



# CRONOS AUSTRALIA LIMITED

ABN 59 629 071 594

QUARTERLY ACTIVITIES REPORT

AND

APPENDIX 4C OF THE ASX LISTING RULES

FOR THE QUARTER ENDED

31 DECEMBER 2021

## HIGHLIGHTS

- **Cronos Australia successfully completes merger with CDA Health Pty Ltd**
- **H1 FY2022 cash receipts of combined group exceeded \$28.5 million**
- **Combined group generated net positive operational cash flows of \$8.9 million in H1 FY2022**
- **Group closes out half-year with cash and cash equivalents in excess of \$12.9 million**
- **Market capitalisation of \$150 million, with 550.6 million shares now on issue**
- **Medicinal cannabis unit sales for the first half of FY2022 exceed unit sales for all of FY2021**
- **More than 190,000 products sold through BHC's CanView platform since 1 July 2021**
- **Adaya sales continue to grow, with 147% average increase quarter-on-quarter since 1 July 2020**

**Melbourne, Australia, 27 January 2022** - Pursuant to ASX Listing Rule 4.7C.1, Cronos Australia Limited (ASX: CAU; "Cronos Australia", "CAU", the "Company"), releases its Quarterly Activities Report ("Report") covering the period up to 31 December 2021. The Report should be read in conjunction with the attached ASX Appendix 4C, covering the quarter ended 31 December 2021.

"The merger with CDA Health is a key milestone achieved by Cronos Australia since its IPO in late 2019 and should propel the integrated company to a position of market leadership in Australia and position it for sustainable, profitable growth. The combined Cronos Australia and CDA Health business will allow us to take the Company to the next level of growth, both in Australia and offshore. Moving forward, the Group's expanded executive team is fully aligned in the bold vision for the Company as we scale existing operations and move into new markets and exploit strategic opportunities. The merger with CDA Health is a game changer for Cronos Australia and its shareholders and we look forward to working closely with Guy Headley, Dr Ben Jansen and the broader CDA Health team as we continue to integrate and grow the two businesses," said Cronos Australia CEO Rodney Cocks.

## ANNOUNCEMENTS

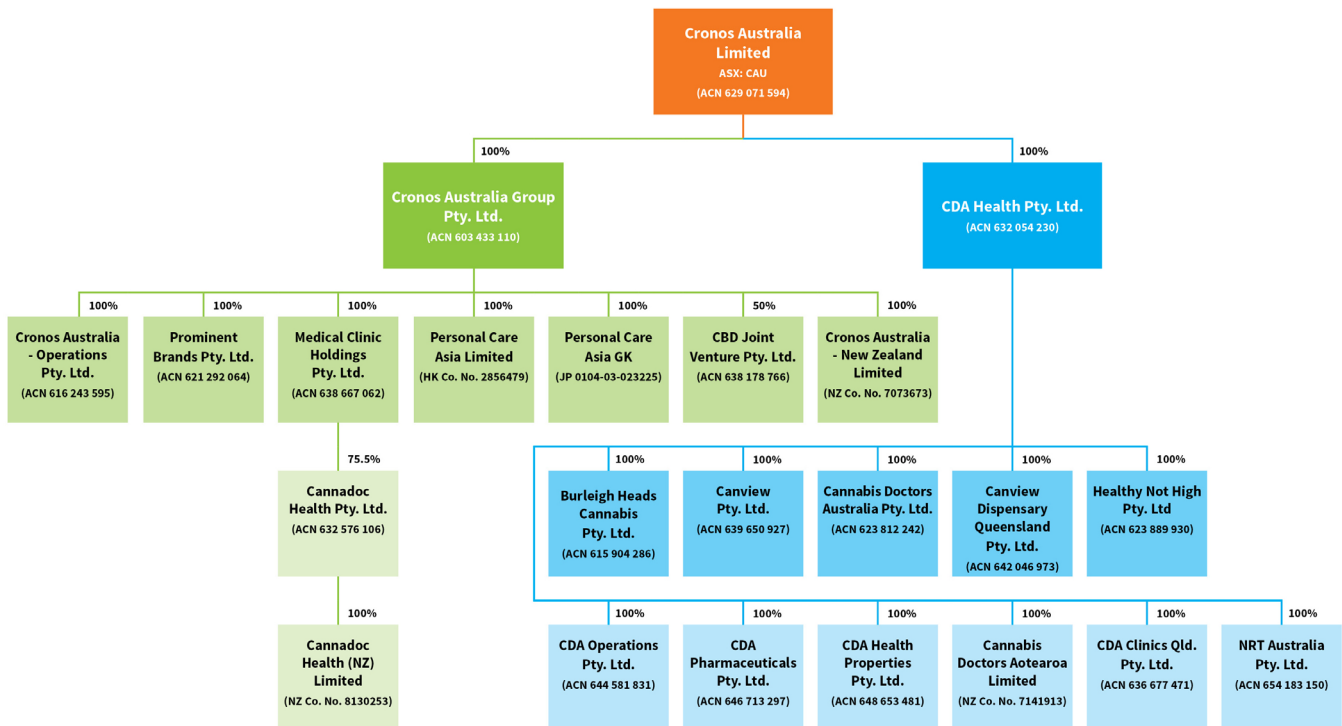
During the period under review, the Company released the following ASX announcements:

- Response to share price and volume query
- Successful completion of merger with CDA Health Pty Ltd
- Results of the Company's 2021 Annual General Meeting of shareholders
- Issue of the Company's Prospectus in relation to its merger with CDA Health Pty Ltd
- Notice of the Company's 2021 Annual General Meeting of shareholders, and related materials
- Changes to the escrow arrangements applying to the Company's major shareholders
- The Company's Quarterly Activities Report and Appendix 4C for the quarter ended 30 September 2021
- Further Adaya sales progress, including a 90% increase in revenues for the September quarter
- Release of the Company's 2021 Annual Report
- Numerous announcements relating to the resignations and appointments of Directors, issuing of shares and other incentive securities, changes to substantial shareholders and other documents resulting from the Company's merger with CDA Health Pty Ltd on 16 December 2021

## COMPLETION OF MERGER WITH CDA HEALTH PTY LTD

On 15 December 2021, the Company held its 2021 Annual General Meeting (“Meeting”). A total of 20 resolutions were considered by the Company’s shareholders at the Meeting, including a total of 16 resolutions which related to the merger between the Company and CDA Health Pty Ltd (“CDA Health”) (“Merger”), as announced on 14 September 2021. All 20 resolutions, including the adoption of the Remuneration Report for the year ended 30 June 2021 and the re-election of Shane Tanner, were passed on a poll. On 16 December 2021, the Company announced that the Merger had been completed following the successful satisfaction of all conditions precedent.

The structure of the combined group, which now comprises 23 entities, can be represented as follows:



As a result of the Merger, on 16 December 2021, four of the Directors of Cronos Australia (Daniel Abrahams, Jason Adler, Anna Burke AO and Michael Gorenstein) resigned from the Board and four new Directors (Guy Headley, Dr. Ben Jansen, Kurt Schmidt and Dr. Marcia Walker) were appointed to the Board. Shane Tanner continues to serve as the independent non-executive Chairman of Cronos Australia, Rodney Cocks continues as Chief Executive Officer and a Director of Cronos Australia and, likewise, Tom Howitt continues as Chief Financial Officer and Company Secretary of the Company.

Also, as part of the Merger, on 16 December 2021, the Company issued a total of 403,552,399 ordinary shares and paid \$5 million in cash to the shareholders of CDA Health in consideration for the purchase of 100% of the shares in CDA Health. As a result, CDA Health is now a wholly-owned subsidiary of Cronos Australia and the former shareholders of CDA Health collectively currently own more than 70% of the issued capital of Cronos Australia (on an undiluted basis).

In addition to the above shares, Cronos Australia also issued a total of 15,176,065 ordinary shares to Cronos Global Holdings Inc. upon the conversion of the outstanding loan and certain IP licence royalties owed to Cronos Group Inc. by a subsidiary of Cronos Australia, which had a face value of \$2,094,297 and which has now been fully repaid. A further 1,086,957 ordinary shares were issued on 16 December 2021 to Cornwalls Capital Australia Pty Ltd in part payment of corporate advisory fees in connection with the Merger.

## **COMPLETION OF MERGER WITH CDA HEALTH PTY LTD (cont.)**

A total of 8,608,696 performance rights and 22,500,000 options were also granted on 16 December 2021 as part of the Merger to a total of 95 individuals including Directors, executives and employees of both Cronos Australia and CDA Health. Details pertaining to these securities were set out in the Company's Prospectus dated 19 November 2021. On 31 December 2021, a total of 1,999,998 performance rights, which vested on the date of the Merger, were converted into ordinary shares, along with 60,000 historic rights which vested on the date of the Company's IPO in November 2019 and which were also converted into ordinary shares.

As a result of the above share issues and subsequent conversion of certain rights, a total of 550,625,419 Cronos Australia shares are now on issue. Of this total, 407,052,727 shares, representing 73.9% of the total, are subject to voluntary escrow for a period of 12 months ending 16 December 2022.

## **STRUCTURE OF CDA HEALTH PTY LTD**

Based on the Gold Coast in Queensland, CDA Health Pty Ltd was founded in 2018 by Guy Headley, Dr Ben Jansen, Jessimine Jansen and Dr Matua Jansen and has since cemented itself as a market leader in the Australian medicinal cannabis sector. CDA Health recorded significant growth over the last two financial years, with total sales revenue in FY2020 of \$4.5 million increasing to over \$21 million in FY2021, while at the same time generating a profit in that year.

The operations of CDA Health cover various facets of the Australian medicinal cannabis industry:

- **Nationwide wholesale distribution of medicinal cannabis products – via BHC's CanView**

CDA Health's wholly-owned subsidiary Burleigh Heads Cannabis Pty Ltd ("BHC") operates a successful pharmacy and doctor online portal "CanView" which distributes more than 130 different medicinal cannabis products, together with a number of devices, across Australia from more than 25 of the most well-known international and domestic suppliers.

Since launching CanView in June 2020, BHC has established 2,433 pharmacy wholesale accounts and registered 649 doctor accounts on its CanView platform, resulting in the sale of more than 330,000 medical cannabis products during the same period, with more than 37,000 products sold during the month of December 2021 alone.

- **Medicinal cannabis clinics and dispensing – via CDA Clinics**

CDA Health, via its wholly-owned subsidiary Cannabis Doctors Australia Pty Ltd ("CDA Clinics"), operates a successful network of medicinal cannabis clinics located on the Gold Coast, Brisbane and Sunshine Coast, in addition to providing a range of nationwide telehealth services.

Since launching in 2018, CDA Clinics has developed into one of the most well-established medicinal cannabis clinic brands in Australia and continues to see growth in the numbers of patient enquiries. The quality of service provided by CDA Clinics has been recognised by it having been awarded the Australian Cannabis Industry service of the year award for the third consecutive year in 2021.

The Company's merger with CDA Health has provided it with a material increase in both size and scale of operations and a route to profitability for the integrated group. The Group is confident that the prominent position held by CDA Health in the Australian medicinal cannabis industry, when added to the existing operations and strategic opportunities of Cronos Australia, will deliver synergistic benefits for the integrated group where it is expected that the combined value will exceed the sum of its parts.

## CURRENT OPERATIONS OF CDA HEALTH PTY LTD

Highlights of the operations of CDA Health during the half-year ended 31 December 2021 include:

- Burleigh Heads Cannabis Pty Ltd (“BHC”), via its distribution platform CanView, delivered significant growth, well exceeding its internal forecasts. During the first half of FY2022, BHC sold more than 190,000 medical cannabis units, of which 37,000 were sold in December 2021 alone. First half unit sales exceeded the total sales for all of FY2021 by more than 45%, with a further six months of the financial year still to go, during which the Company anticipates further growth in unit sales is likely to occur.
- BHC executed 7 new agreements with leading suppliers of medicinal cannabis products, adding an additional 35 unique product SKUs to the CanView online platform. BHC, via CanView, now offers a portfolio of more than 130 discrete medicinal cannabis products for the treatment of patients and for wholesale direct to pharmacies across Australia.
- A total of 492 new pharmacy purchasing accounts were established on CanView during the half-year, bringing the total number to 2,433 registered accounts nationally. In addition, 150 new doctor accounts were established, increasing the total number of doctors registered on CanView to 649 nationally.
- In order to manage the increasing volumes of sales, BHC expanded its premises on the Gold Coast during the period to provide additional space for order processing and fulfilment, and recruited and trained additional staff to the distribution team following implementation of the company’s strategy and in anticipation of further growth through 2022.
- In addition to delivering improved operational efficiencies, the expanded premises will also include an additional high-security controlled drug vault that is expected to be completed and ready for regulatory inspection in early February 2022. Once approval has been granted, the vault will become operational shortly thereafter.
- Significant progress was also made in the development of the new, upgraded “CanView 2.0” platform which will further integrate and streamline the stakeholder usability for pharmacists, doctors and patients, while delivering operational efficiencies for the business. It is expected that the new and improved platform will be launched later in the first quarter of the 2022 calendar year. The new platform’s considerable enhancements will provide improved compliance and usability functions, enabling Australian doctors to provide medicinal cannabis prescriptions to their patients via the platform with increased confidence due to information accuracy and the use of machine learning and tracking of products through the entire care journey between doctor, pharmacist and patient.
- Despite issues caused by the COVID-19 pandemic, during the half-year the CDA Clinics business continued to provide consultation services and access to medicinal cannabis products via telehealth to its growing numbers of patients across Australia.
- CDA Health is continuing to focus on further product development, and is conducting in-house clinical trials and related work with external regulatory consultants in anticipation of preparing a dossier for the registration of Schedule 3 “over-the-counter” products.
- Finally, the combined group is actively exploring various opportunities to expand its current operations, including potential collaborations with third parties and possible acquisitions of complementary assets that could deliver synergistic benefits to the group.

## SALES OF MEDICINAL CANNABIS PRODUCTS

### Adaya sales update

The second quarter of FY2022 saw solid continued growth in both Adaya unit sales and revenue for the Company. Revenue from the sale of Adaya medicinal cannabis products in the first half of FY2022 was almost \$2.5 million, as compared to the figure of \$1.2 million for the entire previous year of FY2021. The products in the current Adaya range are sold through a variety of sales channels across Australia, including via BHC's CanView platform. For the reasons outlined on page 6, the attached Appendix 4C contains the revenues from the sale of Adaya products from 16 December 2021 to 31 December 2021 only.

The Company's intended launch of its new Adaya 25:25 THC:CBD-balanced Medicinal Cannabis Oil in a 50ml tincture has been delayed due to supply chain issues caused by the COVID-19 pandemic. The Company anticipates that the new product will be available for sale later in the first quarter of the 2022 calendar year. Once launched, the Company believes that this product will assist in the treatment of new and established patients who require a higher strength balanced product. The Australian grown and manufactured Adaya 25:25 will be sold at an affordable price per milligram of active ingredient, highlighting the importance of accessibility to Adaya products for consumers.

## CANNADOC HEALTH PTY LTD MEDICINAL CANNABIS CLINIC BUSINESS

As detailed in previous reports, following the successful completion of the merger with CDA Health, work is now underway to integrate the group's two medicinal cannabis clinic businesses, operated respectively by Cannadoc Health and CDA Clinics, so as to harmonise the various back-office systems and processes and create operational efficiencies and cost savings. Moreover, the businesses will share anonymised clinical data to provide improved patient outcomes. In future quarterly activities reports, the activities and successes of the combined clinics business will be reported together.

## ASIA CONSUMER BUSINESS

During the December quarter, Bathing Shed products entered a number of new stockists in Asia, notably Tomorrowland in Japan. Tomorrowland is a leading large format chain of "select shops" with nationwide distribution. The brand received favourable media coverage in leading Japanese magazines (Marisol and Vivi) and in Australia (Spa & Wellness, Vacations & Travel, The Finer Things and a second feature in The Good Weekend). The Japanese ecommerce store was also launched and local digital promotion began.

SAIPH products entered new stockists in Japan and Hong Kong and received positive media coverage in leading publications including Brutus and Yoga Journal in Japan and Chika Magazine in Hong Kong. The SAIPH ecommerce sites in Japan and Hong Kong were established, however global social and digital payment networks are erratic in supporting the promotion and sale of CBD-based products like SAIPH.

FCTR also added new stockists in Hong Kong and Japan, concentrating on the core brand target markets of committed trainers and runners. The launch of the ecommerce sites for FCTR in Hong Kong and Japan met with similar issues as for SAIPH, however refinements in the ecommerce strategies for both FCTR and SAIPH to work with local social networks and alternate digital distribution partners are underway. Market feedback supports the view that there is considerable consumer interest in high quality CBD-based products, such as those sold by the Company, in Japan, Hong Kong and elsewhere.

## CBD JOINT VENTURE

The Company continued to make progress during the quarter in the development of CBD-based products as part of its Joint Venture with partner, A&S Branding Pty Ltd. Following the successful completion of product formulations and branding, work continues in respect of the preparation of a dossier for the TGA to support a Schedule 3 registration of the products.

## ASX APPENDIX 4C

### Basis of preparation

The financial information used to compile the attached Appendix 4C for the periods ended 31 December 2021 has been prepared in accordance with AASB 3 *Business combinations* ("AASB 3"). The merger between the Company and CDA Health Pty Ltd that was completed on 16 December 2021 ("Merger") resulted in the combined group being identified as a Business Combination under Australian Accounting Standards.

AASB 3 requires the identification of an acquirer for financial reporting purposes. The structure of the Merger is such that CDA Health has been identified as the accounting acquirer for these purposes. This decision has been based on the facts and circumstances of the transaction and, in particular, reference is made to the relative voting rights in Cronos Australia held collectively by the previous shareholders of CDA Health after the business combination, i.e. more than 70%, and the relative sizes (defined in terms of assets, revenues and profits) of both Cronos Australia and CDA Health.

As a result of the above, the attached ASX Appendix 4C includes the financial cash flows of CDA Health for the period from 1 July 2021 to 31 December 2021 and the results of the pre-Merger Cronos Australia entities for the period from the date of the Merger (being 16 December 2021) to 31 December 2021. Accordingly, the financial information in the attached Appendix 4C relating to the previous quarter ended 30 September 2021 differs markedly from the information that was contained in the Appendix 4C previously lodged by the Company on 28 October 2021.

### Commentary on results

As detailed in the attached ASX Appendix 4C, the Company (including CDA Health) had approximately \$12.9 million in consolidated cash and cash equivalents as at 31 December 2021. Based on the fact that the combined group generated positive net cash flows from its operating activities during both quarters of the half-year ended on that date, the Company is not required to complete section 8 of the Appendix 4C.

Total cash receipts from the sale of medicinal cannabis and consumer products and the provision of clinic services during the December quarter were \$16,473,836, up \$4,392,722, or more than 36%, from the corresponding figure in the September quarter. As a result, the net cash generated by the group from operating activities during the current quarter of \$6,745,541 was a pleasing \$4,537,484, or more than 200%, higher than the corresponding figure in the September quarter.

In line with the basis of preparation described above, the Group acquired cash and cash equivalents of \$2,465,914 on 16 December 2021 as part of the Merger with CDA Health. This amount represented the consolidated cash balance held by Cronos Australia Limited, as the acquiree, on the date of the Merger.

Cash costs amounting to \$375,812, relating primarily to legal and expert's fees, were also incurred during the December quarter in relation to the merger between the Company and CDA Health Pty Ltd. These costs have largely been offset against the equity issued by the Company to the former shareholders of CDA Health as part of the transaction.

The \$1.5 million loan facility that had been provided by Cronos Group Inc. was repaid, together the accrued interest and royalties, in full on 16 December 2021 via the issue of 15,175,076 ordinary shares as part of the Merger. As a result, this loan facility was extinguished on that date.

### ASX LISTING RULE 4.7C

Pursuant to **Listing Rule 4.7C.2**, the Company confirms (subject to the comments below), that during the nearly 25-month period since listing on the ASX, it has incurred expenditures largely in line with the Use of Proceeds set out on page 31 of its Prospectus dated 15 October 2019 (the "Prospectus").

Attached as **Appendix One** is a comparison of the actual cash spent during the period from its admission to the Official List of the ASX, being 7 November 2019, to 16 December 2021, being the date on which the Company completed its merger with CDA Health Pty Ltd, against the "Use of Proceeds", as detailed on page 31 of the Prospectus.

**ASX LISTING RULE 4.7C (cont.)**

As disclosed in Appendix One, during the above period covering almost 25 months since its IPO and ignoring the costs associated with the Merger with CDA Health, the Company has spent approximately \$4.0 million less than was forecast in the Prospectus. This deficit has been caused by a combination of factors including the over estimation of costs associated with product development, delays resulting from the COVID-19 pandemic, the abandonment of certain cultivation-related research programs, lower than expected travel expenses due to pandemic restrictions, reduced personnel costs arising from changes made to the Company's sales and business development model, together with ongoing cost containment strategies. In turn, these deficits have been offset by the \$798,129 cash costs incurred in completing the Company's Merger with CDA Health and the payment by the Company of \$5 million in part consideration for the acquisition itself.

Pursuant to **Listing Rule 4.7C.3**, and as disclosed in Item 6.1 of the attached Appendix 4C, the Company confirms that during the December 2021 quarter a total of \$19,758 was paid to Directors and entities associated with Directors in respect of Directors' fees, as well as salary and superannuation paid to Rodney Cocks (Chief Executive Officer), Guy Headley (Chief Commercial Officer) and Dr. Ben Jansen (Chief Medical Officer), each of whom also serves as a Director of the Company. It is important to note, however, that Guy Headley and Dr. Jansen were appointed as Directors on 16 December 2021 and that the above amount only includes those cash payments made to Directors and their related entities from that date up to 31 December 2021.

Going forward, as described elsewhere in this Report, the merger with CDA Health Pty Ltd will result in a significant increase in the Group's expenditures as the size and scale of its activities expand dramatically. Importantly, as detailed in the attached Appendix 4C, the combined group has generated positive net cash flows from operations for the first half of the 2022 financial year and it is anticipated that, in the absence of material investing and financing net outflows, the Group's cash and cash equivalents are expected to increase over time.

As the use of funds in the Company's Prospectus covered the period ended 31 December 2021, the attached Appendix One will be the final time the Company will report its actual expenditures against the expenditures included in the Use of Proceeds set out on page 31 of its Prospectus.

**APPROVED BY THE BOARD OF CRONOS AUSTRALIA LIMITED**

Dated this 27<sup>th</sup> day of January, 2022

**Forward-looking statements**

This Report may include forward-looking statements. These forward-looking statements are based on the Company's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the Company, which could cause actual results to differ materially from such statements. The Company makes no undertaking to update or revise the forward-looking statements made in this Report to reflect any change in circumstances or events after the date of this Report.



## APPENDIX ONE

Use of proceeds as detailed on page 31 of the Company's Prospectus dated 15 October 2019		Period from 7 November 2019 to 16 December 2021 <sup>1</sup>		Comments
Categories	Total cash to be spent	Forecast cash to be spent	Actual cash spent	
Product development	\$2,575,000	\$2,554,171	\$305,057	Costs incurred are lower than forecast and delayed due to pandemic
Business development	\$2,390,000	\$2,349,459	\$463,927	Includes costs incurred exploring business opportunities
Patient acquisition / practitioner engagement	\$2,355,000	\$2,317,934	\$2,966,093	Includes costs associated with the acquisition of Cannadoc Health
Brand creation, development and launch	\$2,080,000	\$2,068,238	\$1,702,602	
Contract manufacturing management	\$1,200,000	\$1,197,253	\$14,850	Manufacturing outsourced to third party suppliers
Research and development activities	\$1,190,000	\$1,056,672	\$266,735	Cultivation-related projects abandoned in line with business model
Licensing and regulatory costs	\$755,000	\$736,721	\$328,667	
Director remuneration	\$750,000	\$715,230	\$764,437	
Inventory of finished products, inc. distribution	\$585,000	\$519,032	\$2,863,038	Additional inventories purchased to meet forecast future sales
Working capital and administrative costs <sup>2</sup>	\$3,950,000	\$3,848,232	\$3,928,465	
Cash consideration paid to acquire CDA	-	-	\$5,000,000	
Cash costs paid in respect of CDA merger <sup>3</sup>	-	-	\$798,129	
Outstanding cash costs of the Offer <sup>4</sup>	\$2,170,000	\$2,170,000	\$2,395,674	Additional costs relate to overruns of estimated IPO expenses
<b>Totals <sup>5</sup></b>	<b>\$20,000,000</b>	<b>\$19,532,942</b>	<b>\$21,797,674</b>	

### Notes:

- Expenditures are calculated up to 16 December 2021, being the date on which the Company acquired 100% of the issued capital of CDA Health Pty Ltd ("Merger").
- Forecast working capital included corporate operations and corporate governance costs, as well as a contingency pool.
- The total cash costs of the Merger comprised, amongst other things, legal expenses, accounting, audit and tax advisory fees, valuation and capital advisory fees, ASIC and ASX fees, in addition to other transaction-related costs.
- The total cash costs of the Offer as at the date of the Prospectus (being 15 October 2019) comprised, amongst other things, legal expenses, accounting, audit and tax advisory fees, lead manager and underwriter fees, ASIC and ASX fees, in addition to prospectus design and printing costs.
- Amounts included in the use of proceeds table above exclude inflows from revenues, interest earned and other income. During the period from 7 November 2019, being the date of the IPO, to 16 December 2021, Cronos Australia generated a total of \$3,682,905 from such sources that is not reflected in the table above.

## Appendix 4C

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

Name of entity

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

ABN

**59 629 071 594**

Quarter ended ("current quarter")

**31 December 2021**

Consolidated statement of cash flows	Current quarter \$A	Year to date (six months) \$A
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	16,473,836	28,554,950
1.2 Payments for		
(a) research and development	-	(31,459)
(b) product manufacturing, operating costs	(7,504,477)	(15,156,180)
(c) advertising, product and marketing	(121,818)	(256,845)
(d) leased assets	-	-
(e) staff costs	(1,514,267)	(3,066,094)
(f) administration and corporate costs	(564,369)	(1,045,680)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	368	461
1.5 Interest and other costs of finance paid	(23,732)	(45,555)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>6,745,541</b>	<b>8,953,598</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(116,669)	(148,448)
(d) investments	-	-
(e) intellectual property	-	-
(f) security deposits	-	-

Consolidated statement of cash flows	Current quarter \$A	Year to date (six months) \$A
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (cash acquired on merger with CDA)	2,465,914	2,465,914
<b>2.6 Net cash from / (used in) investing activities</b>	<b>2,349,245</b>	<b>2,317,466</b>
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities as part of CDA Health merger	(375,812)	(406,502)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans, borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (proceeds from non-controlling interests)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(375,812)</b>	<b>(406,502)</b>

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A</b>	<b>Year to date (six months) \$A</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,224,895	2,079,307
4.2	Net cash from / (used in) operating activities (item 1.9 above)	6,745,541	8,953,598
4.3	Net cash from / (used in) investing activities (item 2.6 above)	2,349,245	2,317,466
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(375,812)	(406,502)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>12,943,869</b>	<b>12,943,869</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		<b>Current quarter \$A</b>	<b>Previous quarter \$A</b>
5.1	Bank balances	12,943,147	4,224,820
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (cash on hand)	722	75
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>12,943,869</b>	<b>4,224,895</b>

<b>6. Payments to related parties of the entity and their associates</b>		<b>Current quarter \$A</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1 (refer notes in attached Quarterly Activities Report)	(19,758)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

7. <b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A</b>	<b>Amount drawn at quarter end \$A</b>
7.1 Loan facilities (refer item 7.6 below)	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (credit cards) (refer item 7.6 below)	50,000	17,250
<b>7.4 Total financing facilities</b>	<b>50,000</b>	<b>17,250</b>
<b>7.5 Unused financing facilities available at quarter end</b>		<b>32,750</b>
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>The previous \$1.5 million loan facility provided by Cronos Group Inc., the Company's former largest shareholder, was repaid in full and therefore extinguished on 16 December 2021.</p> <p>The credit card facility is provided by ANZ Banking Group Limited. The facility is secured by way of a bank guarantee. All amounts due are paid on time such that no interest is payable.</p>		

8. <b>Estimated cash available for future operating activities</b>	<b>\$A</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	6,745,541
8.2 Cash and cash equivalents at quarter end (item 4.6)	12,943,869
8.3 Unused finance facilities available at quarter end (item 7.5)	32,750
8.4 Total available funding (item 8.2 + item 8.3)	12,976,619
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	Not applicable as net cash flows are positive
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: Not applicable	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: Not applicable	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: Not applicable	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## Compliance statement

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

Date: **27 January 2022**

Authorised by: **By the Board**

## Notes

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