A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.	<p><input type="checkbox"/> and we have disclosed information about the processes in place at: ..... [insert location]</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we do not have a director in this position and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
9.2	A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.	<input type="checkbox"/>	<p><input type="checkbox"/> set out in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are established in Australia and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
9.3	A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	<input type="checkbox"/>	<p><input type="checkbox"/> set out in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are established in Australia and not an externally managed listed entity and this recommendation is therefore not applicable</p> <p><input type="checkbox"/> we are an externally managed entity that does not hold an AGM and this recommendation is therefore not applicable</p>

## Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, <sup>4</sup> we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are: <sup>5</sup>
<b>ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES</b>			
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; and</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<input type="checkbox"/> and we have disclosed the information referred to in paragraphs (a) and (b) at: ..... <i>[insert location]</i>	<input type="checkbox"/> set out in our Corporate Governance Statement
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<input type="checkbox"/> and we have disclosed the terms governing our remuneration as manager of the entity at: ..... <i>[insert location]</i>	<input type="checkbox"/> set out in our Corporate Governance Statement