

## HY21 FINANCIAL RESULTS

Cann Global (ASX: CGB) (“Cann Global” or the “Company”), a leader in the production and distribution of high-quality medicinal cannabis and hemp products, is pleased to announce its results for the half year ended 31 December 2020 (HY21). Accompanying this release is the Appendix 4D.

### CANN GLOBAL HY21 RESULTS: HIGHLIGHTS

- Revenue for HY21 was \$0.9 million, a 29% increase on the prior comparable period (pcp) (HY20: \$0.7 million) and an increase of 15% over H2FY20, largely due to continued strong sales in plant-based food products.
- The food division remains the primary driver of revenue generation, delivering \$0.81 million for HY21, an increase of 22% on the pcp (HY20: \$0.67 million).
- Gross profit showed a solid 8.9% increase to \$0.17 million, despite a temporary increase in the cost of raw materials during the half year.
- Expenses were reduced significantly over the half year to \$2.2 million compared to \$3.9 million for HY20. This was due in part to a reduction in research costs and finance costs, and foreign currency gains on equity settled liabilities.
- The Group reported a total loss of \$2.1 million, a positive result when compared to \$5.5 million for pcp.
- As at 31 December 2020, the Company had healthy cash reserves of \$12.4m following \$7.9 million of equity capital having been raised during the six months.
- The Company now also has a debt free balance sheet following conversion of the Company’s convertible notes to equity, welcoming Obsidian and L1 Capital as significant equity investors.
- With research and testing now complete, Cann Global is commencing the pilot run production of its premium, hemp seed oil based organic skincare products.
- Cann Global, and its partner Canntab Therapeutics, are working towards having Canntab products available for sale in Australia, with Canntab’s export license expected to be issued shortly.
- The Thai Government released its regulatory framework for cultivation and distribution of CBD hemp products and Cann Global are well positioned to immediately capitalise on this significant market opportunity.

Significant regulatory progress for the cannabis industry both within Australia and globally is enhancing revenue prospects for Cann Global’s existing business activities, and paving the way for additional commercial opportunities.

## EXECUTIVE SUMMARY

**Commenting on the HY21 results, Cann Global CEO, Sholom Feldman said:** "We are pleased to once again report consistent growth in revenue over the half year. Whilst our food division is generating the majority of revenue, this is being sourced from both Australian and Asian sales channels across a wide range of plant-based food products and nutraceuticals. Going forward we expect to see greater revenue diversification with the introduction of Canntab products to Australia and the launch of our plant-based skincare range contributing to Cann Global's revenue."

During the half year Cann Global raised an additional \$7.9 million in equity capital through both a rights issue and share placement, and convertible note holders converted outstanding notes into an equity investment in the Company.

"We are pleased with the overwhelming support of the Company that has been shown by the investment community, and the further confidence that note holders Obsidian and LI Capital have demonstrated by converting their outstanding notes into an equity investment in Cann Global. Cann Global now enjoys a strong debt-free balance sheet." said Mr Feldman.

## REVENUE GROWTH TREND CONTINUES, SUPPORTED BY A STRONG BALANCE SHEET

Cann Global are pleased to report that cash receipts from customers continue to grow with revenue of \$0.9 million for the six months to 31 December 2020, up 29% over the prior corresponding period.

As sales across the food division have continued to grow Cann Global has incurred increased product manufacturing costs to meet this demand and build inventory. A one-off timing issue in the receipt of raw materials has seen a temporary increase in the cost of goods sold. A review of the sales price for some products has identified scope for an increase which will further improve margins.

As expected, advertising and marketing expenses continue to increase as the Company undertakes marketing activities and conducts consumer research in preparation to launch new products. The Company has also developed product websites for direct online sales of its range of products and is setting up its distribution network in new markets, including to Europe and America.

Cann Global continues to hold tenements in bauxite mining however \$0.3 million has been written off as the exploration area has been reduced as per the Department of Natural Resources' requirement to relinquish some sub-blocks prior to renewing the exploration permit. The area containing the resource has been retained, pending the Department's formal decision about renewal approval.

As noted earlier Cann Global raised additional equity capital during the half year, clearing its liabilities and leaving the Company with a strong and debt free balance sheet.

A rights issue was undertaken in July, followed by the successful placement of the shortfall of the rights issue which was fully subscribed raising \$4.2 million in total before costs.

On 9 December 2020 the Company announced that it had raised \$3.75 million before costs in a placement to sophisticated and professional investors. The Company stated in that announcement that it intended to use a large portion of those funds to immediately clear all the Company's liabilities, including to large convertible note holders.

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In a vote of confidence for the Company's long-term prospects, convertible note holders, LI Capital and Obsidian, had then elected to convert their outstanding notes into equity.

The conversion of the convertible notes has resulted in a foreign currency gain of \$0.6 million being recorded in the accounts.

Related party transactions in the six months to 31 December 2020 totalled \$0.3 million in fees to Australian Gemstone Mining for Cann Global Director's fees and geologist fees which is a reduction on pcp due largely to an unwinding of the structure for payment of staff salaries (HY20: \$1.9 million).

## REGULATORY CHANGES SUPPORT GROWTH IN CANN GLOBAL'S BUSINESS ACTIVITIES

The past few months has marked a significant evolution in the way in which cannabis related products are viewed globally. The decision by the United Nations Commission on Narcotic Drugs (CND) to reclassify cannabis to the least restrictive drug classification is the latest of many similar policy changes and recommendations that pave the way for the relaxation of cannabis classifications in markets across the world.

Locally the TGA has made amendments to its Poisons Standard down scheduling CBD preparations so that registered products on the Australian Register of Therapeutic Goods (ARTG) may be available over-the-counter at pharmacies. These changes reinforce the recognition of the medicinal properties of cannabis by academics, researchers and policy makers globally. [Cann Global is continuing to work through the process of having products registered for over-the-counter sales.] Registering products on the ARTG is a process that can take 12 months or more. To date no other Medical Cannabis products are registered on the ARTG.

Recent proposed amendments to the Narcotic Drugs Act will streamline the licensing process for businesses and ensure access for patients. The Narcotic Drugs Amendment (Medical Cannabis) Bill 2021 was passed in the House of Representatives and proposes to consolidate the licensing structure into a single license and implement a perpetual licensing framework. The Bill reaffirms the Australian government's commitment to patient access of medical cannabis products.

In another regulatory change the announcement that the Government of Thailand will shortly begin processing applications for the cultivation and distribution of hemp products, opening up a significant revenue opportunity for Cann Global Thailand as a first mover having set up operations based on a service revenue model in preparation for this change.

Finally, developments in France are paving the way for the emergence of a thriving cannabis industry. Policy makers are reconsidering their position on Cannabis which will likely result in an overhaul of the regulatory and legislative framework.

Cann Global is developing its distribution footprint in France and Europe and welcomes these regulatory changes.

Level 21, 133 Castlereagh Street,  
Sydney NSW 2000 - Australia

Telephone: (02) 8379 1832

investorrelations@cannglobal.com.au  
www.cannglobal.com.au

## **NEW PRODUCT DEVELOPMENT TO DRIVE REVENUE DIVERSIFICATION**

**Commenting on operating performance, Chief Operating Officer Ms Marion Lesaffre said:** “The company continues to focus on its strategic priorities to efficiently manufacture high-quality products, expand the product range to leverage new markets, strengthen distribution channels and facilitate the distribution of the Company’s product range globally. The company also continues supporting research into the medicinal benefits of Cannabis products.”

“We are excited to soon launch our premium range of skincare products developed together with our joint venture partner, Israeli-based and listed Pharmocann Global. The first three products developed are entirely plant based and will be available as oil, serum and cream formulations. We are now in discussions with preferred distribution partners in key markets in preparation for launch once the pilot production run is complete,” said Ms Lesaffre.

In September last year Cann Global launched to market its chia soft gel oil capsules. These are already available in Australian retail partner Costco’s Australian stores, and following solid demand from customers they are now taking steps to make them available for purchase online in March. This month a new wholesale distribution customer has launched the product to their customers and Cann Global are continuing discussions with various other distributors and retail stores, both within Australia and across Asia.

As previously announced, Cann Global have placed an initial product order with partner Canntab Therapeutics for six hard pill cannabinoid formulations which will initially be available from pharmacies through the Special Access Scheme B and Authorised Prescriber Schemes. Canntab Therapeutics are awaiting issuance of their export licences from Health Canada to complete the order. The export license is expected to be received soon with Canntab products made available to consumers shortly thereafter.

This quarter Cann Global launched its equine food range which is being sold through as a white labelled product.

Cann Global continues its discussions with industry partners to pursue distribution channel opportunities in China and has sent samples for testing to continue developing export strategies. Exporting offers the Group the prospect of new markets, more sales, better profits and a greater spread of customers.

## **COMMENCEMENT OF HUMAN CLINICAL TRIALS IN AUSTRALIA**

Human clinical trials are being planned in Australia for the cannabis strain that has been identified to have proven to assist in the recovery of, and to stop the progression of, the auto immune disease Multiple Sclerosis. Initial research was undertaken by the Technion in Haifa supported by Cann Global.

Cann Global has chosen to continue these trials and research in Australia with Australian clinical data and results being recognised worldwide due to the high standard of research. The Australian Government also offers significant support for Australian based medical research.

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## OUTLOOK

Regulatory changes supporting the global cannabis industry are occurring at a rapid pace. This has been particularly so in the last few months where we have seen positive changes both in Australia, and in offshore markets where Cann Global is positioned to benefit. A key focus for management is to continue to position the business to leverage these opportunities.

Cann Global is also excited to bring to the Australian market new products which have been in the development phase for some time, including hard pill cannabinal formulations as well as its new premium skin care range. The Company is confident that once these products are available to consumers they will make a significant contribution to Cann Global's revenue growth.

With an even stronger now debt-free balance sheet, significant cash reserves and the ongoing support of its shareholders Cann Global continues to move towards profitability and is confident of being able to achieve its vision of becoming a leader in the production and distribution of high-quality medicinal cannabis and hemp seed products.

## ABOUT CANN GLOBAL

Cann Global Limited (ASX:CGB) is a driving force in the hemp and medical Cannabis industries. Our strength comes from our team's core competencies and expertise, and our solid and strategic partnerships with experts in Australia, USA, Israel, Asia and Canada. We are working under the relevant legislation to ensure that the future in medical cannabis and natural foods will allow medical practitioners, patients, and consumers to gain access to the right information, as well as the safest, most effective and sustainable products. Cann Global also has a keen focus on innovation and the pursuit of medical advancement through vital research into the safe use of cannabis for patients, which has the potential to deliver significant upside for shareholders.

## AUTHORITY & CONTACT DETAILS

This announcement has been authorised for release by Sholom Feldman, Managing Director.

For further information please contact Investor Relations on +61 (0)2 8379 1832, or via email at [investorrelations@cannglobal.com.au](mailto:investorrelations@cannglobal.com.au)

# Appendix 4D – Half-Year Report

## 1. Company Details

Name of entity: CANN GLOBAL LIMITED  
ABN: 18 124 873 507  
Reporting period: Half-year ended 31 December 2020  
Previous Corresponding Period: Half-year ended 31 December 2019

## 2. Results for announcement to the market

|  | 2020   | 2019   |              | Change  |       |
|--|--------|--------|--------------|---------|-------|
|  | \$'000 | \$'000 | Up /<br>Down | \$'000  | %     |
| Revenues from ordinary activities  | 900    | 673    | Up           | 227     | 34%   |
| Loss from ordinary activities after tax attributable to the members of Cann Global Limited | 2,052  | 5,437  | Down         | (3,385) | (62%) |
| Net Loss for the year attributable to the members of Cann Global Limited                   | 2,052  | 5,437  | Down         | (3,385) | (62%) |

The increase in revenues compared to the prior year is due to sales growth from the sales of plant-based foods. The decrease in Net Loss for the year is due in part to a reduction in research costs and finance costs, and a gain on equity settled liabilities.

## 3. Net tangible assets per security

|  | 2020  | 2019   |
|--|-------|--------|
|  | Cents | Cents  |
| Net tangible assets per ordinary share | 0.213 | 0.2027 |

## 4. Details of entities over which control has been gained or lost during the period

None.

## 5. Dividends

No dividends have been declared for the half-year ended 31 December 2020 or for the previous corresponding period.

## 6. Audit Review

This report is based on the accompanying condensed consolidated financial statements for the half-year ended 31 December 2020 which have been reviewed by Nexia Sydney Audit Pty Ltd. An unqualified review report accompanies those financial statements.

## 7. Details of associates and Joint Venture entities

On 01 July 2020, the Group acquired a 50% equity interest in the associate Pharmocann Global Pty Ltd.

On 27 December 2017, the Group entered a 50:50 joint venture arrangement with Canntab Therapeutics Ltd, named Canntab Therapeutics Australia (JV).

Additional information supporting the Appendix4D disclosure requirements can be found in the Directors' Report and the Consolidated Financial Statements for half-year ended 31 December 2020.

A background image showing a cannabis plant being held by a gloved hand, with a pipette dispensing a yellow liquid. The scene is set in a laboratory or greenhouse environment with a blue tint.

# HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2020

Cann Global Limited | ABN 18 124 873 507 & Controlled Entities

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# CORPORATE DIRECTORY

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## Directors

Pnina Feldman, Executive Chair  
Sholom Feldman, Managing Director  
David Austin, Non Executive Director  
Johnathan Cohen, Non Executive Director  
John Easterling, Non Executive Director

## Company Secretary

Alexander Neuling

## Registered Office

Level 21, 133 Castlereagh Street, SYDNEY NSW 2000

Telephone: (02) 8379 1832  
Email: [sfeldman@cannglobal.com.au](mailto:sfeldman@cannglobal.com.au)

## Auditor

Nexia Sydney Audit Pty Ltd  
Level 16, 1 Market Street, SYDNEY NSW 2000  
Telephone: (02) 9251 4600

## Share Registry

Computershare Investor Services Pty Limited  
Level 11, 172 St Georges Terrace, PERTH WA 6000  
Telephone: (08) 9323 2000

## Bankers

Bank of Western Australia  
SYDNEY NSW 2000

National Australia Bank  
SYDNEY NSW 2000

## Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Ltd (ASX).

## Australian Security Exchange Code

CGB

## Website

[www.cannglobal.com.au](http://www.cannglobal.com.au)

# DIRECTORS' REPORT

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The Directors present their report together with the financial statements, on the consolidated entity (referred to hereafter as 'the Group'), consisting of Cann Global Limited ('the Company') and the entities it controlled at the end of or during the half-year ended 31 December 2020.

## Directors

The following persons were Directors of Cann Global Limited during the whole of the financial half-year and up to the date of this report, unless stated otherwise:

- Prina Feldman, Executive Chair
- Sholom Feldman, Managing Director
- David Austin, Non Executive Director
- Johnathan Cohen, Non Executive Director
- John Easterling, Non Executive Director

## Principal Activities

The principal activities of the Group during the half-year ended 2020 were legally developing, growing, cultivating and producing hemp and medicinal cannabis products; and mining exploration and evaluation in Australia.

## Operations Overview

The Group reported the loss after tax for the half-year of \$2.1m (2019:\$5.5m).

The company continues to focus on its strategic priorities to efficiently manufacture high-quality products, expand the product range to leverage new markets, strengthen distribution channels and facilitate the distribution of the Company's product range globally. The company also continues supporting research into the medicinal benefits of Cannabis products.

In September last year Cann Global launched to market its chia soft gel oil capsules. These are already available in Australian retail partner Costco's Australian stores, and following solid demand from customers they are now taking steps to make them available for purchase online in March.

Cann Global continues its discussions with industry partners to pursue distribution channel opportunities in China for its food range and has sent samples for testing to continue developing export strategies.

Cann Global launched its equine food range during the half-year which is being sold as a white labelled product.

Cann Global have placed an initial product order with partner Canntab Therapeutics for six hard pill cannabinoid formulations which will initially be available from pharmacies through the Special Access Scheme B and Authorised Prescriber Schemes. Canntab Therapeutics are awaiting issuance of their export licences from Health Canada to complete the order. The export license is expected to be received soon with Canntab products made available to consumers shortly thereafter.

The company continues to progress towards the Australian launch of its premium range of skincare products developed together with its joint venture partner, Israeli-based and listed Pharmocann Global.

It is also pleasing to note that at 31 December 2020, the Company had healthy cash reserves of \$12.4m following \$7.9 million of equity capital having been raised during the six months.

The Company now also has a debt free balance sheet following conversion of the Company's convertible notes to equity, welcoming Obsidian and L1 Capital as significant equity investors.

# DIRECTORS' REPORT

## Tenements

As at 31st December 2020, the Company held the following tenements:

| Project Name                              |          |                             | Interest Held % |
|---|----------|-----------------------------|-----------------|
| <b>Eastern Australia Bauxite Projects</b> |          |                             |                 |
| South Johnstone QLD                       | EPM18463 | Granted<br>(Renewal Lodged) | 100%            |
| South Johnstone QLD                       | MDL2004  | Granted                     | 100%            |

## Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half-year.

## Event subsequent to date

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the company up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There has not otherwise arisen in the interval between the end of the financial half-year and the date of this report any further item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

# DIRECTORS' REPORT

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The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 05 and forms part of the directors' report for the half-year ended 31 December 2020.

Signed in accordance with a resolution of the Board of Directors:



**Pnina Feldman**

Chairperson

Sydney

26th February 2021

*For further information, please contact:*

*Cann Global Limited*

*Tel: +61 (0)2 8379 1832*

*For further information or any queries please email the Company at:*

*[investorrelations@cannglobal.com.au](mailto:investorrelations@cannglobal.com.au)*

The Board of Directors  
Cann Global Limited  
Level 21  
133 Castlereagh Street  
SYDNEY NSW 2000

To the Board of Directors of Cann Global Limited

**Auditor's Independence Declaration under section 307C of the *Corporations Act 2001***

As lead audit director for the review of the financial statements of Cann Global Limited for the half-year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

Yours sincerely



**Nexia Sydney Audit Pty Limited**



**Stephen Fisher**  
Director

Sydney  
26 February 2021

# FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2020

| Consolidated   | Note | 31 December<br>2020<br>\$ | 31 December<br>2019<br>\$ |
|--|------|---------------------------|---------------------------|
| Revenue from sales   |      | 900,459                   | 673,365                   |
| R&D Refund   |      | -                         | 23,281                    |
| <b>Total income</b>  |      | <b>900,459</b>            | <b>696,646</b>            |
| Cost of goods sold   |      | (734,803)                 | (544,574)                 |
| <b>Gross Profit</b>  |      | <b>165,656</b>            | <b>152,072</b>            |
| <b>Other income</b>  |      |                           |                           |
| Foreign currency exchange gain/(loss) realised                                 |      | 615,397                   | (328,551)                 |
| <b>Expenses</b>  |      |                           |                           |
| Administrative and corporate expenses  |      | (1,407,449)               | (920,688)                 |
| Advertising and marketing  |      | (205,878)                 | (73,072)                  |
| Depreciation and amortisation  |      | (74,359)                  | (108,383)                 |
| Legal expenses   |      | 1,547                     | (45,827)                  |
| Directors fees CGB   |      | (351,132)                 | (337,000)                 |
| Directors fees MCL   |      | -                         | (60,000)                  |
| Occupancy expenses   |      | (28,922)                  | (72,142)                  |
| Exploration written off  |      | (308,604)                 | -                         |
| Impairment of other receivables  |      | (80,568)                  | -                         |
| Research costs   |      | (18,660)                  | (1,065,246)               |
| Share of loss in equity-accounted investees – net of tax                       |      | (51,123)                  | -                         |
| Travelling expenses  |      | (49,837)                  | (124,215)                 |
| Other expenses   |      | (116,313)                 | (145,833)                 |
| Share based payments expense   |      | (146,500)                 | (607,446)                 |
| <b>Total expenses</b>  |      | <b>(2,222,402)</b>        | <b>(3,888,403)</b>        |
| Finance income   |      | 73,420                    | 62,228                    |
| Finance costs  |      | (99,507)                  | (1,811,145)               |
| <b>Net finance costs</b>   |      | <b>(26,087)</b>           | <b>(1,748,917)</b>        |
| <b>Loss before income tax</b>  |      | <b>(2,082,833)</b>        | <b>(5,485,248)</b>        |
| Income tax expense   |      | -                         | -                         |
| <b>Loss after tax from continuing operations</b>                               |      | <b>(2,082,833)</b>        | <b>(5,485,248)</b>        |
| Other comprehensive income, net of tax   |      | -                         | -                         |
| <b>Total comprehensive loss</b>  |      | <b>(2,082,833)</b>        | <b>(5,485,248)</b>        |
| Loss attributable to members of Cann Global Limited                            |      | (2,051,838)               | (5,436,807)               |
| <b>Total comprehensive loss attributable to members of Cann Global Limited</b> |      | <b>(2,051,838)</b>        | <b>(5,436,807)</b>        |
| <b>Loss attributable to non-controlling interest</b>                           |      | <b>(30,995)</b>           | <b>(48,441)</b>           |
| <b>Total comprehensive loss attributable to non-controlling interest</b>       |      | <b>(30,995)</b>           | <b>(48,441)</b>           |
| Basic earnings per share (cents per share)                                     |      | <b>(0.055)</b>            | <b>(0.18)</b>             |
| Diluted earnings per share (cents per share)                                   |      | <b>(0.055)</b>            | <b>(0.18)</b>             |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

# FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Financial Position

For the half-year ended 31 December 2020

| Consolidated                         | Note | 31 December<br>2020<br>\$ | 30 June<br>2020<br>\$ |
|--------------------------------------|------|---------------------------|-----------------------|
| <b>Assets</b>                        |      |                           |                       |
| <b>Current assets</b>                |      |                           |                       |
| Cash and cash equivalents            |      | 12,406,663                | 7,417,095             |
| Prepayments                          |      | 147,040                   | 154,591               |
| Trade and other receivables          | 7    | 475,337                   | 709,632               |
| Inventories                          | 8    | 433,386                   | 489,475               |
| <b>Total current assets</b>          |      | <b>13,462,427</b>         | <b>8,770,793</b>      |
| <b>Non-current assets</b>            |      |                           |                       |
| Exploration and evaluation           | 9    | 2,215,275                 | 2,451,028             |
| Property, plant and equipment        |      | 465,660                   | 486,458               |
| Right-of-use assets                  | 10   | 99,344                    | 138,416               |
| Intangible assets                    | 11   | 4,508,975                 | 4,501,160             |
| Investments                          |      | 200,000                   | 200,000               |
| Equity-accounted investee            | 19   | 110,300                   | 2                     |
| <b>Total Non-current assets</b>      |      | <b>7,599,555</b>          | <b>7,777,064</b>      |
| <b>Total assets</b>                  |      | <b>21,061,982</b>         | <b>16,547,857</b>     |
| <b>Liabilities</b>                   |      |                           |                       |
| <b>Current liabilities</b>           |      |                           |                       |
| Trade and other payables             |      | (1,586,488)               | (2,067,980)           |
| Current tax liability                |      | (292,666)                 | (292,666)             |
| Lease liability                      |      | (39,811)                  | (77,184)              |
| Other financial liabilities          | 12   | (90,298)                  | (4,290,747)           |
| <b>Total current liabilities</b>     |      | <b>(2,009,262)</b>        | <b>(6,728,577)</b>    |
| <b>Non-current liabilities</b>       |      |                           |                       |
| Lease liability                      |      | (60,710)                  | (61,232)              |
| <b>Total Non-current liabilities</b> |      | <b>(60,710)</b>           | <b>(61,232)</b>       |
| <b>Total liabilities</b>             |      | <b>(2,069,972)</b>        | <b>(6,789,809)</b>    |
| <b>Net assets</b>                    |      | <b>18,992,010</b>         | <b>9,758,048</b>      |
| <b>Equity</b>                        |      |                           |                       |
| Share capital                        | 13   | 95,112,970                | 84,159,575            |
| Option reserve                       | 13   | 186,450                   | -                     |
| Share based payments reserve         | 14   | 6,203,818                 | 6,027,318             |
| Acquisition of NCI reserve           |      | (42,498,259)              | (42,498,259)          |
| Accumulated losses                   |      | (39,922,382)              | (37,870,544)          |
| <b>Total</b>                         |      | <b>19,082,596</b>         | <b>9,818,090</b>      |
| Non-controlling interest             | 15   | (90,587)                  | (60,042)              |
| <b>Total equity</b>                  |      | <b>18,992,010</b>         | <b>9,758,048</b>      |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

# FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2020

| Consolidated   | Note        | Issued Capital \$        | Accumulated Losses \$        | Share Based Payments Reserve \$        | Option Reserve \$        | Acquisition of Non-Controlling Interest Reserve \$        | Non-Controlling Interest (NCI) \$        | Total Equity \$        |
|--|-------------|--------------------------|------------------------------|--|--------------------------|---|--|------------------------|
| <b>Balance at 1 July 2019</b>                                    |             | 29,600,842               | (29,858,406)                 | 5,253,372                              | -                        | -   | (2,105,811)                              | 2,886,997              |
| Loss for the half-year   |             | -                        | (5,436,807)                  | -                                      | -                        | -   | (48,441)                                 | (5,485,248)            |
| Transfer from share-based payments reserve to accumulated losses |             | -                        | -                            | -                                      | -                        | -   | -  | -                      |
| Share and option-based payments                                  | 6           | -                        | -                            | 711,905                                | -                        | -   | -  | 711,905                |
| Acquisition of additional 45% interest in MCL                    |             | 40,410,820               | -                            | -                                      | -                        | (42,498,259)  | 2,087,439                                | -                      |
| Shares issued during the half year                               |             | 12,897,364               | -                            | -                                      | -                        | -   | -  | 12,897,364             |
| <b>Balance at 31 December 2019</b>                               |             | <b>82,909,026</b>        | <b>(35,295,213)</b>          | <b>5,965,277</b>                       | <b>-</b>                 | <b>(42,498,259)</b>                                       | <b>(69,813)</b>                          | <b>11,011,018</b>      |
| <b>Consolidated</b>  | <b>Note</b> | <b>Issued Capital \$</b> | <b>Accumulated Losses \$</b> | <b>Share Based Payments Reserve \$</b> | <b>Option Reserve \$</b> | <b>Acquisition of Non-Controlling Interest Reserve \$</b> | <b>Non-Controlling Interest (NCI) \$</b> | <b>Total Equity \$</b> |
| <b>Balance at 1 July 2020</b>                                    |             | 84,159,575               | (37,870,544)                 | 6,027,318                              | -                        | (42,498,259)  | (60,042)                                 | 9,758,048              |
| Loss of the half-year  |             | -                        | (2,051,838)                  | -                                      | -                        | -   | (30,995)                                 | (2,082,833)            |
| Share and option-based payments                                  | 6           | -                        | -                            | 146,500                                | -                        | -   | -  | 146,500                |
| Prepayment   |             | -                        | -                            | 30,000                                 | -                        | -   | -  | 30,000                 |
| Investment in Cann Global Thailand Pty Ltd                       |             | -                        | -                            | -                                      | -                        | -   | 450                                      | 450                    |
| Option Reserve   |             | -                        | -                            | -                                      | 186,450                  | -   | -  | 186,450                |
| Share issued cost  |             | (418,197)                | -                            | -                                      | -                        | -   | -  | (418,197)              |
| Shares issued during the half-year                               | 13          | 11,371,591               | -                            | -                                      | -                        | -   | -  | 11,371,591             |
| <b>Balance at 31 December 2020</b>                               |             | <b>95,112,970</b>        | <b>(39,922,382)</b>          | <b>6,203,818</b>                       | <b>186,450</b>           | <b>(42,498,259)</b>                                       | <b>(90,587)</b>                          | <b>18,992,010</b>      |

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes



# FINANCIAL STATEMENTS

## Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2020

| Cash flows from operating activities                                      | Note | 31 December<br>2020<br>\$ | 31 December<br>2019<br>\$ |
|---|------|---------------------------|---------------------------|
| Receipts from customers   |      | 1,148,108                 | 1,119,013                 |
| Payments to suppliers and employees                                       |      | (2,574,936)               | (4,793,143)               |
| Interest received   |      | 73,420                    | 62,228                    |
| <b>Net cash used in operating activities</b>                              |      | <b>(1,353,407)</b>        | <b>(3,611,902)</b>        |
| Cash flows from investing activities                                      |      |                           |                           |
| Investment in equity-accounted entity                                     |      | (85,298)                  | (6,361)                   |
| Payment for intangibles   |      | (22,305)                  | -                         |
| Payment for exploration asset   |      | (72,851)                  | (5,083)                   |
| <b>Net cash used in investing activities</b>                              |      | <b>(180,454)</b>          | <b>(11,444)</b>           |
| Cash flows from financing activities                                      |      |                           |                           |
| Loan provided by/(to) related entity – Australian Gemstone Mining Pty Ltd |      | 938                       | (40,541)                  |
| Loan provided to other entity – Pharmocann Global Pty Ltd                 |      | (21,000)                  | -                         |
| Loan provided (to)/by related party – MCL Director                        |      | (111,113)                 | (531,591)                 |
| Loan provided by other entity   |      | -                         | (175,037)                 |
| Proceeds from convertible securities                                      |      | -                         | 2,221,200                 |
| Proceeds from share capital (net of capital raising costs)                |      | 6,654,605                 | 5,950,000                 |
| Loans repaid to seed capital providers                                    |      | -                         | (2,450,000)               |
| <b>Net cash from financing activities</b>                                 |      | <b>6,523,430</b>          | <b>4,974,031</b>          |
| <b>Net increase/(decrease) in cash held</b>                               |      | <b>4,989,568</b>          | <b>1,350,685</b>          |
| Cash at beginning of financial year                                       |      | 7,417,095                 | 5,183,769                 |
| <b>Cash acquired from HHC and T12 acquisition</b>                         |      | <b>-</b>                  | <b>39,467</b>             |
| <b>Cash at end of financial year</b>                                      | 12   | <b>12,406,663</b>         | <b>6,573,921</b>          |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## FINANCIAL STATEMENTS

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

### Note 1. Corporate Information

The interim financial report of Cann Global Limited for the half-year ended 31 December 2020 was authorised for issue in accordance with a resolution of the Directors on 25 February 2020.

Cann Global Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. Its registered office and principal place of business is Level 21, 133 Castlereagh Street, Sydney NSW 2000.

The principal activities of the Group during the half-year ended 2020 were legally developing, growing, cultivating and producing hemp and medicinal cannabis products; and mining exploration and evaluation in Australia.

### Note 2. Summary of Significant Accounting Policies

This general purpose financial report for the interim half year reporting period ended 31 December 2020 has been prepared in accordance with applicable Accounting Standards including Accounting Standard AASB 134 Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by Cann Global Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The Group has adopted all of the new and revised Accounting Standards and Accounting Interpretations issued by the AASB that are relevant to their operations and effective for the current half-year.

#### *Exploration and evaluation expenditure*

Exploration and evaluation expenditure, including the costs of acquiring the licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore an area are recognised in the statement of profit or loss and other comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation or fromsale of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are finalised, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

## FINANCIAL STATEMENTS

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For the half-year ended 31 December 2020

**Note 3: Use of estimate and judgements**

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

The only area involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, is in relation to share and option based payments, convertible securities and exploration asset written off.

**Note 4. Operating segments****a. Basis for segmentation**

The Group has three reportable segments; cannabis, mining exploration and evaluation and corporate. The corporate segment includes all of our initiatives in corporate growth activities and provides administrative, technical and financial support.

**b. Information about reportable segments**

Information related to each reportable segment is set out below.

| 31 December 2020                | Cannabis         | Mining Exploration and Evaluation | Corporate          | Total               |
|---------------------------------|------------------|-----------------------------------|--------------------|---------------------|
| Segment revenues                | 900,459          | -                                 | -                  | 900,459             |
| <b>Revenues</b>                 | <b>900,459</b>   | -                                 | -                  | <b>900,459</b>      |
| Interest Income                 | -                | -                                 | 73,420             | 73,420              |
| Depreciation                    | (19,088)         | (1,709)                           | -                  | (20,798)            |
| Amortisation and impairment     | -                | (362,165)                         | -                  | (362,165)           |
| Finance costs                   | -                | -                                 | 99,507             | 99,507              |
| Other costs                     | (1,009,179)      | -                                 | (1,565,064)        | (2,574,243)         |
| <b>Profit/(loss) before tax</b> | <b>(127,808)</b> | <b>(363,875)</b>                  | <b>(1,591,151)</b> | <b>(2,082,833)</b>  |
| Income tax expense              | -                | -                                 | -                  | -                   |
| <b>Loss after tax</b>           | -                | -                                 | -                  | -                   |
| Capital expenditures            | 22,305           | -                                 | -                  | 22,305              |
| <b>Total assets</b>             | <b>6,280,941</b> | <b>2,225,775</b>                  | <b>12,555,266</b>  | <b>(21,061,982)</b> |
| <b>Total liabilities</b>        | <b>(515,764)</b> | -                                 | <b>(1,554,209)</b> | <b>(2,069,972)</b>  |

## FINANCIAL STATEMENTS

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

### Note 4. Operating segments (continued)

| 31 December 2019            | Cannabis           | Mining Exploration<br>and Evaluation | Corporate          | Total              |
|-----------------------------|--------------------|--------------------------------------|--------------------|--------------------|
| Segment revenues            | 673,365            | -                                    | -                  | 673,365            |
| R&D Grant                   | 23,281             | -                                    | -                  | 23,281             |
| Less: Intersegment revenues | -                  | -                                    | -                  | -                  |
| <b>Revenues</b>             | <b>696,646</b>     | <b>-</b>                             | <b>-</b>           | <b>-</b>           |
| Interest income             | -                  | -                                    | 62,228             | 62,228             |
| Depreciation                | (19,266)           | (2,309)                              | -                  | (21,575)           |
| Amortisation                | (16,610)           | -                                    | -                  | (16,610)           |
| Finance costs               | -                  | -                                    | (1,811,145)        | (1,811,145)        |
| Other costs                 | (1,807,107)        | (70,198)                             | (2,517,487)        | (4,394,792)        |
| <b>Loss before tax</b>      | <b>(1,146,337)</b> | <b>(72,507)</b>                      | <b>(4,266,404)</b> | <b>(5,485,248)</b> |
| Income tax expense          | -                  | -                                    | -                  | -                  |
| <b>Loss after tax</b>       | <b>(1,146,337)</b> | <b>(72,507)</b>                      | <b>(4,266,404)</b> | <b>(5,485,248)</b> |
| Capital expenditures        | 6,362              | 5,083                                | -                  | 11,445             |
| <b>Total assets</b>         | <b>6,324,355</b>   | <b>2,263,456</b>                     | <b>7,404,451</b>   | <b>15,992,262</b>  |
| <b>Total liabilities</b>    | <b>(542,661)</b>   | <b>-</b>                             | <b>(4,438,583)</b> | <b>(4,981,244)</b> |

### Note 5. Loss for the Half-Year

The consolidated loss for the half-year ended 31 December 2020 was (\$2,082,833) 2019: loss (\$5,485,248).

## FINANCIAL STATEMENTS

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FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

## Note 6. Share Based Payments Expense

The share-based payments expense for the half-year ended 31 December 2020 relates to the following share issues

|  | 31 December 2020<br>\$ | 31 December 2019<br>\$ |
|--|------------------------|------------------------|
| Shares issued to consultants                       | 146,500                | 418,257                |
| Shares issued to T12 Pty Ltd management (T12)      | -                      | 189,189                |
|  | <b>146,500</b>         | <b>607,446</b>         |
| Finance cost - Convertible securities - L1 Capital | -                      | (104,459)              |
| Increment to share based payments reserve          | <b>146,500</b>         | <b>711,905</b>         |

## Note 7. Trade and other Receivables

| Current                               | 31 December 2020 | 30 June 2020   |
|---------------------------------------|------------------|----------------|
| Trade receivables                     | 316,797          | 554,968        |
| Other receivables                     | 158,540          | 154,664        |
| <b>Balance as at 31 December 2020</b> | <b>475,337</b>   | <b>709,632</b> |

## Note 8. Inventories

| Current                               | 31 December 2020 | 30 June 2020   |
|---------------------------------------|------------------|----------------|
| Seeds and crops in progress – at cost | 12,675           | 12,675         |
| Finished goods – at cost              | 420,711          | 476,800        |
| <b>Balance as at 31 December 2020</b> | <b>433,386</b>   | <b>489,475</b> |

## FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED  
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For the half-year ended 31 December 2020

## Note 9. Exploration and evaluation

| Non-current  | 31 December 2020 | 30 June 2020     |
|--|------------------|------------------|
| <b>EPM 18463</b>   |                  |                  |
| Balance as at 30 June  | 2,451,028        | 2,238,019        |
| Mining permits, tenement acquisition and administration and geologist expenses | 72,851           | 213,009          |
| Impairment of exploration assets   | (308,804)        | -                |
| <b>Balance as at 31 December 2020</b>  | <b>2,215,275</b> | <b>2,451,028</b> |

The Exploration and Evaluation asset of \$2,215,275, relates to the South Johnstone Project, Queensland, mining tenement EPM 18463. This mining tenement was set to expire on 25 May 2020. CGB has lodged the renewal application for the mining tenement with the Queensland Government's, Department of Natural Resources, Mines and Energy (DNRME). The status of the tenement is therefore Granted (Renewal lodged).

CGB have lodged the renewal application on time prior to expiry date and are now waiting for the DNRME's decision. CGB is yet to be advised whether the renewal application will be approved. If the renewal is unsuccessful then in that event the capitalised Exploration and Evaluation asset carrying value of \$2,215,275 will be fully impaired. CGB has no reason to believe the renewal will be unsuccessful.

## Note 10. Right-of-use assets

|                                       | 31 December 2020 | 30 June 2020   |
|---------------------------------------|------------------|----------------|
| Land and buildings - right-of-use     | 138,416          | 138,416        |
| Less: Accumulated depreciation        | (39,072)         | -              |
| <b>Balance as at 31 December 2020</b> | <b>99,344</b>    | <b>138,416</b> |

The Group leases land and buildings for its factory under agreements of two years. On renewal, the terms of the leases are renegotiated. There is no renewal option held by the Group on these leases.

## Note 11. Intangible assets

|   | 31 December 2020 | 30 June 2020     |
|---|------------------|------------------|
| Seedbank and plant genetics             | 230,000          | 230,000          |
| Accumulated amortisation                | (80,500)         | (69,000)         |
| Goodwill                                | 4,322,016        | 4,322,016        |
| Intellectual property - website at cost | 66,405           | 44,100           |
| Accumulated amortisation                | (30,196)         | (27,206)         |
| Trademark                               | 1,250            | 1,250            |
| <b>Total intangible assets</b>          | <b>4,508,975</b> | <b>4,501,160</b> |

## FINANCIAL STATEMENTS

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

### Note 11. Intangible assets (continued)

| 31 December 2020                                   | Intellectual property Website<br>\$ | Seedbank and plant genetics<br>\$ | Goodwill<br>\$   | Trademark<br>\$ | Total<br>\$      |
|--|-------------------------------------|-----------------------------------|------------------|-----------------|------------------|
| Carrying amount year ended 30 June 2020            | 16,894.00                           | 161,000                           | 4,322,016        | 1250            | 4,501,160        |
| Additions  | 22,305                              | -                                 | -                | -               | 22,305           |
| Accumulated amortisation                           | (2,990)                             | (11,500)                          | -                | -               | (14,490)         |
| <b>Carrying amount year ended 31 December 2020</b> | <b>36,209</b>                       | <b>149,500</b>                    | <b>4,322,016</b> | <b>1,250</b>    | <b>4,508,975</b> |

### Note 12. Other financial liabilities

| Current   | 31 December 2020 | 30 June 2020     |
|---|------------------|------------------|
| Loan from MCL Director – unsecured  | -                | 211,113          |
| Loan from other party – unsecured   | 90,298           | 90,545           |
| Convertible securities – LI Capital pursuant to the financing agreement – secured | -                | 85,200           |
| Convertible securities – Obsidian pursuant to the financing agreement – secured   | -                | <b>4,290,747</b> |
|   | <b>90,298*</b>   | 3,903,889        |

\* Loan provided by Emanor Holdings Pty Ltd to Hemp Hulling Co. (HHC). Emanor provides management services to Hemp Hulling Co. and has a common director, Sebastian Edwards, who owns 45% of Hemp Hulling Co.

| Changes in liabilities arising from financing activities | Andrew Kavalas<br>\$ | LI Capital<br>\$ | Other loan<br>\$ | Obsidian<br>\$ | Total<br>\$   |
|--|----------------------|------------------|------------------|----------------|---------------|
| Balance as at 30 June 2020                               | 211,113              | 85,200           | 90,545           | 3,903,889      | 4,290,747     |
| <b>Cash movements:</b>                                   |                      |                  |                  |                |               |
| Loans repaid   | (51,113)             | -                | (247)            | -              | (51,360)      |
| Foreign exchange gain on conversion of convertible notes | -                    | -                | -                | (594,292)      | (594,292)     |
| Conversion to shares                                     | (160,000)            | (85,200)         | -                | (3,309,597)    | (3,554,797)   |
| <b>Balance as at 31 December 2020</b>                    | <b>-</b>             | <b>-</b>         | <b>90,298</b>    | <b>-</b>       | <b>90,298</b> |

## FINANCIAL STATEMENTS

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

## Note 13. Share capital

| Share capital on issue  | 31 December 2020  | 30 June 2020      |
|---|-------------------|-------------------|
| 5,704,850,303 (30 June 2020: 3,389,989,043) fully paid ordinary shares (no par value) | 94,362,970        | 83,409,575        |
| 50,000,000 (2018: 50,000,000) performance shares (no par value)                       | 750,000           | 750,000           |
|   | <b>95,112,970</b> | <b>84,159,575</b> |

|  | 31 December 2020<br>N° | 31 December 2020<br>\$ | 30 June 2020<br>N°   | 30 June 2020<br>\$ |
|--|------------------------|------------------------|----------------------|--------------------|
| <b>Ordinary shares</b>   |                        |                        |                      |                    |
| At the beginning of reporting period                                   | 3,389,989,043          | 83,409,574             | 1,612,435,425        | 28,850,842         |
| Share based payments   | 35,478,099             | -                      | 36,704,533           | -                  |
| Capital raising  | 1,565,498,480          | 7,827,492              | 170,000,000          | 5,950,000          |
| Acquisition MCL 45%  | -                      | -                      | 1,154,250,000        | 40,398,750         |
| Acquisition HHC 30%  | -                      | -                      | 40,540,541           | 1,418,919          |
| Acquisition T12 100%   | -                      | -                      | 21,621,621           | 756,757            |
| Investment in Cann Global South Africa                                 | -                      | -                      | 10,000,000           | 200,000            |
| Collateral shares - L1 Capital   | -                      | -                      | 35,000,000           |                    |
| Share placement  | -                      | -                      | 59,000,000           | 668,560            |
| Conversion of convertible securities into ordinary shares - L1 Capital | -                      | -                      | 142,218,947          | 2,390,145          |
| Collateral shares - Obsidian   | -                      | -                      | 25,000,000           |                    |
| Conversion of seed loans into ordinary shares                          | -                      | -                      | 76,932,262           | 2,692,629          |
| Conversion of loan into ordinary shares                                | 32,000,000             | 160,000                | 6,285,714            | 176,000            |
| Conversion of convertible securities into ordinary shares - Obsidian   | 681,824,681            | 3,394,798              | -                    | -                  |
| Loss on equity conversion  | -                      | 175,031                | -                    | -                  |
| Less: Cost of capital raising  | -                      | (418,197)              | -                    | (93,028)           |
| Option reserve   | -                      | (186,450)              | -                    | -                  |
| Options exercised  | 60,000                 | 720                    |                      |                    |
| At reporting date  | <b>5,704,850,303</b>   | <b>94,362,970</b>      | <b>3,389,989,043</b> | <b>83,409,574</b>  |
| <b>Performance shares</b>  |                        |                        |                      |                    |
| At the beginning of reporting period                                   | 50,000,000             | 750,000                | 50,000,000           | 750,000            |
| At reporting date  | 50,000,000             | 750,000                | 50,000,000           | 750,000            |
|  | <b>5,754,850,303</b>   | <b>95,112,970</b>      | <b>3,439,989,043</b> | <b>84,159,574</b>  |



## FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

## Note 13. Share capital (continued)

*Terms and Conditions of Issued Capital*ORDINARY SHARES

Ordinary shares have the right to receive dividends as declared by the board 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 the holder to one vote either in person or by proxy at a meeting of the Company.

PERFORMANCE SHARES

Performance shares do not have the right to receive dividends as declared by the board and, in the event of winding up the Company, do not participate in the proceeds from the sale of any surplus assets. Performance shares do not entitle the holder to a vote either in person or by proxy at a meeting of the Company.

## Note 14. Share based payment reserve

| Consolidated Entity   | 31 December<br>2020 | 30 June<br>2020  |
|---|---------------------|------------------|
| Balance as at 1 July  | 6,027,318           | 5,253,372        |
| Equity settled share based payment – consulting fees – shares | 146,500             | 773,946          |
| Prepayment  | 30,000              | -                |
| <b>Balance</b>  | <b>6,203,818</b>    | <b>6,027,318</b> |

## Note 15. Non Controlling interest

|   | 31 December<br>2020 | 30 June<br>2020 |
|---|---------------------|-----------------|
| Non-controlling interest in equity – Balance as at 1 July   | (60,042)            | (2,108,811)     |
| Acquisition of additional 45% interest in MCL, resulting in derecognition of non-controlling interest | -                   | 2,087,439       |
| Non-controlling interest in share capital raising – Cann Global Thailand Pty Ltd                      | 450                 | -               |
| Loss attributable to non-controlling interest   | (30,995)            | (38,670)        |
| <b>Total non-controlling interests</b>  | <b>(90,587)</b>     | <b>(60,042)</b> |

## FINANCIAL STATEMENTS

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

### Note 16. Related Party Transactions

#### *Identity of related parties*

The Group has related party relationships with its subsidiaries, its key management personnel and companies related due to common directorships, Pnina Feldman being a Director of both Cann Global Limited and the director of related companies.

#### *Related party transactions with Australian Gemstone Mining Pty Limited*

The Company and Australian Gemstone Mining Pty Limited (AGMPL) are parties to a management services agreement (Management Services Agreement) dated 1 July 2007, and the variation deed dated 1 July 2018, for the provision by AGMPL of executive and corporate services, including geological and technical expertise, to the Group by the following executives:

- Pnina Feldman – Executive Director
- Dr Robert Coenraads – Head Geologist, Exploration and Mining; and
- Sholom Feldman – Chief Executive Officer and Managing Director.

AGMPL is a company owned and controlled by Pnina Feldman. Each of Pnina Feldman, Dr Robert Coenraads and Sholom Feldman has entered into an executive services agreement with AGMPL. Each of these executive services agreements contains standard provisions dealing with employment obligations and standard covenants dealing with general duties and the protection of AGMPL's interests and mirrors the Management Services Agreement in respect of termination provisions.

The provision by AGMPL of geological and technical expertise services was terminated during the half-year ended 31 December 2020.

| AGMPL services                                    | 31 December 2020 | 30 June 2020     |
|---|------------------|------------------|
| Rent  | -                | 25,635           |
| Management and secretarial                        | -                | 180,000          |
| Geologist fees                                    | 36,000           | 198,000          |
| Executive and corporate services (Directors Fees) | 312,000          | 624,000          |
| Reimbursement of expenses                         | -                | 13,543           |
| Marketing services                                | -                | 200,579          |
| Administration services                           | -                | 54,000           |
| <b>Total</b>                                      | <b>348,000</b>   | <b>1,295,757</b> |

## FINANCIAL STATEMENTS

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For the half-year ended 31 December 2020

## Note 16. Related Party Transactions (continued)

*Other transactions with related parties*

The Company paid directors' fees of \$19,132 (2019: \$15,000) for the non-executive director, Jonathan Cohen, during the half-year ended 31 December 2020.

The Company paid directors' fees of \$20,000 (2019: \$15,000) to the non-executive director, David Austin, during the half-year ended 31 December 2020.

|  | 31 December 2020 | 30 June 2020 |
|--|------------------|--------------|
| <b>Loans advanced to director related companies</b>    |                  |              |
| <b>NON-CURRENT</b>                                     |                  |              |
| Volcan Australia Corporation Pty Ltd                   | 1,200,000        | 1,200,000    |
| Expected credit loss recognised as at 31 December 2020 | (1,200,000)      | (1,200,000)  |

Due for repayment on 14 December 2012\*

\* The loan to Volcan Australia Corporation Pty Ltd was not a cash advance from the company to Volcan, but was the amount that was to be paid in consideration for the purchase by Volcan Australia Corporation Pty Ltd (VAC) of ML1492 from the Company pursuant to the transactions completed on 14 December 2010 as approved at the time by shareholders at an EGM. Volcan was to have invested in ML1492, and from the profits of the development of that asset was to have paid CGB \$1.2M. Volcan subsequently invested in the asset's development, but due to the prevailing market conditions, Volcan was not able to make a profit from that asset at that time. As a result, Volcan was unable to meet the acquisition cost of \$1.2M at the due date. The amount due was unsecured, due for payment in cash on 14 December 2012, and there was no interest payable on the amount due. The Directors have agreed that it is in CGB's interest to allow VAC further time to seek to further develop that asset in more favourable market conditions to enable Volcan to make the necessary amounts from the asset to make the payment. As the timing of this payment is at present uncertain, it is considered prudent for this amount to be impaired in the financial statements until the payment is able to be made.

## FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

## Note 17. Financial Instruments

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required). Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

|                              | 31 December<br>2020<br>Total Carrying<br>Amount | 31 December<br>2020<br>Net Fair<br>Value | 30 June<br>2020<br>Total Carrying<br>Amount | 30 June<br>2020<br>Net Fair<br>Value |
|------------------------------|---|--|---|--------------------------------------|
| <b>Financial assets</b>      |   |  |   |                                      |
| Cash and cash equivalents    | 12,406,663                                      | 12,406,663                               | 7,417,095                                   | 7,417,095                            |
| Trade and other receivables  | 475,337   | 475,337                                  | 709,632                                     | 709,632                              |
| <b>Financial liabilities</b> |   |  |   |                                      |
| Trade and other payables     | 1,586,488                                       | 1,586,488                                | 2,067,980                                   | 2,067,980                            |
| Other financial liabilities  | (90,298)  | (90,298)                                 | 4,290,747                                   | 4,290,747                            |
| Current tax liabilities      | 292,666   | 292,666                                  | 292,666                                     | 292,666                              |
| Current lease liabilities    | 39,811  | 39,811                                   | 77,184                                      | 77,184                               |

The carrying amount of cash and cash equivalents, trade and other receivables, trade and other payables, and current tax liability are assumed to approximate their fair-values due to their short-term nature. The fair values of other financial liabilities are estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

## FINANCIAL STATEMENTS

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

### Note 18. Commitment for expenditure

|   | 31 December 2020 | 30 June 2020 |
|---|------------------|--------------|
| Exploration and evaluation (Note i)           |                  |              |
| – not later than 1 year                       | 102,200          | 135,780      |
| – later than 1 year but no later than 5 years | 112,200          | 145,780      |
| Research and development                      |                  |              |
| Canntab therapeutics (Note ii)                | -                |              |
| – not later than 1 year                       | -                | -            |
| – later than 1 year but no later than 5 years | 1,198,427        | 1,429,000    |
| TRDF Israel Research (Note iii)               |                  |              |
| – not later than 1 year                       | -                | 900,000      |
| – later than 1 year but no later than 5 years | -                | 285,714      |

i. This relates to exploration and evaluation activity for mining tenement EPM18463.

ii. On 27 December 2017 CGB entered into a joint venture agreement with Canntab Therapeutics Ltd. Under the agreement, each party will contribute \$1.4 million (USD\$1 million).

iii. On 16 February 2018 Medical Cannabis Research Group and The Research Development Foundation entered into a research funding agreement. Under the agreement, MCRG is required to pay \$4.1 million (USD\$2.87 million) over a four-year period. During the half-year Cann Global has chosen to continue research and trials for medicinal cannabis use for Multiple Sclerosis in Australia and has terminated its research agreement with TRDF early reducing its commitment for expenditure.

## FINANCIAL STATEMENTS

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

### Note 19. Equity accounted investee

|   | 31 December 2020 | 30 June 2020 |
|---|------------------|--------------|
| Investment in Canntab Therapeutics (Note i)       | 40,699           | 2            |
| Investment in Pharmocann Global Pty Ltd (Note ii) | 69,601           | -            |
|   | 110,300          | 2            |

i. On 27 December 2017, the Group entered a 50:50 joint venture arrangement with Canntab Therapeutics Ltd, named Canntab Therapeutics Australia (JV). The JV is involved in the distribution of pharmaceutical grade medical cannabis tablets.

|  | 31 December 2020 | 30 June 2020 |
|--|------------------|--------------|
| Group's share of net assets and total comprehensive income (50%) | 50%              | 50%          |
| Current assets   | 18,482           | -            |
| Non-current assets   | 25,000           | -            |
| Current liabilities  | (3,566)          | -            |
| Non-current liabilities  | (37,483)         | -            |
| Net assets (100%)  | 2,433            | -            |
| Group's share of net assets (50%)                                | 1,217            | -            |
| Carrying amount of interest in investee                          | 1,217            | -            |
| Revenue  | -                | -            |
| Loss from continuing operations (100%)                           | (43,567)         | -            |
| Other comprehensive income (100%)                                | -                | -            |
| Total comprehensive income (100%)                                | (43,567)         | -            |
| Total comprehensive income (50%)                                 | (21,784)         | -            |
| Group's share of total comprehensive income (50%)                | (21,784)         | -            |

### Reconciliation of carrying value of investment

|                        |        |
|------------------------|--------|
| Share of net assets    | 1,217  |
| Other amounts invested | 68,384 |
| Carrying value         | 69,601 |

## FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

## Note 19. Equity accounted investee (continued)

ii. On 7 June 2020 the Group entered a 50:50 joint venture agreement with Pharmocann, named Pharmocann Global Pty Ltd (PGPL). The JV entity was incorporated on 1 July 2020.

|  | 31 December 2020 | 30 June 2020 |
|--|------------------|--------------|
| Group's share of net assets and total comprehensive income (50%) | 50%              | 50%          |
| Current assets   | 43,697           | -            |
| Non-current assets   | -                | -            |
| Current liabilities  | (3,438)          | -            |
| Non-current liabilities  | (98,938)         | -            |
| Net liabilities(100%)  | (58,679)         | -            |
| Group's share of net assets (50%)                                | (29,340)         | -            |
| Carrying amount of interest in investee                          | (29,340)         | -            |
| Revenue  | -                | -            |
| Loss from continuing operations (100%)                           | (58,679)         | -            |
| Other comprehensive income (100%)                                | -                | -            |
| Total comprehensive income (100%)                                | (58,679)         | -            |
| Total comprehensive income (50%)                                 | (29,339)         | -            |
| Group's share of total comprehensive income (50%)                | (29,339)         | -            |

## Reconciliation of carrying value of investment

|                          |          |
|--------------------------|----------|
| Share of net liabilities | (29,339) |
| Other amounts invested   | 70,038   |
| Carrying value           | 40,699   |

## FINANCIAL STATEMENTS

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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2020

### **Note 20: Events Subsequent to Balance Date**

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the company up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There has not otherwise arisen in the interval between the end of the financial half-year and the date of this report any further item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.



# DIRECTORS' DECLARATION

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## In the Directors' opinion:

(a) the financial statements and accompanying notes set out on pages 06 to 24 are in accordance with the Corporations Act 2001, and:

(i) comply with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

(ii) give a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors:



**Pnina Feldman**

Chairperson

Sydney

26th February 2021

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Cann Global Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Cann Global Limited (the Company and its subsidiaries ("the Group")), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the Corporations Act 2001 including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

#### Emphasis of matter

We draw attention to note 9 to the financial statements which describes the uncertainty related to renewal application of mining tenement EPM 18463. If the renewal is unsuccessful then in that event the capitalised Exploration and Evaluation asset carrying value of \$2,215,275 will be fully impaired. Our review report is not modified in respect of this matter.

#### Responsibility of the Directors for the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CANN GLOBAL LIMITED

### (CONT'D)

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Auditor's Responsibility for the Review of the Financial Report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



**Nexia Sydney Audit Pty Ltd**





**Stephen Fisher**  
Director



Sydney  
26 February 2021



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 Level 21, 133 Castlereagh Street  
Sydney, NSW, 2000

 02 8379 1832

 [www.cannglobal.com.au](http://www.cannglobal.com.au)  
 [info@cannglobal.com.au](mailto:info@cannglobal.com.au)