



GREENFERN INDUSTRIES LIMITED

(Listed on the NZX: GFI)

127 Normanby Road, Normanby, 4671

Ph: +64 (27) 420-2476

Greenfern Industries Limited (NZX: GFI) Directors Report

The Directors are pleased to present the company's results for the six months ended 30 September 2023.

Financial Results Summary

Greenfern Industries Limited ("GFI") reports revenue of \$119,390 during the six-month period, which was 50% lower than the prior 6-month period ended 30 September 2022. The primary reason for this is the decline in revenue from the Australian prescriber market arising from a change in business focus by our business partner, Cannvalate. Accordingly, GFI has begun to focus firmly on medicinal cannabis flower production, which should start to generate revenue in the coming months. This has been a long-term process as the New Zealand regulations have been slower and more difficult to navigate than was expected. However, with the completion and commissioning of the company's commercial cultivation facility, it is now well positioned to improve performance moving forward.

In the six months to 30 September 2023 GFI produced a net loss attributable to shareholders of \$0.59 million. This compares with a net loss attributable to shareholders of \$0.85 million for the previous period. The majority of expenses were identified as employee salaries, board expenses, R&D expenses, and depreciation. No dividends have been declared or paid for the six months ended 30 September 2023. Directors are also not currently taking fees.

The net assets as at 30 September 2023 were NZ\$2.67 million, cash and cash equivalents were NZ\$0.11 million, and the property, plant and equipment were NZ\$2.82 million.

Since 30 September 2023 the Company has completed wholesale placements raising \$185,000 by issuing 3,700,000 ordinary shares, together with 1,850,000 options to subscribe for an additional ordinary share at \$0.05 at any time in the following 12 months. The company has also issued an additional 677,833 ordinary shares at the 90-day volume weighted average market price in consideration for goods and services supplied to the company.

The company will need to continue to raise capital in the coming months in order to fund its activities until revenue from its commercial cultivation facility becomes sufficient to meet its operating expenses. The Board is actively pursuing further wholesale capital raising opportunities.

Principal activities

GFI is an entrepreneurial-led licensed medicinal cannabis, research and biotechnology company.

They operate primarily from their medicinal cannabis research and production facilities in Normanby, South Taranaki, which is powered by their own onsite hydropower station when river levels permit. They also have revenue-generating operations in the Australian medicinal cannabis sector with its contract manufactured medicinal cannabis oil products being prescribed to Australian patients. Having a commitment to environmental sustainability, Greenfern is both a Toitū carbon net zero certified organisation and B-corp certified.

FY2024 will see continued focus on medicinal cannabis, research, development and production for export.

Review of operations and outlook

1. Cannabis therapeutics and Biotechnology

The operations of this segment reflect the cultivation and distribution of medicinal cannabis products.

1.1. GMP medicine prescriptions

GFI's successful move into the patient acquisition and prescriber space in Australia through partner Cannvalate yielded strong growth in last financial year. However, with Cannvalate changing its business focus in mid 2023 these revenues have reduced in the first half of the 2023/24 year. GFI is working to explore and secure alternative relationships within the Australian market, as this larger and more advanced market is seen as a key growth target area.

1.2. Medicinal cannabis cultivation

GFI's stage 2 commercial cultivation, drying and packaging facility has been completed and commissioned for use, and the first planned commercial crop has been harvested. The initial harvest produced approximately 30kg of cannabis flower suitable for export under GFI's existing offtake agreement with Ampyl Sciences. Subject to obtaining the required regulatory permits, this consignment should be dispatched early in 2024. Some teething problems in operation of the new facility have delayed availability of the second harvest and have thus delayed the facility achieving full production capacity. These issues have been addressed and it is expected that from the end of Q1 2024 commercial harvests will be produced for dispatch on an 8-to-9-week cycle. At full production a total of up to approximately 400-500kg of cannabis flower per year is expected. GFI will also continue with its research and development in its existing test facility to stay up to date with evolving markets and consumer demands.

1.3. Clinical trial pathway and other opportunities.

GFI has previously announced the non-binding term sheets it has entered into with Ingenu (via

Cannvalate) for exploration of other opportunities with registered cannabis medicines. While uncertainties with Ingenu and Cannvalate's business focus and relationship have cast doubt on these arrangements, GFI has nearly completed the writing of clinical trial protocols to pursue Over the Counter (OTC) low-dose Cannabidiol (CBD) registered medicines in Australia through the Therapeutic Goods Administration (TGA). As resources and funding become available, GFI will seek to identify a partner for a CBD formulation that can be used to progress clinical trials in this area.

2. Electricity generation

This segment includes the generation of electricity.

Revenue from electricity generation has been lower than forecast for the half year, mainly due to ongoing reliability issues with aging equipment. Work has been undertaken to repair and replace critical parts of the equipment, and testing and recommissioning will be undertaken as soon as river levels allow operation of the facility.

The implementation of the heads of agreement with Rotorua-based Vortex Group to upgrade the renewable energy hydropower generation plant at Normanby is on hold while Vortex and the Company explore sources of funding for the project. As the revenue from the export of cannabis flower comes on stream, the company will be able to reassess this and look to progress the upgrade.

Despite continued uncertainty in the global economy and the other setbacks experienced, we remain optimistic about the future of GFI and we continue to explore wider industry opportunities. We will maintain focus on improving the efficiency of our operations, investing in new product development, expanding our market presence and conducting our business in an environmentally sustainable and socially responsible manner. These efforts will help us achieve our long-term growth objectives and hopefully lead to value for our shareholders.

On behalf of the board of directors

Dan Casey
Managing Director
Mobile 0274202476
Email dan@gfi.nz