

Quarterly Activities Report and ASX Appendix 4C For the Quarter Ended 30 June 2022

HIGHLIGHTS

- Record annual cash receipts from customers for FY2022 of \$70 million, representing 245% year-on-year growth
- Another record quarter in Q4 FY2022, with total cash receipts of \$23 million
- Net positive operating cash flows of more than \$13 million for FY2022
- Total cash increased to more than \$16 million at the end of FY2022
- Record 486,000 products sold through BHC's CanView platform during FY2022, representing 270% year-on-year growth
- Almost half of all pharmacies in Australia now have accounts on the CanView platform

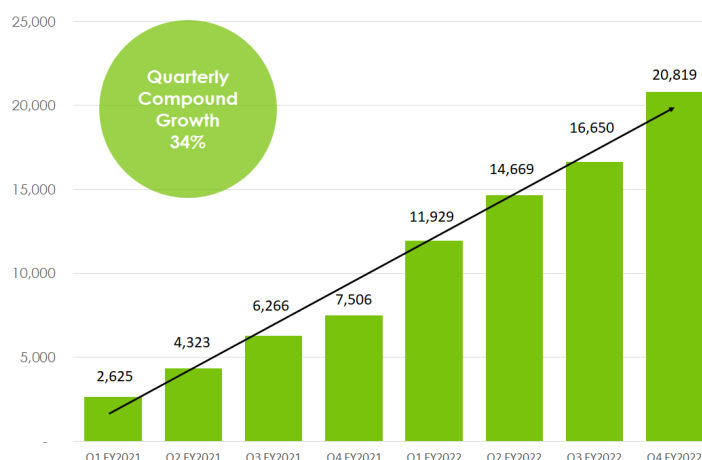
Melbourne, Australia, 25 July 2022 - Cronos Australia Limited (ASX: CAU; "Cronos Australia", "CAU", the "Company"), releases its Quarterly Activities Report ("Report") covering the period from 1 April 2022 up to the date of this Report. The Report should be read in conjunction with the attached ASX Appendix 4C, covering the quarter ended 30 June 2022.

Cronos Australia CEO Rodney Cocks stated:

"At the end of the first financial year after our successful merger with CDA Health, we are very pleased to close out the year with total cash receipts of nearly \$70 million, positive net operating cash flows of \$13 million and more than \$16 million in cash. Our CanView platform has been key to these results and is the sales and distribution partner of choice for leading Australian Medicinal Cannabis suppliers. Having now established nationwide coverage of pharmacies, we look to execute the next phase of our growth strategy with our national Medical Science Liaison team targeting further prescribers across the country. As we continue to implement our strategic plan, we are confident of delivering further sustainable growth and shareholder value in 2023."

1. FINANCIAL UPDATE

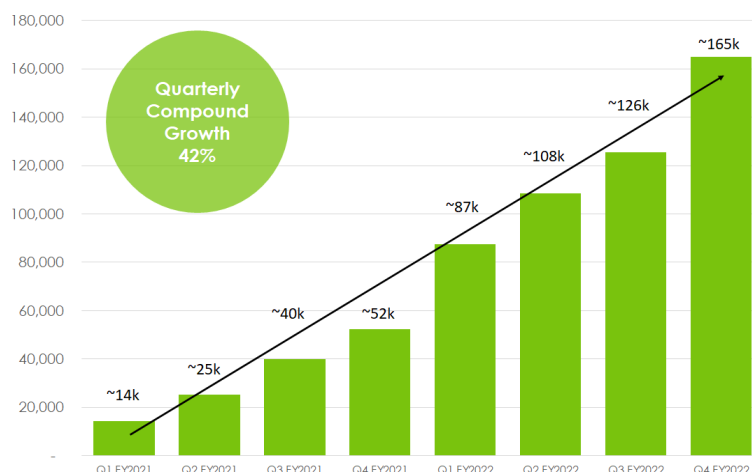
Quarterly sales through CanView (\$'000s)



Sales generated through the CanView platform in the June quarter exceeded \$20.8 million, with further revenues coming from the Group's clinic operations. Looking forward, as the number of new suppliers and products launched on CanView increases, together with the Company's growing patient base, all trends point to further revenue growth in coming quarters.

In addition to solid quarterly compound average growth of 34% for sales made through the CanView platform, average gross margins remain steady at between 35% and 40% across the portfolio of the more than 160 product SKUs now sold on the platform. Total sales generated through the CanView platform in FY2022 exceeded the corresponding figure for FY2021 by \$43.3 million, or more than 200%.

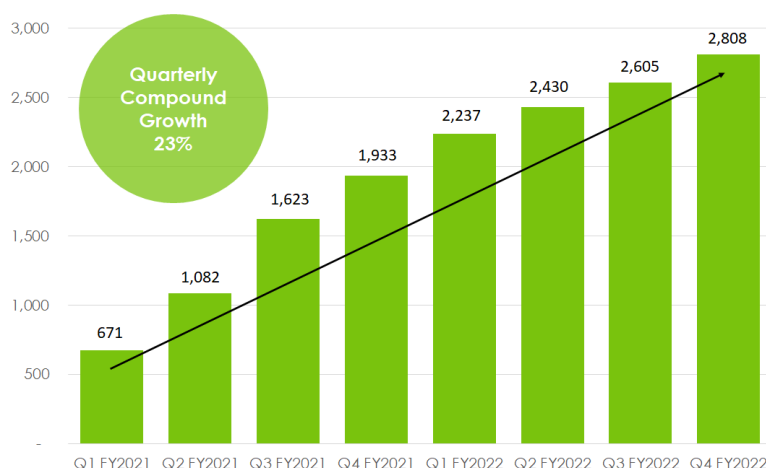
Quarterly units sold through CanView



Almost 165,000 units were sold through the CanView platform in the June quarter, with the total number for FY2022 exceeding 486,000. Total units sold through CanView in FY2022 exceeded the FY2021 figure by 355,000, representing year-on-year growth of 270%.

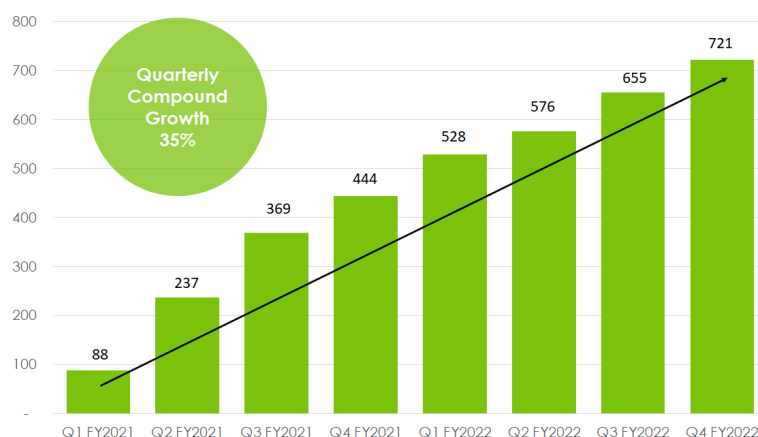
In addition to positive quarterly compound average growth of 42%, the Company's average sale price remained steady across the portfolio of products now sold on the CanView platform.

Cumulative pharmacy accounts on CanView



A further 203 new pharmacies established wholesale accounts through the CanView platform during the June quarter, taking the cumulative number of pharmacies at year end to 2,808, representing close to half of all pharmacies in Australia. Pleasingly, the average monthly spend of pharmacy accounts through CanView is increasing as the Company's education courses and engagement programs help pharmacies to confidently dispense medicinal cannabis thereby providing dispensing services to a greater number of patients.

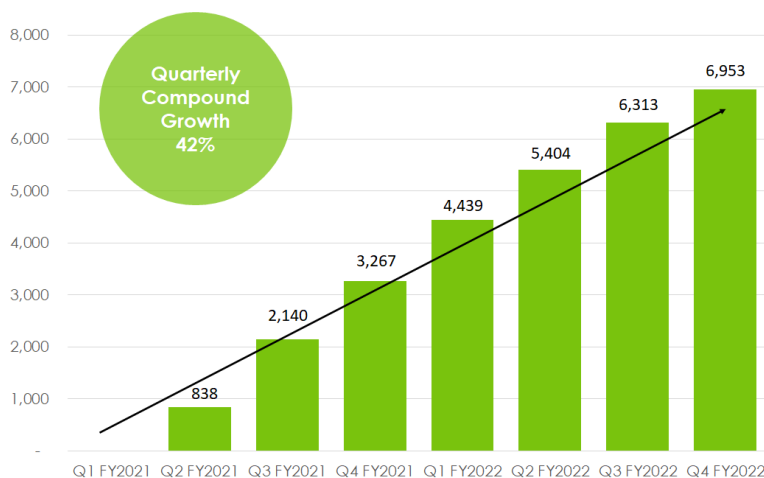
Cumulative doctor accounts on CanView



More than 60 new doctors established accounts on CanView during the June quarter, a 10% increase on the number at 31 March 2022, and taking the year-end cumulative total to 721. With the Group's focus to increase the number of doctors using CanView further, additional Medical Science Liaisons (healthcare consulting professionals providing medical and scientific information to other healthcare professionals), covering all states and territories in Australia, joined the Company's sales force during the June quarter.

The Group's prescriber engagement programs continue to expand, providing targeted education and training on a range of medicinal cannabis topics and issues, as well as onboarding for new doctors.

Cumulative patients registered on CanView



During the June quarter, 640 new patients registered on the CanView platform, taking the cumulative number to 6,953, representing year-on-year growth of 112%.

As the Company rolls out the next, improved iteration of CanView, these patients will be able to use the new "CanView 2.0" platform as a full-service marketplace where they can easily register as a patient, choose a doctor, book a consultation, receive a script, order and re-order products, track the progress of their shipments and monitor their ongoing treatment program.

The Company is confident that these improvements will result in further patients registering on CanView, driving increasing sales and revenue.

Total cash receipts from the sale of medicinal cannabis products and the provision of clinic services during the June quarter were \$23.0 million, another record, up \$4.9 million, or 27%, from the corresponding March figure. As a result, the net operating cash flows generated by the Group during the June quarter were \$2.6 million, and \$13.2 million for the full year ended 30 June 2022. As detailed in the Appendix 4C, the Company had approximately \$16.1 million in cash at 30 June 2022.

2. CANVIEW UPDATE

Progress on CanView 2.0

As foreshadowed in previous Quarterly Activities Reports, the Company continues with the completion and rollout of the next, and significantly improved, iteration of the CanView platform, “CanView 2.0”.

While further technical refinements and compliance reviews and testing have contributed to delays in the anticipated rollout of CanView 2.0, it is anticipated that the new platform will still be deployed in five stages, the first two of which are now complete, as outlined below:

- **Stage One**, which provides a number of order fulfilment upgrades, process improvements and efficiencies, has now been deployed internally within the Group and has already delivered a number of tangible benefits.
- **Stage Two**, which is currently being tested by select users, is now being made available to the more than 2,800 pharmacies who currently have accounts on the CanView platform.

Stages three, four and five of the CanView 2.0 improvements will be rolled out to stakeholders in the coming months. The improvements to the CanView platform will deliver a number of efficiencies and cost savings for the Group while, at the same time, enhancing the user experience for the growing numbers of pharmacies, doctors/prescribers, patients and suppliers using the platform.

The Group’s growing infield sales team will continue to actively recruit and onboard prescribers to the CanView platform, providing education and support to further increase the Australian prescriber base. The platform’s user-friendly design has been developed to ensure the prescribing journey is as simple as possible for the clinician which in turn will open the door to a larger number of prescribers who are considering using medicinal cannabis treatments within their practices.

Suppliers to CanView

During the June quarter, the Group was pleased to add four new suppliers to the growing list of trusted third-party suppliers whose products are available and sold by the Company through the CanView platform. As at year-end, the number of suppliers to the CanView platform totalled 29, including:



Cronos Australia undertakes a rigorous process to select and onboard new suppliers to the CanView platform based on their ability to have consistent and continuous supply, investment in infield sales teams, strict product quality standards and a dedicated help desk to address patient queries.

3. MEDICAL CLINICS UPDATE

During the June quarter, Dr. Ben Jansen, a founder of CDA Clinics, stepped down from his position as Chief Medical Officer of Cronos Australia to pursue other interests. Dr. Jansen will remain on the Board of the Company as a Non-Executive Director. The Company thanks Dr. Jansen for his contributions to both Cronos Australia and CDA Health and wishes him success in his future endeavours.

Dr. Jansen is currently in a transition period of up to three months, during which he will continue working in support of the clinics, which form an important part of the Group's overall operations. The Company is confident that business continuity will be maintained and is committed to a smooth transition that puts the interests of its patients first, minimises disruption to daily operations and supports the whole clinic team.

4. MELBOURNE DISTRIBUTION CENTRE ("MDC")

The Company is well advanced in the fitout of its new, high-security distribution facility leased in inner-city Melbourne. Known as the MDC, the new facility is modelled on the Company's successful facility in Burleigh Heads, Queensland, and is expected to be operational in September 2022. Once commissioned, the MDC will provide the Company with a significant increase in total warehouse capacity, provide redundancy in the event of a disaster and enable more efficient and timely distribution of products to customers in Victoria, South Australia, Western Australia and Tasmania.

5. BOARD RENEWAL

Following recent Director resignations, the Company is continuing its active recruitment program seeking experienced and appropriately qualified Directors to join the Board. The Company remains committed to meeting the requirements of the Corporate Governance Principles and Recommendations (including all relevant amendments) of the ASX.

6. ASX APPENDIX 4C

The financial information used to compile the attached Appendix 4C for the periods ended 30 June 2022 has been prepared in accordance with AASB 3 *Business combinations*. As a result, the Appendix 4C includes the cash flows of CDA Health for the period from 1 July 2021 to 30 June 2022 and the cash flows of the pre-Merger Cronos Australia entities for the period from 16 December 2021 to 30 June 2022.

As disclosed in Item 6.1 of the Appendix, a total of \$203,165 was paid during the June quarter 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 (former Chief Medical Officer), each of whom also serves as a Director of the Company.

Going forward, the merger with CDA Health Pty Ltd has resulted in a significant increase in the Group's expenditures as the extent, size and scale of its activities expand. Importantly, the Group has generated positive net cash flows from operations for all four quarters of the 2022 financial year and it is anticipated that, in the absence of material investing and financing net outflows, the balance of the Group's cash and cash equivalents is expected to increase over time.

APPROVED BY THE BOARD OF CRONOS AUSTRALIA LIMITED

Dated this 25th day of July, 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 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")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A	Year to date (twelve months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	22,965,536	69,607,124
1.2 Payments for		
(a) research and development	-	(31,459)
(b) product manufacturing, operating costs	(14,619,466)	(43,052,459)
(c) advertising, product and marketing	(118,193)	(480,342)
(d) leased assets	-	-
(e) staff costs	(2,756,663)	(7,959,483)
(f) administration and corporate costs	(2,291,803)	(4,289,484)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6,626	7,531
1.5 Interest and other costs of finance paid	(29,104)	(96,374)
1.6 Income taxes paid	(518,495)	(518,495)
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	2,638,438	13,186,559
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(130,669)	(376,837)
(d) investments	-	-
(e) intellectual property	-	-
(f) security deposits	-	-

Consolidated statement of cash flows		Current quarter \$A	Year to date (twelve months) \$A
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) security deposits	(275,330)	(311,630)
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
	Other (net proceeds from sale of medical clinic)	219,254	219,254
2.6	Net cash from / (used in) investing activities	(186,745)	1,996,701
3.	Cash flows from financing activities		
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	-	(1,185,535)
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)	-	-
3.10	Net cash from / (used in) financing activities	-	(1,185,535)

	Consolidated statement of cash flows	Current quarter \$A	Year to date (twelve months) \$A
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	13,625,339	2,079,307
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,638,438	13,186,559
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(186,745)	1,996,701
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(1,185,535)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	16,077,032	16,077,032

	5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A	Previous quarter \$A
5.1	Bank balances	16,076,469	13,624,756
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (cash on hand)	563	583
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	16,077,032	13,625,339

	6. Payments to related parties of the entity and their associates	Current quarter \$A
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(203,165)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
7.1 Loan facilities (refer item 7.6 below)	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (credit cards) (refer item 7.6 below)	100,000	54,419
7.4 Total financing facilities	100,000	54,419
7.5 Unused financing facilities available at quarter end		45,581
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.		
The credit card facility is provided by ANZ Banking Group Limited. The facility, which was increased to \$100,000 during the quarter, is secured by way of a bank guarantee. All amounts due are paid on time such that no interest is payable.		

8. Estimated cash available for future operating activities	\$A
8.1 Net cash from / (used in) operating activities (item 1.9)	2,638,438
8.2 Cash and cash equivalents at quarter end (item 4.6)	16,077,032
8.3 Unused finance facilities available at quarter end (item 7.5)	45,581
8.4 Total available funding (item 8.2 + item 8.3)	16,122,613
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1) <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>	Not applicable as net cash flows are positive
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? <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> Answer: Not applicable </div>	
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? <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> Answer: Not applicable </div>	
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? <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> Answer: Not applicable </div>	
<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: **25 July 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.