

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

HIGHLIGHTS

- Record quarter with cash receipts from customers of nearly \$26m
- Cash receipts represent an annualised run rate of \$104m (assuming no further growth)
- Quarter on quarter growth of 13%, or \$3.0m, on previous quarter
- \$3.8m+ in net positive operating cash flows for the quarter
- \$19.5m cash at bank at the end of the quarter
- 30% quarter on quarter growth increase in units sold on previous quarter
- Record 214,000 units sold through BHC's CanView platform during the quarter
- Maiden fully franked dividend of \$5.5m paid on 11 October 2022
- State-of-the-art Melbourne Distribution Centre commissioned on 12 October 2022 to enable significant future growth

Melbourne, Australia, 19 October 2022 - Cronos Australia Limited (ASX: CAU; "Cronos Australia", "CAU", the "Company"), releases its Quarterly Activities Report ("Report") covering the period from 1 July 2022 up to the date of this Report. The Report should be read in conjunction with the attached ASX Appendix 4C, covering the quarter ended 30 September 2022.

Cronos Australia CEO Rodney Cocks stated:

"Building on the Company's record year in FY2022, the momentum that CAU has worked hard to establish has continued into FY2023, with significant growth being achieved across all key performance metrics during the first quarter. With the Company's market capitalisation now exceeding \$500 million, we were also pleased to reward our shareholders in a very tangible way with a one cent fully franked maiden dividend that was paid in mid-October – the first, and only to date, ASX listed medicinal cannabis company to do so. We remain laser focussed on our core strategy objectives and delivering growth and shareholder value during the remainder of FY2023 and beyond. Finally, and importantly, we look forward to being able to continue to have a positive impact on patients' lives each and every."

1. FINANCIAL UPDATE

In addition to the significant growth achieved in the above quarterly key metrics, the Company achieved a number of standalone growth records during the month of September 2022 in which the following milestones were achieved:

- Month of September 2022 total revenue (unaudited) of **\$9.9m (record month)**
- Month of September 2022 total cash receipts from customers of **\$9.5m (record month)**
- Month of September 2022 total units sold through CanView of **79,174 (record month)**

Quarterly sales through CanView (\$ '000s)



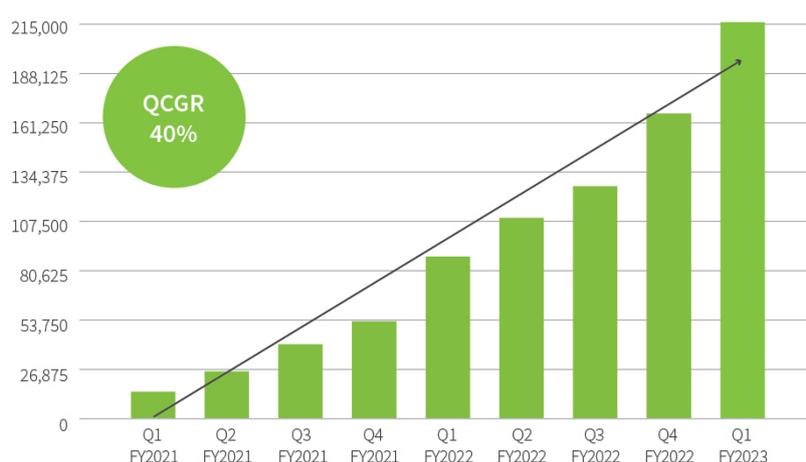
Total cash receipts from the sale of medicinal cannabis products and the provision of clinic services during the quarter were a record nearly \$26.0m, up \$3.0m, or 13%, on the previous quarter. As a result, the net positive operating cash flows generated by the Company during the quarter were \$3.8m.

Cash payments made during the September quarter were in line with expectations with the increase in payments for plant and equipment relating to the fit out of the Company's new Melbourne Distribution Centre, which was commissioned on 12 October 2022.

The Company had approximately \$19.5m in cash at 30 September 2022, noting that an amount of almost \$5.5m was paid out on 11 October 2022 in respect of its one cent fully franked maiden dividend.

Unaudited sales generated through Burleigh Heads Cannabis' CanView platform in the September quarter were \$26.9m, with further revenues coming from the Group's clinic operations. During the nine quarters since the platform was launched, quarterly compound average growth exceeds 34% for sales made through CanView. Contributing to this growth is the further increase in the number of product SKUs sold through CanView, which now totals 189.

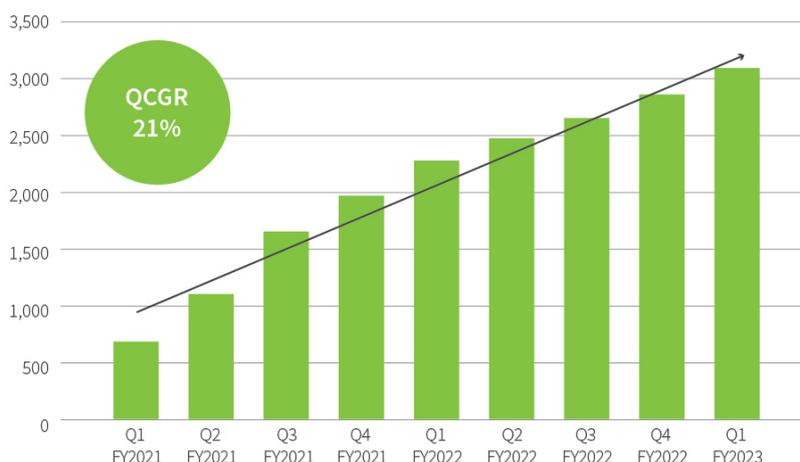
Quarterly units sold through CanView



The total number of units sold through the CanView platform in the quarter exceeded 214,000, taking the cumulative number of units sold since launch to more than 830,000. The record unit sales for the quarter increased by a significant 30% on the figure for the previous quarter. The Company is on track to sell and distribute its millionth unit in the coming weeks.

In addition to positive quarterly compound average growth of 40%, the Company's average sale price remained relatively steady across the portfolio of products now sold on the CanView platform.

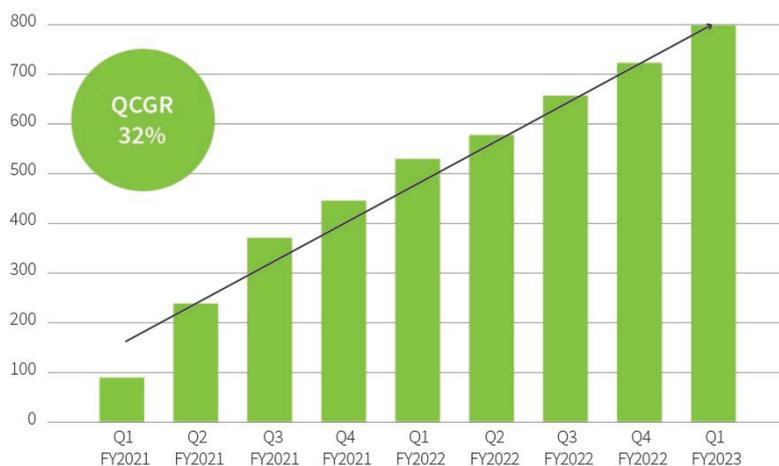
Cumulative pharmacy accounts on CanView



A further 230 new pharmacies established wholesale accounts through the CanView platform during the quarter, taking the cumulative number of pharmacies at the end of September to 3,038, representing more than 50% of all pharmacies in Australia. The average monthly spend of the pharmacy accounts through CanView continues to increase and now exceeds \$5,500.

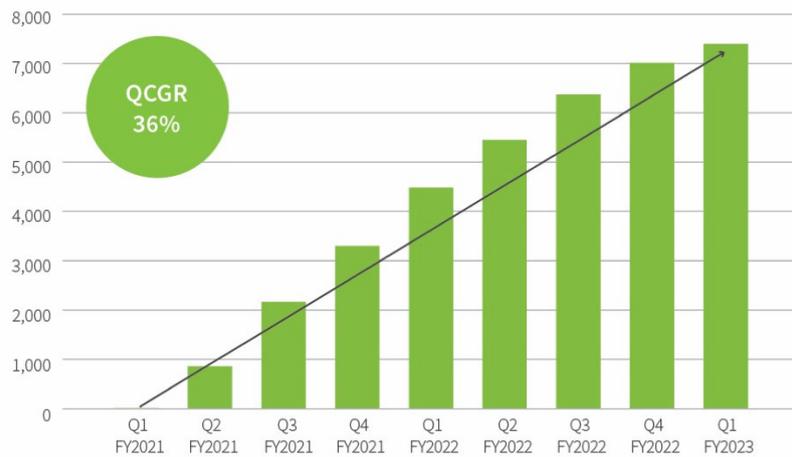
The Company’s nationwide team of Medical Science Liaisons (healthcare consulting professionals providing medical and scientific information to other healthcare professionals) (“MSLs”) was expanded during the quarter. The team continues to work with prescribers and pharmacies to onboard them onto the CanView platform and provide them with education courses and engagement programs to further assist them to confidently prescribe and dispense medicinal cannabis.

Cumulative doctor accounts on CanView



During the quarter, nearly 80 doctors established new accounts on CanView an 11% increase on the previous quarter, which takes the cumulative total to more than 800 doctors. With the Group’s focus to increase the number of prescribers onboarded onto CanView further, the MSL team is now engaging with prescribers to explain and demonstrate the benefits of using the CanView platform including underpinning their compliance obligations, having visibility of inventory levels for prescribing, seamless integration with practice software, eScript capability, receiving patient treatment updates while saving time and making prescribing more efficient.

Cumulative patients registered on CanView



During the quarter, 384 new patients registered on the CanView platform, taking the cumulative number to 7,337. Following the successful rollout of the new patient app as part of the improvements on the “CanView 2.0” platform, these patients will be able to use the platform to confidentially register as a patient, book an initial or follow up consultation, receive a script, order and re-order prescription filling, track the progress of their medication shipments and monitor their ongoing treatment program. Going forward, the Company remains confident that these improvements will result in additional patients registering on CanView.

2. CANVIEW UPDATE

Progress on CanView 2.0

As announced on 21 September 2022, the Company has made significant progress during the September quarter with further stages of the new “CanView 2.0” platform having been rolled out. The current status of the six separate stages of the rollout are summarised below:

- Stage One: Distribution (DELIVERED)
- Stage Two: Pharmacy (DELIVERED)
- Stage Three: Prescriber and patient mobile app (PILOT PROGRAM)
- Stage Four: Supplier (IN PROGRESS)
- Stage Five: Prescriber marketplace and patient onboarding
- Stage Six: Patient treatment tracker

Stage One, which provides a number of order fulfilment upgrades, process improvements and other efficiencies, was deployed internally within the Company in May 2022. The distribution team continues to benefit from the upgraded platform enhancements, significantly increasing the speed and accuracy of order processing enabling rapid scalability.

Stage Two, being the upgraded pharmacy ordering platform, was successfully launched to market in September. All 3,000+ pharmacy accounts on CanView have now successfully transitioned to the new software. This well-planned cut over took place seamlessly, with no interruption to regular operations. Following the launch, the Company received minimal support requests relating to the use of the new platform, highlighting the success of the transition and the importance of the in-depth user testing and pilot program process provided by the Company. In addition to demonstrating the new user interface and seamless ordering flow design, the process also shows that the other features are fit for purpose.

Following the successful rollout of the improved functionality described above, the Company will also be offering all pharmacies a further benefit of “one touch” integration with CanView and their pharmacy dispensing software which significantly improves efficiencies and accuracy for pharmacies ordering products on the platform resulting in greater compliance and time savings.

The Company has also now completed the **Stage Three** (prescriber and patient app) element of the platform which will soon enter the rollout phase following the completion of the current pilot program. The Company's expanded national MSL team, which has recently begun recruiting and onboarding Medical practitioners on to the platform, is now leveraging their existing relationships by meeting with clinical groups as well as individual doctors to offer CanView as the "all in one" education, prescribing and compliance tool for use in clinical settings.

It is anticipated that **Stage Four** (supplier), **Stage Five** (prescriber marketplace and patient onboarding) and **Stage Six** (patient treatment tracker) will be completed and rolled out later in FY2023.

There are currently in excess of 800 doctors registered on the CanView platform which represents less than 3% of all GPs in Australia. The remaining circa 97% of the remaining 31,000 GPs not currently registered on CanView represent an exciting opportunity for the Company to increase the number of doctors using the platform in the near term. Cronos Australia also notes that there are 36,000 specialists in Australia who are also potential prescribers.

The four groups using the newly-introduced CanView 2.0 platform enjoy the following benefits:

1. Pharmacists – delivering innovative dispensing

- Integrates seamlessly with dispensing software to improve and streamline processes and reduce double handling ¹
- Receives prescriptions and TGA approvals direct from CanView prescribing doctors through the platform as well as quick repeat ordering from patients
- Simplifies ordering with auto-matching functionality for products and dosage forms based on TGA approvals
- Improves visibility of stock levels enabling pharmacists to view available products before dispensing and ordering

2. Healthcare professionals – integrating prescribing

- Integrates seamlessly with practice management software to improve and streamline prescribing processes ¹
- Generates and manages prescriptions directly through CanView
- Enables viewing of up-to-date stock levels during consultations to ensure that prescribed products are currently available
- Retains TGA approval documentation in one place and seamlessly sends approvals direct to pharmacies alongside electronic prescriptions
- Monitors and provides data required for simplified TGA 6 monthly reporting

3. Patients – prescription delivery tracking and record-keeping

- Enables tracking and checking of prescription delivery
- Provides notifications of new prescription deliveries through the mobile app and via SMS
- Facilitates the ordering of repeats directly from the pharmacy through the mobile app

4. Suppliers – increasing sales and managing demand

- Generates material increases in sales volume due to the "network effect" of the growing numbers of users on CanView
- Provides real-time sales data relating to products sold through CanView to better manage invoicing and cash flow
- Provides detailed information in real-time of inventory levels to more efficiently manage the manufacturing, ordering and shipping of products
- Monitors and provides data required for simplified six-monthly reporting to the TGA

- 1 pharmacists and doctors can guarantee that their patients' personal data is protected. Cronos Australia is committed to collecting and storing data securely, with anonymized personal patient information that is not shared.

3. MAIDEN DIVIDEND

On 11 October 2022, the Company was pleased to pay its maiden dividend in respect of the 2022 financial year. The dividend, which was fully franked, was paid at a rate of one cent per share, or approximately \$5.5m in total. Applications to the Company's Dividend Reinvestment Plan resulted in a total of 126,260 ordinary shares being issued on the same date.

4. MELBOURNE DISTRIBUTION CENTRE

On 12 October 2022, the Company announced that it had secured Victorian Government licences to enable the operation of its newly-commissioned Melbourne Distribution Centre ("MDC") in Melbourne. The two licences permit the supply of Schedule 2 (all products), Schedule 3 (all products), Schedule 4 (all products) and Schedule 8 (cannabis, THC products) products to pharmacies from the MDC.

The highly secure, state-of-the-art MDC facility supports the Company's market leading CanView platform and can facilitate a significant uplift of the Company's medicinal cannabis sales volume. The facility augments the existing capacity and distribution capability of the Company's secure distribution facility on the Gold Coast. To cater for increasing volumes, the MDC is approximately twice as large as the Gold Coast facility and includes productivity improvements from lessons learned in the operation of the existing warehouse.

The MDC puts medicinal cannabis products closer to both pharmacies and patients and will cover distribution in Victoria, parts of New South Wales, South Australia, Western Australia and Tasmania, while the existing Gold Coast facility covers the remainder of New South Wales, Queensland, Northern Territory and the Australian Capital Territory. This will result in quicker delivery times to patients, with some pharmacies in Melbourne receiving orders on the same day. The MDC operation also underpins the Company's business continuity contingency planning with products being held in two locations between the Gold Coast and Melbourne.

The MDC has now begun to receive orders which are being dispatched by the trained operations team. It is anticipated that there will be an official opening of the facility in the coming months.

5. BOARD UPDATES

During the September quarter, several changes were made to the Board of Cronos Australia.

On 12 September 2022, the Company was pleased to appoint Ms. Jenelle Frewen and Dr. Simone Scovell to the Board as Independent, Non-Executive Directors, both of whom serve on the Company's Audit and Risk and Nomination and Remuneration Committees. Both Committees are 100% comprised of Independent Non-Executive Directors. Details of the skills and experience of each new Director were included in the announcement released by the Company on that date.

Following the termination of his employment for cause on 22 June 2022, Benjamin Jansen ceased his executive position on 22 September 2022. In accordance with the Company's Constitution, Benjamin Jansen's office as a Director of the Company was also vacated effective immediately with the cessation of his employment at 5.00 pm on that date. Following Benjamin Jansen's termination, the operations of the Company's clinic businesses have been reviewed and reset for growth.

The Company's Board now comprises five Directors, 60% of whom including the Acting Chair are Independent Directors and 60% of whom are female. The Company is confident that the Board is now well-positioned to execute on the Company's strategic vision and objectives and to deliver further shareholder value.

6. 2022 ANNUAL GENERAL MEETING

The 2022 Annual General Meeting of the Company's shareholders will be held at **10.00 am on Tuesday, 29 November 2022**. The Notice for the Meeting, together with the proxy form including the resolutions that will be put to shareholders, will be released on, or before, 28 October 2022.

7. ASX APPENDIX 4C

As disclosed in Item 6.1 of the Appendix, a total of \$282,547 was paid during the September quarter to Directors and entities associated with Directors in respect of Directors' fees, as well as salary, STI payments and superannuation paid to Rodney Cocks (Chief Executive Officer), Guy Headley (Chief Commercial Officer) and Ben Jansen (former Executive), each of whom also served as Directors of the Company during the quarter.

The Group has generated positive net cash flows from operations for each of the past four quarters, including the quarter under review. The Company will apply to the ASX seeking the ASX's approval to be relieved of its future quarterly reporting obligations under Listing Rules 4.7B and 4.7C.

APPROVED BY THE BOARD OF CRONOS AUSTRALIA LIMITED

Dated this 19th day of October, 2022

Forward-looking statements

This Report may include forward-looking statements. These forward-looking statements are based on the Company's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of the Company, which could cause actual results to differ materially from such statements. The Company makes no undertaking to update or revise the forward-looking statements made in this Report to reflect any change in circumstances or events after the date of this Report.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Cronos Australia Limited (ASX: CAU)

ABN

59 629 071 594

Quarter ended ("current quarter")

30 September 2022

| Consolidated statement of cash flows | Current quarter \$A | Year to date (three months) \$A |
|---|------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 25,949,286 | 25,949,286 |
| 1.2 Payments for | | |
| (a) research and development | - | - |
| (b) product manufacturing, operating costs | (16,573,038) | (16,573,038) |
| (c) advertising, product and marketing | (97,106) | (97,106) |
| (d) leased assets | - | - |
| (e) staff costs | (3,237,219) | (3,237,219) |
| (f) administration and corporate costs | (2,189,844) | (2,189,844) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 24,301 | 24,301 |
| 1.5 Interest and other costs of finance paid | (15,236) | (15,236) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other | - | - |
| 1.9 Net cash from / (used in) operating activities | 3,861,144 | 3,861,144 |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | (451,267) | (451,267) |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) security deposits | - | - |

| Consolidated statement of cash flows | Current quarter \$A | Year to date (three months) \$A |
|--|--------------------------------|--|
| 2.2 Proceeds from disposal of: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | - | - |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) security deposits | - | - |
| 2.3 Cash flows from loans to other entities | - | - |
| 2.4 Dividends received (see note 3) | - | - |
| 2.5 Other (cash acquired on merger with CDA) | - | - |
| Other (net proceeds from sale of medical clinic) | - | - |
| 2.6 Net cash from / (used in) investing activities | (451,267) | (451,267) |
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of equity securities (excluding convertible debt securities) | - | - |
| 3.2 Proceeds from issue of convertible debt securities | - | - |
| 3.3 Proceeds from exercise of options | - | - |
| 3.4 Transaction costs related to issues of securities | - | - |
| 3.5 Proceeds from borrowings | - | - |
| 3.6 Repayment of borrowings | - | - |
| 3.7 Transaction costs related to loans, borrowings | - | - |
| 3.8 Dividends paid | - | - |
| 3.9 Other (proceeds from non-controlling interests) | - | - |
| 3.10 Net cash from / (used in) financing activities | - | - |

| Consolidated statement of cash flows | | Current quarter \$A | Year to date (three months) \$A |
|--------------------------------------|--|------------------------|---------------------------------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 16,077,031 | 16,077,031 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | 3,861,144 | 3,861,144 |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (451,267) | (451,267) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | - |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 19,486,908 | 19,486,908 |

| 5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | | Current quarter \$A | Previous quarter \$A |
|--|--|------------------------|-------------------------|
| 5.1 | Bank balances | 19,486,346 | 16,076,469 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (cash on hand) | 562 | 562 |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 19,486,908 | 16,077,031 |

| 6. Payments to related parties of the entity and their associates | | Current quarter \$A |
|---|---|------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | (282,547) |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

| 7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i> | Total facility amount at quarter end \$A | Amount drawn at quarter end \$A |
|---|---|--|
| 7.1 Loan facilities (refer item 7.6 below) | - | - |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (credit cards) (refer item 7.6 below) | 100,000 | 48,947 |
| 7.4 Total financing facilities | 100,000 | 48,947 |
| 7.5 Unused financing facilities available at quarter end | | 51,053 |
| 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well. | | |
| <p>The credit card facility is provided by ANZ Banking Group Limited. The facility, which was increased to \$100,000 during the quarter, is secured by way of a bank guarantee. All amounts due are paid on time such that no interest is payable.</p> | | |

| 8. Estimated cash available for future operating activities | \$A |
|--|---|
| 8.1 Net cash from / (used in) operating activities (item 1.9) | 3,861,144 |
| 8.2 Cash and cash equivalents at quarter end (item 4.6) | 19,486,908 |
| 8.3 Unused finance facilities available at quarter end (item 7.5) | 51,053 |
| 8.4 Total available funding (item 8.2 + item 8.3) | 19,537,961 |
| 8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1) | Not applicable as net cash flows are positive |
| <i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i> | |
| 8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions: | |
| 8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not? | |
| Answer: Not applicable | |
| 8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful? | |
| Answer: Not applicable | |
| 8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis? | |
| Answer: Not applicable | |
| <i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i> | |

Compliance statement

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

Date: **19 October 2022**

Authorised by: **By the Board**

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.