



# QUARTERLY REPORT

MARCH 2020

## EXECUTIVE CHAIRPERSON'S LETTER

PNINA FELDMAN  
*Executive Chairperson*



Dear Shareholders,

On behalf of Cann Global Limited's (CGB) Board of Directors, our Executive Management team and our staff members, I wish to express our thoughts and best wishes to all shareholders who are facing many challenges as a consequence of the current pandemic.

After the unprecedented hardships Australia has faced in the recent months, Australians were only just grasping the economic reality and yet to recover from the human devastation caused by the fires. The recent outbreak of the novel coronavirus (COVID-19) has introduced new challenges to our community and to the business environment.

Each and every one of you have been in our thoughts as we watch our world changing around us.

Australian people are experiencing an unprecedented public health and economic crisis and while the scale of the impact is unknown, we must remain confident and do what we do best, come together as a nation and face this challenge. We are resilient and we will adapt.

In this spirit, I want to take a moment to acknowledge and thank our team for their incredible effort in adapting so quickly to new working solutions and their ability to work imaginatively and with dedication. I especially want to thank our T12 team who are working tirelessly to meet consumer demands and for their effort in taking every necessary precaution to be able to continue providing essential services to our customers and our communities.




I am pleased to advise that our team at CGB has been working closely with financial advisors, to develop and implement enhanced risk management practices. As we plan for this economic crisis, we are managing our working capital and inventory forecasts together with a review of our supply chain and demand predictions. We are undergoing a company-wide sales and operations' planning to ensure business continuity. After conducting a value chain assessment we do not anticipate any material negative impact on our revenues and financial stability.

In other good news, I am very pleased to report in excess of \$400,000 in revenue in our last quarter, continuing the trend of ongoing quarterly increases, with year to date sales' revenue since July 2019 being in excess of a million dollars. Big orders are still coming through including a 30MT Chia seeds order from our distribution partners in Vietnam.

Reports from market research dated March 2020 show that there is a huge demand for health foods, supplements and wellbeing products. In Australia alone it is a \$1 Billion industry, with the fastest growth area being in nutritional oils according to Austrade's Health and Wellbeing Industry Capability Reports which further states that "The domestic Australian natural (complementary) healthcare industry is robust and significant. Market research shows that the popularity of natural healthcare products is increasing with a growth rate of seven per cent year on year. [...] The Australian natural healthcare industry (which is fully integrated into our national health system), presents a wealth of business opportunities at every level – from suppliers of raw materials and ingredients through to manufacturers, distributors, wholesalers, sponsors, consultants and retailers, many of whom are listed in the Australian Natural Health and Wellness Directory."<sup>1</sup>

We are proud to be supporting Australians in their quest for health by providing the highest quality superfoods, such as hemp, chia, quinoa, or cacao powder, and in working to make high quality pharmaceutical grade medical cannabis available to Australians whom it will assist in their health and wellbeing. And despite the feelings of fear and uncertainty that we are all experiencing on a collective and individual level all around the world, I would like to assure you that CGB will continue to strive to bring you the best results.

With the best wishes for safety, health and economic prosperity,  
Sincerely,



P. Feldman  
Executive Chairperson - CGB



<sup>1</sup> <https://www.austrade.gov.au/International/Buy/Australian-industry-capabilities/Health-and-Wellbeing>

# OPERATIONAL UPDATE

## *COSMETICS DIVISION: PHARMOCANN*

In our previous quarterly report, we announced that through our Joint Venture with Pharmocann Israel we had commenced developing our first range of skin care products. Today we are pleased to advise that the creation of the formulas for our Women's cosmeceutical range is now complete and in collaboration with Pharmocann's team of experts we are progressing with the brand strategy and packaging graphics.

Our sales and marketing team are working on an effective product positioning strategy to ensure we establish a strong identity for our new brand which will improve our competitive strength.

The company has commenced talks with consulting agencies to set up multiple channels of distribution both locally in Australia, New Zealand and in Asia.

Australia is highly recognised for the quality of its beauty products and its beauty industry continues to grow each year. The demand for natural products keeps increasing and as a result the national and international interest in Australia's natural cosmetic products is strong. With the exceptional qualities and benefits of our new range of products, the aesthetics of the design and the integrity of our Australian manufacturing, the company is very confident that it will create a strong appeal in line with the current sector trends.<sup>8</sup>

We recognise the rise in demand for ethical skin care products and this has been very important for us when creating our new range. Where possible we have purchased local ingredients from Australian suppliers and as we continue to expand our line of products, we will seek to continue this relationship and explore local and indigenous botanical ingredients.

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<sup>8</sup> <https://www.austrade.gov.au/International/Buy/Australian-industry-capabilities/Consumer-Goods>



We are pleased to share some of the key ingredients you will find in our products, formulated using proven active components, including:

***D-panthanol a nutrient from the B vitamin family (B5) “the beautifier”*** – is a natural hydrator known as a humectant which stabilises the skin’s barrier function, maintains the moisture level and helps manage the negative results that oxidative stress can have on our skin, such as redness, fine lines and skin irritation.

***Niacinamide (aka Vitamin B3) is an essential nutrient “the energiser”*** – that prevents skin aging and improves the appearance by stimulating new fibroblasts and collagen secretion. It also helps prevent pigmentation and uneven tones, improving skin texture and appearance.

***Astaxanthin*** - is a naturally occurring carotenoid found primarily in marine organisms such as microalgae is nature’s most powerful antioxidant - 6,000 times stronger than Vitamin C and 550 times stronger than Vitamin E.

- Assists in reducing the over production of melanin thereby reducing age spots, pigmentation,
- Reduce DNA damage
- Improves skin elasticity
- Improves skin texture

***Ginseng*** - The Cosmetic Dermatology Journal has reported that Siberian ginseng tones, tightens, smooths and gives luminance to the skin.

- This gentle sensation of smooth skin will last for hours without flaking or leaving the skin feeling overly tight.
- Also known as nature’s alternative to Botox.

***Hemp seed oil*** - benefits provided by Hemp in skin care include:

- Increased hydration
- Anti-inflammatory properties (GLA)
- Hemp seed oil has a zero rating on the comedogenic scale, meaning it will not clog your pores.



### **PHARMACEUTICAL DIVISION: CANNTAB REACHES SIGNIFICANT MILESTONE**

Our Canadian partners CannTab reached a significant milestone on 2nd March 2020 by receiving their Health Canada processing and sales licence. This now finally allows CannTab the ability to provide commercial quantities of the Canntab range to the Australian and international markets.

CGB through our partners Medcan Australia, have been progressing the steps required to finalise the first import of CannTab pharmaceutical pill products into the Australian market. These products will provide Australian patients with a novel delivery system that more closely aligns with current prescribing practices. CGB is excited to present the market with updates as they occur.

For more information on the Canntab JV, please see the following ASX announcement:  
<https://www.asx.com.au/asxpdf/20180108/pdf/43qplv9rhdt17b.pdf>

### *FOOD DIVISION: T12 & HHC (HEMP HULLING CO)*

[www.t12.com.au](http://www.t12.com.au)

During this worldwide pandemic, as we move through these times of uncertainty, it is equally as important to notice the positive side of things and how Australians are responding to this crisis.

We have noticed a drastic increase in the demand for health-foods. Superfoods such as hemp, quinoa and chia are well-known for their immune boosting properties and we are pleased to see Australians taking their health as well as the health of their family and friends very seriously by incorporating nutrient packed ingredients in their diet.

While the social-distancing regulations have forced many Australians to stay home, it has given many of us the time and opportunity to reconnect to the joys of cooking. At T12 this change has not gone unnoticed as we see our communities finding new ways to connect and look after each other.

T12 & Hemp Hulling Co are proudly 100% Australian owned, and because we are in the Health & Wellness industry, we are considered an essential business and have been able to keep serving our customers by taking the appropriate measures to ensure we comply with the Australian Health Guidelines.

We recently conducted a risk assessment to determine the risk that coronavirus poses in our workplace, and to implement necessary controls to eliminate or reduce the risk posed if any.

Managing WHS risks is an ongoing process that needs attention over time, but particularly when any changes may potentially affect work activities.

For our business the health risk is low and simple hygiene practices, similar to those used to protect against the flu, will prevent the spread of COVID-19 and other infections. CGB's manufacturing & processing branch Hemp Hulling Co is SGS HACCP Certified and already adheres to strict hygiene, health & safety standards and our production & dispatch areas have always been closed to the public.

As a business we have a duty of care towards our employees to provide a safe place of work. Management and staff must be in optimum health, and follow our existing and extended hygiene protocols.





Working in the health & wellness space has been a blessing for CGB as we have recently been reminded of the importance of staying healthy with the help of superfoods.

Superfoods are natural foods that are considered to be exceptionally good for one's health, boosting the immune system due to naturally high levels of vitamins, minerals, fibre, antioxidants or omega-3 fatty acids.<sup>2</sup>

"As a world leader in researching, developing and manufacturing high-quality, safe and innovative processed foods, Australia has specialist expertise in products that can assist with overall health and wellness."<sup>3</sup>

T12, CGB's main distribution channel for our food division, continues to supply its range of health foods such as Chia Seeds, Hemp Foods and others, domestically and internationally.

Inventory is an important focus of the company and is factored into our cash flow management as it directly affects sales. Along with having the right inventory management system, we also have a solid strategy to go along with it as good inventory management is crucial for business continuity.

After reviewing our supply chain and our demand predictions, we are pleased to report that we anticipate no disruption to our continuing supply of stock. Deliveries continue throughout Australia & Asia, as do incoming orders.

In October 2019, Austrade published a report on Australia's food innovators which CGB, through its subsidiaries T12 and HHC, is very excited to be a part of.

"Renowned for clean, green and safe food production, Australia provides a strong foundation for developing ground-breaking products and technologies. Strong expertise has been developed through the country's world-leading research institutions, advantageous positioning in high-growth export markets, and established commercial success with global business partners.

As a thriving global hub for agriculture and food, Australia invests in food innovation to build a sustainable and healthy future for all, with approximately two-thirds of total production exported to other markets. [...] Australia is also investing in other categories of food products and experiences that align with increasing consumer demand for "better-for-you" foods. As consumers become more health conscious, the food industry is developing new methods to innovate, refine and reinvent their products."<sup>4</sup>

The superfood industry is booming and CGB is at the forefront and ready to meet consumers' demand nationally and internationally as T12, led by the Edwards family, keeps developing exciting new products.

<sup>2</sup> Australian Natural Care, Top 15 superfoods, [ausnaturalcare.com.au/health/life-style/nutrition/top-15-superfoods](https://ausnaturalcare.com.au/health/life-style/nutrition/top-15-superfoods)

<sup>3</sup> AUSTRALIAN CAPABILITY IN BETTER-FOR-YOU FOODS, Austrade, October 2018

<sup>4</sup> Australia: A land of food innovators, Austrade, October 2019





## CHIA SEEDS INDUSTRY

Chia Seeds, especially high in Omega-3 fatty acids, are most well-known for helping to reduce food cravings due to their high soluble fibre content.

T12 are developing exciting & innovative products based on Chia by-products.

“The global chia seeds market size is expected to reach USD 4.7 billion by 2025 growing at a CAGR of 22.3%, According to a new report by Grand View Research, Inc. Rising demand for gluten-free products, awareness about the health benefits of chia seeds, and growing use of omega 3 in animal feed are some of the prominent factors driving the growth of this market.”<sup>5</sup>

<sup>5</sup> <https://www.grandviewresearch.com/press-release/global-chia-seeds-market>



## HEMP FOODS

“Hemp Seeds are a gift of nature. They are the most nutritious seed in the world. Hemp Seeds are a complete protein. They have the most concentrated balance of proteins, essential fats, vitamins and enzymes combined with a relative absence of sugar, starches and saturated fats. Hemp Seeds are one of nature’s perfect foods - a Super Food.

According to GLOBAL HEMP-BASED FOODS MARKET GROWTH 2019-2024, over the next five years the Hemp-based Foods market will register a 25.6% CAGR in terms of revenue, the global market size will reach US\$ 1830 million by 2024, from US\$ 470 million in 2019.”<sup>7</sup>

What distinguishes us from other hemp food companies are our high-quality processing standards. Quality has been a real issue in the hemp seed food industry. Inadequately processed Hulled Seeds are found in high amounts in the market place. We have also noticed a wide disparity of oil quality & taste. Our slow cold pressed expelling of raw seed, careful filtering, and climate-controlled shipping are our big point of difference. High end processing is more expensive than mass production. Quality-products are an important part of creating long-term revenue and profitability and the key measure to our business success is customer satisfaction. Returning customers are a key determinant in growth and profitability.

## EXPANDING OUR RANGE OF AUSTRALIAN GROWN FOODS

Through its subsidiary T12, CGB gains the benefits of a diversified business model as our food division looks into reinforcing its Australian grown range of food and to include new items such as millet and buckwheat.

## DISTRIBUTION TO ASIA

Strong orders continue coming from Vietnam & Hong Kong. In Vietnam in particular, people understand the immune boosting qualities of Chia Seeds. Another 30MT (Metric Tonne) order has been received this month. Our distribution partners EPCO are particularly excited about promoting Hemp seed foods.

## COSTCO

The second & third part of the Costco order was delivered to Costco during the quarter. Costco opened their latest store in Perth. A pallet of Hemp Seed Oil capsules was ordered. Sales have been steady. T12 have been keeping a close eye on sales at the Costco North Brisbane store (Closest to Coolum Beach), and as of March,  $\frac{3}{4}$  of a pallet of Hemp Oil Capsules had been sold from that location.

*As we can see, our world is changing, technology is changing how we live, and as the global economy shifts, CGB’s food division is ready to take the turn to a more humane economy and bring the best quality superfoods products for consumers’ wellbeing.*

<sup>7</sup> <https://www.absolutereports.com/global-hemp-based-foods-market-13801879>



## CANN GLOBAL ASIA

As previously reported in October 2019, Cann Global Asia, CGB's subsidiary, and SUN signed an agreement under which CGA would have access to SUN's licenses to cultivate and process CBD hemp in Laos. CGA is pleased to confirm that the legal due diligence assessment was successfully concluded on 15th March 2020 confirming the validity and legality of the operations to be undertaken in Laos.

Whilst waiting to receive those due diligence's documents, CGA and SUN continued to develop and further clarify the business model and financial planning for the 3 concurrent projects in Laos PDR. Those 3 projects are intertwined with the initial project being the pilot cultivation of CBD hemp, the second plan being a trial cultivation of hemp seed grains, and the third one relating to the interim extraction plant.

CGA's cultivation team was due to arrive in Laos on 1st April 2020 to join the SUN team to work on the projects. Due to the Covid-19 pandemic, the Laos border was closed on 30th March 2020 which stopped CGA's staff entering the country.

As a result of the border closure, all three projects are currently on hold but likely to recommence soon as soon as the borders reopen. During this month, CGA and Sun have been discussing the possibility of using more of Sun's staff as a temporary measure to undertake the tasks on the pilot cultivation and hemp seeds trial projects. CGA and Sun have been negotiating on the costs for temporarily contracting SUN's staff, and are also negotiating the details of a production plan and a lease agreement for the new projects. Because of the lockdowns, the upgrade of the interim extraction plants has been delayed as Sun's staff were unable to travel to obtain the necessary quotations. Sun has since been able to remotely arrange the quotations, and the first set of quotes was received by CGA on 28th April 2020.

As with any agricultural and farming business models, CGA is assessing agricultural risks and is developing a plan for agricultural risk mitigation/management (ARM) by looking into reducing the risks, how to avoid them and ways to protect the company in the event of an unforeseen event. One very important risk associated with agriculture is the unpredictability of the weather with potential consequences being natural disasters such as fires, floods and drought. To mitigate the risks associated with failed crops, CGA is looking into developing their cultivation in different locations without increasing the cost as the same team can rotate between different crops. Another way of mitigating risk is by using different cultivation techniques and different strains of seeds. By planning for agricultural risks early, and having the possibility to be flexible and adapt its plans based on environmental conditions, CGA will develop appropriate solutions and reduce any potential financial risks on the business.



## Appendix 4C

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

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

CANN GLOBAL LIMITED

**ABN**

18 124 873 507

**Quarter ended ("current quarter")**

31 March 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (.....months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	428	1,013
1.2 Payments for		
(a) research and development		-1,297
(b) product manufacturing and operating costs	-254	-2,262
(c) advertising and marketing	-30	-123
(d) leased assets	-3	-3
(e) staff costs	-244	-931
(f) administration and corporate costs	-623	-2,027
1.3 Dividends received (see note 3)		
1.4 Interest received		62
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	5	5
1.7 Government grants and tax incentives		
1.8 Other (provide details if material) GST refund	53	423
<b>1.9 Net cash from / (used in) operating activities</b>	<b>-669</b>	<b>-5,141</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-8	-76
(b) businesses (see item 10)		
(c) investments		

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (.....months) \$A'000</b>
(d) intellectual property	-9	-9
(e) other non-current assets		
<b>2.2</b> Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
<b>2.3</b> Cash flows from loans to other entities	-131	-131
<b>2.4</b> Dividends received (see note 3)		
<b>2.5</b> Other (provide details if material) Convertible note to L1 Capital	-	
<b>2.6</b> <b>Net cash from / (used in) investing activities</b>	<b>-149</b>	<b>-217</b>

<b>3. Cash flows from financing activities</b>		
<b>3.1</b> Proceeds from issues of shares	418	6,369
<b>3.2</b> Proceeds from issue of convertible notes	862	3,083
<b>3.3</b> Proceeds from exercise of share options		
<b>3.4</b> Transaction costs related to issues of shares, convertible notes or options	-81	-81
<b>3.5</b> Proceeds from borrowings		
<b>3.6</b> Repayment of borrowings	-	-2,206
<b>3.7</b> Transaction costs related to loans and borrowings		
<b>3.8</b> Dividends paid		
<b>3.9</b> Other (provide details if material) Foreign exchange loss		
<b>3.10</b> <b>Net cash from / (used in) financing activities</b>	<b>1,199</b>	<b>7,164</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
<b>4.1</b> Cash and cash equivalents at beginning of quarter/year to date	6,607	5,228
<b>4.2</b> Net cash from / (used in) operating activities (item 1.9 above)	-669	-5,141
<b>4.3</b> Net cash from / (used in) investing activities (item 2.6 above)	-149	-217
<b>4.4</b> Net cash from / (used in) financing activities (item 3.10 above)	1,199	7,164



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (.....months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held		-46
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>6,988</b>	<b>6,988</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	6,988	6,607
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,988</b>	<b>6,607</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
40

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**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
245

<p>Payment for company management and administration services provided under the AGM management services agreement for executive corporate services, secretarial services, geological services, bookkeeping, business management and administration staff and office rental, including directors fees for Pnina Feldman and Sholom Feldman.</p>
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**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

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**9. Estimated cash outflows for next quarter**

**\$A'000**

9.1	Research and development	1,000
9.2	Product manufacturing and operating costs	300
9.3	Advertising and marketing	40
9.4	Leased assets	5
9.5	Staff costs	350
9.6	Administration and corporate costs	650
9.7	Other (provide details if material)	
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>2,295</b>

**10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**

**Acquisitions**

**Disposals**

10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		



**Compliance statement**

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



Sign here: .....  
(Managing Director)

Date: 30 April 2020.....

Print name: Sholom D Feldman.....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.



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