

ASX ANNOUNCEMENT

28 February 2022



HY22 FINANCIAL RESULTS

Cann Global Limited (ASX:CGB) ("Cann Global" or the "Company") submits the Half Yearly Activities Report and Appendix 4D for the six months ended 31 December 2021 (HY22).

Cann Global HY22 Summary

- Three new revenue streams launched: Canntab's InstaCann products, Fuss Pot skincare range, and a plant funding model in Thailand
- Strategic review of food division conducted to improve profitability
- Revenue declined on pcp due to a short-term anticipated reduction in food sales and accounting reclassification resulting in revenue reversal
- Total operating expenses reduced by 24%, however expected to increase in the second half as growth strategies are progressed
- Net loss of \$2.4m is 19% higher than pcp and includes the one-off liability payment to Mrs Pnina Feldman who retired as Executive Chair during the period
- Excluding the liability to Mrs Feldman the net loss would have been on par with pcp despite the decrease in revenue, as this was largely offset by reduced expenses

Cann Global CEO Sholom Feldman said "We are pleased to have launched three new revenue streams during the period and focused our efforts on considerably reducing operating costs, through increasing productivity and operational efficiency.

"Whilst it will take time for revenue from the new initiatives to build momentum, we are excited by the progress made in the six months to 31 December 2021.

"In the first half of this financial year we have imported two shipments of Instacann products and started our marketing campaign targeting GPs within the TGA regulations. The lead time for these prescription products to generate revenue will take time, however the Canntab products are being received positively by GPs and our efforts are focused on building trust which will drive growth in sales. There is a genuine interest for these products across the medical industry.

"During the half-year we have also launched a new range of premium hemp-based skin care in both France and Australia. These products are currently available on the imafusspot website and we are in discussions with distributors to widen the channels where these products are available to consumers.

"We have also completely reviewed the strategies and portfolio of our health food division to move away from commodity trading and employed higher margin sales strategies. The launch of the new brand and products will occur this quarter and distributors and retailers are already very keen to stock our products."

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The Board has continued to review and enhance Corporate Governance during the reporting period with changes made in line with best practice, including appointing a non-executive independent chairman and ending the external management agreement with Australian Gemstone Mining.

Cann Global are focused on differentiation and have been working hard on our four growth pillars:

- Market penetration- new sales strategies focusing on retail rather than bulk goods,
- Product development - investing in R&D to create innovative products (Fuss Pot and Grass Roots) to extend our current offer,
- Diversified portfolio with a concentric diversification in line with our expertise, and;
- Market development to expand to new markets (Europe and Asia).

Financial Overview

Cann Global reports a loss of \$2.4m for HY22, which is marginally higher than the HY21 loss of \$2.1m. Despite a decrease in revenue for HY22 the strategies implemented have resulted in total operating costs largely offsetting this change.

Revenue for HY22 was \$393k with the decline on the prior comparable period resulting from reduced sales from the food division, whilst the range rationalisation and re-branding activities were being conducted, and a change in the accounting treatment of revenue received by Cann Global Thailand. The auditors have advised that \$203k received under the plant funding structure needs to be treated as a liability until the end of the crop cycle when it can be treated as revenue. Further payments from CGT customers are expected before the end of FY22.

Directors' fees are 44% lower following retirement of the Executive Chair in August 2020 and appointment of an Independent Chair. Mrs Feldman's retirement triggered the termination of the service agreement with AGM P/L and as such a liability of \$312k was incurred. Mrs Feldman has opted to receive shares in consideration for the payment of \$312k which was approved by shareholders at the recent AGM, but as the shares have not yet been issued the amount is treated as a liability.

The increase in occupancy expenses results from a two month prepayment for the new warehouse facility in Brisbane which replaces the facility in Coolum. Occupancy expenses will reduce in H2 FY22 with this location move leading to long term savings for the Group.

In October Cann Global completed a \$1.8m share placement to sophisticated professional investors introduced through 180 Markets. We are pleased to welcome these investors to the register through this well supported placement which ensures our balance sheet is in the best possible position to support the launch of our new products and our efforts to drive growth in these revenue streams.

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Outlook

Cann Global continues to bring awareness to our products by participating in industry conferences and exhibitions. Fuss Pot and our new Health Food Brand Grass Roots will have a presence at the Naturally Good Expo in Sydney in June. We will also be exhibiting Fuss Pot at Cosmoprof in Italy in April where we have secured a booth in the prestigious Green Prime area dedicated to new trends in the retail beauty industry and exhibits products in the high-end perfumery, sustainability, and Lifestyle Beauty categories. The exhibition is expected to be attended by more than 250,000 people.

We continue to support the medicinal cannabis industry by sponsoring the International College of Cannabinoid Medicine (ICCM). Canntab's Instacann products are featured in this online course designed for health care providers. Cann Global will also once again sponsor the United in Compassion Australian Medical Cannabis Symposium to be held in Queensland in May.

In February the Project Twenty21 Australia study commenced and is a joint collaboration between the Australasian College of Cannabinoid Medicine (ACCM) and Drug Science in the UK. Cann Global are supporting this important 12-month study. The study will collect data on the efficacy and safety of medicinal cannabis in the treatment of four key conditions (chronic pain, anxiety, Post Traumatic Stress Disorder (PTSD) and multiple sclerosis) in the Australian population.

The Company continues to pursue a clinical trial of an identified cannabis strain on the efficacy of treating MS and other autoimmune diseases.

Cann Global continues to have a strong balance sheet and significant cash reserves and management are keenly focused on driving a path to profitability.

Post Balance Date

At the Annual General Meeting (AGM) held on 31 January 2021, shareholders approved the resolution authorising a consolidation of the Company's Share Capital on a basis of 1 new share for every 25 shares held.

The Board proposed a consolidation of share capital with a view to reducing the number of shares on issue and increasing the share price, to potentially make the stock more attractive to a broader range of investors. The resulting capital structure is now a more appropriate and effective capital structure for the company given its size. Following consolidation the shares initially traded at \$0.05, an approximate multiple of 25 times the share price on the day prior to the consolidation becoming effective.

The consolidation applied equally to all shareholders with the reduction in the number of shares having no material effect on the percentage interest that each individual shareholder holds in the company.

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Cann Global will host a HY22 results webcast on Monday 7th March 2022. The details of the webcast will be posted on the ASX in the coming days.

Authority & Contact Details

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

For further information please contact Investor Relations on +61 2 8379 1832, or via email at investorrelations@cannglobal.com.au

About Cann Global

At Cann Global we are dedicated to helping people improve their health, wellness and lives by providing access to the highest quality Cannabis/hemp-based and other plant-based products through our worldwide strategic network. We strive to provide our customers with the best products and experience through quality natural ingredients, innovative formulas and delivery systems. Cann Global continues to make a significant contribution to building an industry which supports the value of medicinal cannabis products and puts the patient first.

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Cann Global Limited
Appendix 4D
Half-year report

1. Company details

| | |
|-------------------|--|
| Name of entity: | Cann Global Limited |
| ABN: | 18 124 873 507 |
| Reporting period: | For the half-year ended 31 December 2021 |
| Previous period: | For the half-year ended 31 December 2020 |

2. Results for announcement to the market

| | | | \$ |
|--|------|-------|-------------|
| Revenues from ordinary activities | down | - | - |
| Revenue from ordinary activities | down | 56.0% | 392,514 |
| Loss from ordinary activities after tax attributable to the members of Cann Global Limited | up | 16.8% | (2,395,677) |
| Loss for the half-year attributable to the members of Cann Global Limited | up | 16.8% | (2,395,677) |

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the Group after providing for income tax and non-controlling interest amounted to \$2,395,677 (31 December 2020: \$2,051,838).

The decrease in revenue compared to the prior year is due to a reduction in export sales as previously reported and limited growth was expected while we were reviewing our health food's brand portfolio and sales strategies. The net loss of \$2,396k includes the non-cash settlement fee of \$312k payable to Pnina Feldman as announced on 30 August and 24 December 2021 which was subsequently approved to be settled in CGB shares by resolution of the shareholders at the Group's Annual General Meeting held online on 31 January 2022. Despite the 56% decrease in revenue which was expected while we are implementing our growth strategies, net loss for the half-year is only modestly greater than the previous period which is due to the successful implementation of cost reduction measures including a decrease of 10% in administration and corporate costs, 44% in Directors' fees and 22% in marketing fees which is expected to increase when the new health food brand launches in Q3 FY22.

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|---------------------------------------|--------------------------------------|
| Net tangible assets per ordinary security | <u>0.142</u> | <u>0.213</u> |

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

On 1 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 Appendix 4D disclosure requirements can be found in the Directors' Report and the Consolidated Financial Statements for the half-year ended 31 December 2021.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Cann Global Limited for the half-year ended 31 December 2021 is attached.

Cann Global Limited
Appendix 4D
Half-year report

12. Signed

Signed 

David Austin
Chair
Sydney

Date: 28 February 2022



HALF-YEAR FINANCIAL REPORT

31 December 2021



CANN GLOBAL LIMITED
ABN 18 124 873 507
& CONTROLLED ENTITIES

Our Half-Year in review

5 JULY 2021

Canntab Instacann CBD tablets arrive in Australia

2 AUGUST 2021

Sponsorship of ICCM.

30 AUGUST 2021

Director retirement and appointment of Independent Chairman.

30 SEPTEMBER 2021

Launch of plant funding program in Thailand.

30 OCTOBER 2021

Launch of FussPot in Paris.

30 NOVEMBER 2021

Launch of FussPot in Australia.

21 DECEMBER 2021

Canntab THC 5mg arrives in Australia.

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Cann Global Limited
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31 December 2021

General information

The financial statements cover Cann Global Limited as a Group consisting of Cann Global Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Cann Global Limited's functional and presentation currency.

Cann Global Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Level 21, 133 Castlereagh Street, SYDNEY, NSW
2000

Principal place of business

U2, 13-25 Dunhill Crescent, MORNINGSIDE, QLD
4170

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2022.

Cann Global Limited

Directors' report

31 December 2021

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 (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

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 otherwise stated:

- David Austin, Non Executive Independent Chair (Appointed Chair on 30 August 2021)
- Sholom Feldman, Managing Director
- Johnathan Cohen, Non Executive Director
- John Easterling, Non Executive Director
- Pnina Feldman, Executive Chair (Resigned 30 August 2021)

Principal activities

The principal activities of the Group during the half-year ended 2021 were legally developing, growing, cultivating and producing hemp and medicinal cannabis products in Australia and overseas.

Review of operations

The Group reported a loss after tax for the half-year of \$2.47m (2020:\$2.08m)

- During the half-year, the Group has successfully launched three new revenue streams and has now four revenue making units underpinning business growth.
- This includes the arrival of Canntab's Instacann CBD tablets in Australia in July, and furthermore the shipment of Instacann THC 5mg tablets which landed in Australia in December 2021. Campaign activities are underway and in line with the Therapeutic Goods Administration's guidelines. The Group also continues to support education of Health Care Providers (HCPs) by sponsoring the International College of Cannabinoid Medicine (ICCM). Canntab's Instacann products are featured in this online course designed for HCPs. A dedicated page for patients and GPs has launched on our website under canngloballimited.com/canntab.
- The Group also launched its new premium natural and organic hemp-based skin care brand Fuss Pot™ both in the French market at the Paris CBD expo and the Australian market with an online presence at the Hemp Health and Innovation virtual expo. Our online website imafusspot.com also launched together with our social marketing campaigns. These products have received a lot of interest and discussions with distributors are underway in France and Australia. Updates will be shared with the market when available.
- During the half-year the Group's subsidiary Cann Global Thailand also started receiving revenue from its plant-funding program totalling cash receipts of \$203k. This revenue is not included in the Group's total revenue for the half-year in accordance with Accounting Standards as it will be recognised in the Group's profit & loss after completion of the crop under the program.
- This half-year's key activities have been focused on market penetration, market development, product development and a concentric diversified portfolio in line with our expertise. We have also completely reviewed the strategies and portfolio of our health food division to move away from commodity trading and focus on retail with higher margin sales.
- The Group is now well positioned operationally and financially with a compelling value proposition focused on differentiation with uniquely desirable products that tap into niche markets, sales strategies focused on higher margins and strong growth strategies in place to pave the way to profitability.

Tenements

As at 31st December 2021, the Company held the following tenements:

| Project Name | | | Interest Held % |
|------------------------------------|----------|--------------------------|------------------------|
| Eastern Australia Bauxite Projects | | | |
| South Johnstone QLD | EPM18463 | Granted | 100% |
| South Johnstone QLD | MDL2004 | Granted (Renewal Lodged) | 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.

Matters subsequent to the end of the financial half-year

At the Annual General Meeting (AGM) held on 31 January 2022, shareholders approved the resolution authorising a consolidation of the Company's Share Capital on a basis of 1 new share for every 25 shares held. The consolidation applied equally to all shareholders so they will be reduced in relation to the total number of shares and therefore should have no material effect on the percentage interest of each individual shareholder.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and had an impact on the company with delays in its supply chain and a decrease in export sales. 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 vaccination rollout, 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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

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



David Austin
Chair

28 February 2022

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 2021, 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
28 February 2022

Cann Global Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

| | Consolidated | 31 | 31 |
|--|---------------------|--------------------|-----------------|
| | December | December | December |
| Note | 2021 | 2020 | 2020 |
| | \$ | \$ | \$ |
| Revenue | | | |
| Revenue from sales | 392,514 | 900,459 | |
| Total income | 392,514 | 900,459 | |
| Cost of goods sold | (324,572) | (734,803) | |
| Gross profit | 67,942 | 165,656 | |
| Foreign currency exchange gain/(loss) realised | (42,047) | 615,397 | |
| Expenses | | | |
| Administrative and corporate expenses | (1,269,031) | (1,407,449) | |
| Advertising and marketing | (160,397) | (205,878) | |
| Legal expenses | (30,602) | 1,547 | |
| Directors fees CGB | (197,430) | (351,132) | |
| Occupancy expenses | (48,781) | (28,922) | |
| Exploration written off | - | (308,604) | |
| Impairment of other receivables | - | (80,568) | |
| Research costs | (12,559) | (18,660) | |
| Share of loss in equity-accounted investees – net of tax | (56,786) | (51,123) | |
| Travelling Expense | (63,209) | (49,837) | |
| Depreciation and amortisation expense | (123,820) | (74,359) | |
| Reversal of impairment of other receivables | 138,200 | - | |
| Other expenses | (124,884) | (116,314) | |
| Share based payments expense | (525,000) | (146,500) | 20 |
| Total expenses | (2,474,299) | (2,837,799) | |
| Operating loss | (2,448,404) | (2,056,746) | |
| Finance income | 98,170 | 73,420 | |
| Finance costs | (122,418) | (99,507) | |
| Loss before income tax expense | (2,472,652) | (2,082,833) | |
| Income tax expense | - | - | |
| Loss after income tax expense for the half-year | (2,472,652) | (2,082,833) | |
| Other comprehensive income for the half-year, net of tax | - | - | |
| Total comprehensive income for the half-year | (2,472,652) | (2,082,833) | |
| Loss for the half-year is attributable to: | | | |
| Non-controlling interest | (76,975) | (30,995) | |
| Members of Cann Global Limited | (2,395,677) | (2,051,838) | |
| | (2,472,652) | (2,082,833) | |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Cann Global Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

| | Consolidated | |
|--|---------------------|--------------------|
| | 31 | 31 |
| | December | December |
| Note | 2021 | 2020 |
| | \$ | \$ |
| Total comprehensive income for the half-year is attributable to: | | |
| Non-controlling interest | (76,975) | (30,995) |
| Members of Cann Global Limited | <u>(2,395,677)</u> | <u>(2,051,838)</u> |
| | <u>(2,472,652)</u> | <u>(2,082,833)</u> |
| | Cents | Cents |
| Earnings per share for loss from continuing operations attributable to the members of Cann Global Limited | | |
| Basic earnings per share | (0.043) | (0.055) |
| Diluted earnings per share | (0.043) | (0.055) |
| Earnings per share for loss attributable to the members of Cann Global Limited | | |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Cann Global Limited
Statement of financial position
As at 31 December 2021

| | | Consolidated | |
|--------------------------------|-------------|---------------------|---------------------|
| | | 31 | |
| | Note | December | 30 June |
| | | 2021 | 2021 |
| | | \$ | \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 10,385,510 | 10,573,053 |
| Prepayments | | 108,934 | 63,012 |
| Trade and other receivables | 6 | 256,548 | 259,895 |
| Inventories | 7 | 480,730 | 474,018 |
| Total current assets | | <u>11,231,722</u> | <u>11,369,978</u> |
| Non-current assets | | | |
| Equity-accounted investees | 8 | 603,916 | 209,779 |
| Property, plant and equipment | | 447,008 | 449,058 |
| Intangible assets | 9 | 4,370,002 | 4,368,797 |
| Exploration and evaluation | | 2,278,449 | 2,278,449 |
| Right-of-use assets | 10 | 376,514 | 60,273 |
| Total non-current assets | | <u>8,075,889</u> | <u>7,366,356</u> |
| Total assets | | <u>19,307,611</u> | <u>18,736,334</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 11 | 2,358,911 | 1,835,983 |
| Current tax liability | | 292,666 | 292,666 |
| Lease liability | | 144,337 | 61,229 |
| Other financial liabilities | 12 | 104,541 | 77,515 |
| Provisions | 13 | 177,144 | 124,982 |
| Total current liabilities | | <u>3,077,599</u> | <u>2,392,375</u> |
| Non-current liabilities | | | |
| Lease liability | | 234,303 | - |
| Plant funding liability | | 325,902 | - |
| Total non-current liabilities | | <u>560,205</u> | <u>-</u> |
| Total liabilities | | <u>3,637,804</u> | <u>2,392,375</u> |
| Net assets | | <u>15,669,807</u> | <u>16,343,959</u> |
| Equity | | | |
| Share capital | 14 | 96,526,844 | 94,834,844 |
| Non controlling interest | 15 | (285,683) | (208,708) |
| Reserves | 16 | (35,683,766) | (35,790,266) |
| Accumulated losses | | <u>(44,887,588)</u> | <u>(42,491,911)</u> |
| Total equity | | <u>15,669,807</u> | <u>16,343,959</u> |

The above statement of financial position should be read in conjunction with the accompanying notes

Cann Global Limited
Statement of changes in equity
For the half-year ended 31 December 2021

| Consolidated | Issued capital \$ | Share Based Payments Reserves \$ | Acquisition of Non-Controlling Interest Reserve \$ | Option Reserve \$ | Accumulated Losses \$ | Non-controlling interest \$ | Total equity \$ |
|--|-----------------------------|--|--|-----------------------------|---------------------------------|---------------------------------------|---------------------------|
| Balance at 1 July 2020 | 84,159,575 | 6,027,318 | (42,498,259) | - | (37,870,544) | (60,042) | 9,758,048 |
| Loss after income tax expense for the half-year | - | - | - | - | (2,051,838) | (30,995) | (2,082,833) |
| Other comprehensive income for the half-year, net of tax | - | - | - | - | - | - | - |
| Total comprehensive income for the half-year | - | - | - | - | (2,051,838) | (30,995) | (2,082,833) |
| Share and option-based payments Prepayment | - | 146,500 | - | - | - | - | 146,500 |
| Investment in Cann Global Thailand Pty Ltd | - | 30,000 | - | - | - | - | 30,000 |
| Option Reserve | - | - | - | - | - | 450 | 450 |
| Share issued cost | (418,197) | - | - | 186,450 | - | - | 186,450 |
| Shares issued during the half-year | 11,371,591 | - | - | - | - | - | (418,197) |
| Balance at 31 December 2020 | <u>95,112,969</u> | <u>6,203,818</u> | <u>(42,498,259)</u> | <u>186,450</u> | <u>(39,922,382)</u> | <u>(90,587)</u> | <u>18,992,009</u> |

The above statement of changes in equity should be read in conjunction with the accompanying notes

Cann Global Limited
Statement of changes in equity
For the half-year ended 31 December 2021

| Consolidated | Issued capital | Share Based Payments Reserves | Acquisition of non-controlling interest Reserve | Option Reserve | Accumulated Losses | Non-controlling interest | Total equity |
|--|-----------------------|--------------------------------------|--|-----------------------|---------------------------|---------------------------------|---------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2021 | 94,834,844 | 6,230,068 | (42,498,259) | 477,925 | (42,491,911) | (208,708) | 16,343,959 |
| Loss after income tax expense for the half-year | - | - | - | - | (2,395,677) | (76,975) | (2,472,652) |
| Other comprehensive income for the half-year, net of tax | - | - | - | - | - | - | - |
| Total comprehensive income for the half-year | - | - | - | - | (2,395,677) | (76,975) | (2,472,652) |
| Share-based payments | - | 106,500 | - | - | - | - | 106,500 |
| Share issued cost | (108,000) | - | - | - | - | - | (108,000) |
| Shares issued during the year | 1,800,000 | - | - | - | - | - | 1,800,000 |
| Balance at 31 December 2021 | <u>96,526,844</u> | <u>6,336,568</u> | <u>(42,498,259)</u> | <u>477,925</u> | <u>(44,887,588)</u> | <u>(285,683)</u> | <u>15,669,807</u> |

The above statement of changes in equity should be read in conjunction with the accompanying notes

Cann Global Limited
Statement of cash flows
For the half-year ended 31 December 2021

| | Consolidated | Consolidated |
|---|-----------------------------|-----------------------------|
| | 31 | 31 |
| | December | December |
| | 2021 | 2020 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of GST) | 511,598 | 1,148,108 |
| Payments to suppliers (inclusive of GST) | (2,158,209) | (2,574,936) |
| Interest received | - | 73,420 |
| | <u> </u> | <u> </u> |
| Net cash used in operating activities | <u>(1,646,611)</u> | <u>(1,353,408)</u> |
| Cash flows from investing activities | | |
| Investment in equity-accounted entity | (440,166) | (85,298) |
| Payment for intangibles | (18,025) | (22,305) |
| Payment for exploration asset | - | (72,851) |
| Payment for plant and equipment | (40,318) | - |
| | <u> </u> | <u> </u> |
| Net cash used in investing activities | <u>(498,509)</u> | <u>(180,454)</u> |
| Cash flows from financing activities | | |
| Loan provided by related entity – Australian Gemstone Mining Pty Ltd | - | 938 |
| Loan provided to other entity – Pharmocann Global Pty Ltd | - | (21,000) |
| Loan provided to related party - MCL Director | - | (111,113) |
| Loan repaid by Volcan Australia Corporation Pty Ltd | 138,200 | - |
| Loan repaid to other entity | (3,536) | - |
| Proceeds from share capital issued (net of capital raising costs) | 1,692,000 | 6,654,605 |
| Repayments of lease liability | (72,571) | - |
| Proceeds from plant funding program | 203,484 | - |
| | <u> </u> | <u> </u> |
| Net cash from financing activities | <u>1,957,577</u> | <u>6,523,430</u> |
| Net increase/(decrease) in cash and cash equivalents | (187,543) | 4,989,568 |
| Cash and cash equivalents at the beginning of the financial half-year | 10,573,053 | 7,417,095 |
| | <u> </u> | <u> </u> |
| Cash and cash equivalents at the end of the financial half-year | <u><u>10,385,510</u></u> | <u><u>12,406,663</u></u> |

The above statement of cash flows should be read in conjunction with the accompanying notes

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Note 1. Corporate Information

The interim financial report of Cann Global Limited for the half-year ended 31 December 2021 was authorised for issue in accordance with a resolution of the Directors on 28 February 2022.

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 is Level 21, 133 Castlereagh Street, Sydney NSW 2000 and principal place of business is 13-25 Dunhill Crescent, Morningside, Qld 4170.

The principal activities of the Group during the half-year ended 2021 were legally developing, growing, cultivating and producing hemp and medicinal cannabis products in Australia and overseas.

Note 2. Summary of Significant Accounting Policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Note 2. Summary of Significant Accounting Policies (continued)

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 from sale 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.

Note 2. Summary of Significant Accounting Policies (continued)

Revenue

The consolidated entity recognises revenue as follows:

REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

SALE OF GOODS

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

RENDERING OF SERVICES

Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

INTEREST REVENUE

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

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 areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are in relation to assessment of goodwill impairment, right of use assets and lease liability and share and option-based payments.

Note 4. Operating segments

a. Basis for segmentation

The Group has three reportable segments; cannabis, mining exploration and evaluation and corporate. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and in determining the allocation of resources. The corporate segment includes all of our initiatives in corporate growth activities and provides administrative, technical and financial support. There is no aggregation of operating segments.

b. Information about reportable segments

Information related to each reportable segment is set out below.

| Consolidated - 31 December 2021 | Cannabis \$ | Mining Exploration and Evaluation \$ | Corporate \$ | Total \$ |
|--|-----------------------|--|------------------------|--------------------|
| Revenue | | | | |
| Segment revenues | 392,514 | - | - | 392,514 |
| Total revenue | <u>392,514</u> | <u>-</u> | <u>-</u> | <u>392,514</u> |
| EBITDA | (168,223) | - | (2,294,561) | (2,462,784) |
| Depreciation | (36,920) | (981) | - | (37,901) |
| Amortisation | (85,919) | - | - | (85,919) |
| Reversal of impairment of receivables | - | - | 138,200 | 138,200 |
| Interest income | - | - | 98,170 | 98,170 |
| Finance costs | - | - | (122,418) | (122,418) |
| Loss before income tax expense | <u>(291,062)</u> | <u>(981)</u> | <u>(2,180,609)</u> | <u>(2,472,652)</u> |
| Income tax expense | | | | - |
| Loss after income tax expense | | | | <u>(2,472,652)</u> |
| Capital expenditures | 31,321 | - | - | 31,321 |
| Assets | | | | |
| Segment assets | 6,412,078 | 2,288,949 | 10,606,584 | 19,307,611 |
| Total assets | | | | <u>19,307,611</u> |
| Liabilities | | | | |
| Segment liabilities | 777,916 | - | 2,859,888 | 3,637,804 |
| Total liabilities | | | | <u>3,637,804</u> |

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Note 4. Operating segments (continued)

| | Cannabis \$ | Mining Exploration and Evaluation \$ | Corporate \$ | Total \$ |
|--|------------------|--|--------------------|--------------------|
| Consolidated - 31 December 2020 | | | | |
| Revenue | | | | |
| Segment revenues | 900,459 | - | - | 900,459 |
| Total revenue | <u>900,459</u> | <u>-</u> | <u>-</u> | <u>900,459</u> |
| EBITDA | | | | |
| Depreciation | (108,720) | - | (1,565,064) | (1,673,784) |
| Amortisation and impairment | (19,088) | (1,709) | - | (20,797) |
| Interest revenue | - | (362,165) | - | (362,165) |
| Finance costs | - | - | 73,420 | 73,420 |
| | - | - | (99,507) | (99,507) |
| Loss before income tax expense | <u>(127,808)</u> | <u>(363,874)</u> | <u>(1,591,151)</u> | <u>(2,082,833)</u> |
| Income tax expense | | | | - |
| Loss after income tax expense | | | | <u>(2,082,833)</u> |
| Capital expenditures | 22,305 | - | - | 22,305 |
| Consolidated - 31 December 2020 | | | | |
| Assets | | | | |
| Segment assets | 6,280,941 | 2,225,775 | 12,555,266 | 21,061,982 |
| Total assets | | | | <u>21,061,982</u> |
| Liabilities | | | | |
| Segment liabilities | 515,764 | - | 1,554,208 | 2,069,972 |
| Total liabilities | | | | <u>2,069,972</u> |

Note 5. Loss for the Half-Year

The consolidated loss for the half- year ended 31 December 2021 was (\$2,472,652) 2020: loss (\$2,082,833)

Note 6. Current assets - trade and other receivables

| | Consolidated | |
|-------------------|--|--------------------------------|
| | 31 December 2021 \$ | 30 June 2021 \$ |
| Trade receivables | 135,025 | 236,542 |
| Other receivables | 23,353 | 23,353 |
| Accrued interest | 98,170 | - |
| | <u>256,548</u> | <u>259,895</u> |

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Note 7. Current assets - inventories

| | Consolidated | |
|--------------------------|---------------------|----------------|
| | 31 | |
| | December | 30 June |
| | 2021 | 2021 |
| | \$ | \$ |
| Finished goods - at cost | 293,746 | 385,062 |
| Stock Deposit | 186,984 | 88,956 |
| | <u>480,730</u> | <u>474,018</u> |

Note 8. Non-current assets - equity-accounted investees

| | Consolidated | |
|--------------------------------|---------------------|----------------|
| | 31 | |
| | December | 30 June |
| | 2021 | 2021 |
| | \$ | \$ |
| Pharmacann | 288,863 | 140,559 |
| Canntab Therapeutics Australia | 315,053 | 69,220 |
| | <u>603,916</u> | <u>209,779</u> |

Reconciliation

Reconciliation of the carrying amounts at the beginning and end of the current half-year and previous financial year are set out below:

| | | |
|-------------------------|----------------|----------------|
| Opening carrying amount | 209,779 | - |
| Loss after income tax | (56,786) | - |
| Share of net assets | - | (147,333) |
| Other amounts invested | 450,923 | 357,112 |
| | <u>603,916</u> | <u>209,779</u> |
| Closing carrying amount | <u>603,916</u> | <u>209,779</u> |

Interests in joint ventures

i. On 1 July 2020, the Group acquired a 50% equity interest in the associate Pharmacann Global Pty Ltd. The 50% owned joint venture with Pharmacann is developing a premium range of 100% plant-based skincare products.

ii. 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 preparatory activities for the future distribution of pharmaceutical grade medicinal cannabis tablets

Note 8. Non-current assets - equity-accounted investees (continued)

Summarised financial information

| | Pharmacann | | Canntab Therapeutics Australia | |
|--|-------------------|------------------|---|-----------------|
| | 31 | 30 June | 31 | 30 June |
| | December | 2021 | December | 2021 |
| | \$ | \$ | \$ | \$ |
| <i>Summarised statement of financial position (50% share)</i> | | | | |
| Current assets | 152,412 | 6,025 | 267,295 | 43,697 |
| Non-current assets | 25,250 | 25,000 | 6,712 | - |
| Total assets | 177,662 | 31,025 | 274,007 | 43,697 |
| Current liabilities | 53,780 | 3,519 | 1,024 | - |
| Non-current liabilities | 449,842 | 249,614 | 355,259 | 116,253 |
| Total liabilities | 503,622 | 253,133 | 356,283 | 116,253 |
| Net liabilities | (325,960) | (222,108) | (82,276) | (72,556) |
| <i>Summarised statement of profit or loss and other comprehensive income (50% share)</i> | | | | |
| Revenue | 257 | - | - | - |
| Expenses | (104,109) | (268,108) | (9,720) | (72,556) |
| Loss before income tax | (103,852) | (268,108) | (9,720) | (72,556) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | (103,852) | (268,108) | (9,720) | (72,556) |
| <i>Reconciliation of the Group's carrying amount</i> | | | | |
| Opening carrying amount | 140,559 | - | 69,220 | - |
| Share of loss after income tax | (51,926) | (134,054) | (4,860) | (36,278) |
| Other amounts invested | 200,230 | 274,613 | 250,693 | 105,498 |
| Closing carrying amount | 288,863 | 140,559 | 315,053 | 69,220 |

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Note 9. Non-current assets - intangible assets

| | Consolidated | |
|---|---------------------|------------------|
| | 31 | 30 June |
| | December | 2021 |
| | 2021 | 2021 |
| | \$ | \$ |
| Goodwill - at cost | 4,322,016 | 4,322,016 |
| Intellectual property – website at cost | 93,255 | 82,005 |
| Accumulated amortisation - website | (53,294) | (36,474) |
| | <u>39,961</u> | <u>45,531</u> |
| Trademark | 5,690 | 1,250 |
| IP & Development | 2,335 | - |
| | <u>4,370,002</u> | <u>4,368,797</u> |

Movements in carrying amounts

Movements in the carrying down amounts for each class of intangible assets between the beginning and end of the current financial half-year are set out below:

| | Intellectual property Website | Goodwill | Trademark | IP & Developme nt | Total |
|---|--|------------------|------------------|--------------------------------------|------------------|
| Consolidated | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2021 | 45,531 | 4,322,016 | 1,250 | - | 4,368,797 |
| Additions through business combinations | 11,250 | - | 4,440 | 2,335 | 18,025 |
| Amortisation expense | (16,820) | - | - | - | (16,820) |
| Balance at 31 December 2021 | <u>39,961</u> | <u>4,322,016</u> | <u>5,690</u> | <u>2,335</u> | <u>4,370,002</u> |

Note 10. Non-current assets - right-of-use assets

| | Consolidated | |
|--|---------------------|----------------|
| | 31 | 30 June |
| | December | 2021 |
| | 2021 | 2021 |
| | \$ | \$ |
| Land and buildings - right-of-use | 523,754 | 138,416 |
| Less: Accumulated amortisation - right-of-use assets | (147,240) | (78,143) |
| | <u>376,514</u> | <u>60,273</u> |

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

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Note 11. Current liabilities - trade and other payables

| | Consolidated | |
|------------------|---------------------|------------------|
| | 31 | |
| | December | 30 June |
| | 2021 | 2021 |
| | \$ | \$ |
| Trade payables | 1,802,037 | 1,759,195 |
| Other creditors | 12,202 | 3,089 |
| Unearned revenue | 2,069 | 3,699 |
| Accrued expenses | 542,603 | 70,000 |
| | <u>2,358,911</u> | <u>1,835,983</u> |

Refer to note 17 for further information on financial instruments.

Note 12. Current liabilities - other financial liabilities

| | Consolidated | |
|-----------------------------------|---------------------|----------------|
| | 31 | |
| | December | 30 June |
| | 2021 | 2021 |
| | \$ | \$ |
| Loan from other party – unsecured | 104,541 | 77,515 |
| | <u>104,541</u> | <u>77,515</u> |

Note 13. Current liabilities - provisions

| | Consolidated | |
|------------------------------|---------------------|----------------|
| | 31 | |
| | December | 30 June |
| | 2021 | 2021 |
| | \$ | \$ |
| Annual leave provision | 97,054 | 53,052 |
| Long service leave provision | 80,090 | 71,930 |
| | <u>177,144</u> | <u>124,982</u> |

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Note 14. Equity - share capital

| | 31 | Consolidated | | |
|---------------------------------|-----------------------------|-----------------------------|--------------------------|--------------------------|
| | December | 30 June | 31 | 30 June |
| | 2021 | 2021 | December | 2021 |
| | Shares | Shares | 2021 | 2021 |
| | | | \$ | \$ |
| Ordinary shares - fully paid | 6,335,486,785 | 5,707,766,970 | 95,776,844 | 94,084,844 |
| Performance shares - fully paid | <u>50,000,000</u> | <u>50,000,000</u> | <u>750,000</u> | <u>750,000</u> |
| | <u>6,385,486,785</u> | <u>5,757,766,970</u> | <u>96,526,844</u> | <u>94,834,844</u> |

Movements in ordinary share capital

| Details | Date | Shares | Issue price | \$ |
|--------------------------------------|------------------|-----------------------------|--------------------|--------------------------|
| At the beginning of reporting period | 1 July 2021 | 5,707,766,970 | | 94,084,844 |
| Share based payments | | 27,719,815 | \$0.003 | - |
| Capital raising | | 600,000,000 | \$0.003 | 1,800,000 |
| Less: Cost of capital raising | | <u>-</u> | <u>\$0.000</u> | <u>(108,000)</u> |
| Balance | 31 December 2021 | <u>6,335,486,785</u> | | <u>95,776,844</u> |

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. The fully paid ordinary shares have no par value. 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. The fully paid performance shares have no par value. Performance shares do not entitle the holder to a vote either in person or by proxy at a meeting of the Company.

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Note 15. Equity - non controlling interest

| | Consolidated | |
|--|---------------------|------------------|
| | 31 | |
| | December | 30 June |
| | 2021 | 2021 |
| | \$ | \$ |
| Non controlling interest | (285,683) | (208,708) |
| | <u>(285,683)</u> | <u>(208,708)</u> |
| | Consolidated | |
| | 31 | |
| | December | 30 June |
| | 2021 | 2021 |
| | \$ | \$ |
| Non-controlling interest in equity – Balance as at 1 July | (208,708) | (60,042) |
| Non-controlling interest in share capital raising – Cann Global Thailand Pty Ltd | - | 450 |
| (Loss) attributable to non-controlling interest | (76,975) | (149,116) |
| | <u>(285,683)</u> | <u>(208,708)</u> |
| Total non-controlling interests balance | <u>(285,683)</u> | <u>(208,708)</u> |

Note 16. Equity - reserves

| | Consolidated | |
|---|---------------------|---------------------|
| | 31 | |
| | December | 30 June |
| | 2021 | 2021 |
| | \$ | \$ |
| Share-based payments reserve | 6,336,568 | 6,230,068 |
| Options reserve | 477,925 | 477,925 |
| Acquisition of Non-Controlling Interest Reserve | (42,498,259) | (42,498,259) |
| | <u>(35,683,766)</u> | <u>(35,790,266)</u> |

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

| | Share based payment reserve | Option reserve | Acquisition of Non- Controlling Interest Reserve | Total |
|--|--|---------------------------|---|---------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2021 | 6,230,068 | 477,925 | (42,498,259) | (35,790,266) |
| Equity settled share based payment – consulting fees | 106,500 | - | - | 106,500 |
| Balance at 31 December 2021 | <u>6,336,568</u> | <u>477,925</u> | <u>(42,498,259)</u> | <u>(35,683,766)</u> |

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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.

| Consolidated | 31 December 2021 | | 30 June 2021 | |
|------------------------------|-------------------------|-------------------|------------------------|-------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | \$ | \$ | \$ | \$ |
| Financial Assets | | | | |
| Cash and cash equivalent | 10,385,510 | 10,385,510 | 10,573,053 | 10,573,053 |
| Trade and other receivables | 158,378 | 158,378 | 259,895 | 259,895 |
| | <u>10,543,888</u> | <u>10,543,888</u> | <u>10,832,948</u> | <u>10,832,948</u> |
| Financial Liabilities | | | | |
| Trade and other payables | 2,224,055 | 2,224,055 | 1,960,964 | 1,960,964 |
| Current tax liability | 292,666 | 292,666 | 292,666 | 292,666 |
| Other financial liabilities | 416,541 | 416,541 | 77,515 | 77,515 |
| Current lease liability | 144,337 | 144,337 | 61,229 | 61,229 |
| Non-current lease liability | 234,303 | 234,303 | - | - |
| | <u>3,311,902</u> | <u>3,311,902</u> | <u>2,392,374</u> | <u>2,392,374</u> |

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.

Note 18. Commitment for expenditure

| | Consolidated | |
|---|---------------------|------------------|
| | 31 | 30 June |
| | December | 2021 |
| | 2021 | 2021 |
| | \$ | \$ |
| Exploration and evaluation (Note i) | | |
| – not later than 1 year | 79,000 | 214,400 |
| – later than 1 year but no later than 5 years | - | - |
| Research and development | | |
| Canntab therapeutics (Note ii) | | |
| – not later than 1 year | - | - |
| – later than 1 year but no later than 5 years | 941,176 | 1,191,869 |
| | <u>941,176</u> | <u>1,191,869</u> |

i. This relates to exploration and evaluation activity for mining tenement MDL2004 which overlaps EPM18463's Bauxite resource area. MDL 2004 has been approved for renewal until 31 October 2022 and an application for a further extension of the renewal is being prepared. EPM 18463 expires in May 2022 and is not required for the continuation of activities utilising MDL 2004.

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).

Note 19. Related party transactions

Identity of related parties

The Group has related party relationships with its subsidiaries, its associate entity, its key management personnel, and companies related due to common directorships of Pnina Feldman (resigned 30 August 2021) and Sholom Feldman, being directors of both Cann Global Limited and the director related companies.

Note 19. Related party transactions (continued)

Related party transactions with Australian Gemstone Mining Pty Limited

There were no related party transactions with Australian Gemstone Mining Pty Ltd during the period.

The Management Services Agreement (MSA) ended on 30 June 2021. In consequence of the termination of the MSA, a \$312,000 termination payment was agreed to by the company on 30 August 2021, payable to Pnina Feldman. The termination payment was subsequently approved by shareholders at the AGM held on 31 January 2022 to be settled by way of the company's shares issued to Pnina Feldman at the 5 day VWAP price preceding the AGM.

The Company and Australian Gemstone Mining Pty Limited (AGMPL) were parties to a MSA dated 1 July 2007, and the variation deed dated 1 July 2017, 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 had entered into an executive services agreement with AGMPL. Each of these executive services agreements contained standard provisions dealing with employment obligations and standard covenants dealing with general duties and the protection of AGMPL's interests and mirrored the Management Services Agreement in respect of termination provisions.

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

Transactions with related parties

The following transactions occurred with AGMPL:

| | Consolidated | |
|---|---------------------|-----------------|
| | 31 | 31 |
| | December | December |
| | 2021 | 2020 |
| | \$ | \$ |
| AGMPL services: | | |
| Geologist fees | - | 36,000 |
| Executive and corporate services (Directors Fees) | - | 312,000 |

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Note 19. Related party transactions (continued)

Other transactions with related parties

The Company paid directors' fees of \$156,000 (2020: \$nil) for the managing director, Sholom Feldman, during the half-year ended 31 December 2021.

The Company recognised a liability to pay a non-cash settlement of \$312,000 as a termination fee in lieu of notice to the resigning executive director, Pnina Feldman, during the half-year ended 31 December 2021 as detailed above.

The Company paid directors' fees of \$18,182 (2020: \$19,132) for the non-executive director, Jonathan Cohen, during the half-year ended 31 December 2021.

The Company paid directors' fees of \$19,482 (2020: \$20,000) to the non-executive director, David Austin, during the half-year ended 31 December 2021.

| | Consolidated | |
|--|---------------------|----------------|
| | 31 | 30 June |
| | December | 2021 |
| | 2021 | 2021 |
| | \$ | \$ |
| Loans advanced to director related companies: | | |
| Volcan Australia Corporation Pty Ltd | 1,061,800 | 1,200,000 |
| Expected credit loss recognised as at 31 December 2021 | (1,061,800) | (1,200,000) |

Note 20. Share Based Payments Expense

The share-based payments expense for the half-year ended 31 December 2021 relates to the following share issues

| | Consolidated | |
|---|---------------------|-----------------|
| | 31 | 31 |
| | December | December |
| | 2021 | 2020 |
| | \$ | \$ |
| Shares issued to consultants | 213,000 | 146,500 |
| Shares issued to be issued Pnina Feldman in settlement of termination fee | 312,000 | - |
| | <u>525,000</u> | <u>146,500</u> |

Note 21. Events Subsequent to Balance Date

At the Annual General Meeting (AGM) held on 31 January 2022, shareholders approved the resolution authorising a consolidation of the Company's Share Capital on a basis of 1 new share for every 25 shares held. The consolidation applied equally to all shareholders so they will be reduced in relation to the total number of shares and therefore should have no material effect on the percentage interest of each individual shareholder.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and had an impact on the company with delays in its supply chain and a decrease in export sales. 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 vaccination rollout, 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.

Cann Global Limited
Directors' declaration
31 December 2021

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- 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 directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



David Austin
Chair

28 February 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Cann Global Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying 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 2021, 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 half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- iii) 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.

Responsibility of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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 2021 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
28 February 2022



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