



# QUARTERLY REPORT

31 December 2020

# APPENDIX 4C CASHFLOW STATEMENT & QUARTERLY ACTIVITIES REPORT

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Cann Global Limited (ASX:CGB) (“Cann Global” or the “Company”) submits the following Activities Report and Quarterly Cash Flow Statement (Appendix 4C) for the quarter ending 31 December 2020 (“Q2 FY2021”).

## KEY HIGHLIGHTS

- Cash receipts from customers of \$636k are up 109% over the prior corresponding period and up 42% over the prior quarter (\$448k) continuing to reflect growth in food division sales, in particular exports to Asia, as well as revenue from the Company’s subsidiary, Cann Global Thailand.
- As at 31 December the Company had a very healthy cash balance of \$12.4m, an increase over the quarter from \$8.9 million after completion of an equity placement during the quarter which raised \$3.75m, before costs.
- The Company now boasts a debt-free balance sheet following the conversion of the Company’s convertible notes to equity, welcoming Obsidian and LI Capital as significant equity investors.
- The Government of Thailand announced that it will begin processing applications for licences relating to the cultivation and distribution of CBD hemp products underpinning the growth of Cann Global Thailand which operates a service revenue model.
- With research and testing now complete, selected Australian natural cosmetic manufacturer, Complete Cosmetics, will commence the pilot run production of Cann Global’s premium, plant-based skincare products.
- Cann Global are on track to have its Canntab products available for sale in Australia this quarter, with the cannabinoid hard pill formulations initially available through the Special Access Scheme B and Authorised Prescriber Schemes.

# FINANCIAL PERFORMANCE OVERVIEW

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Cann Global are pleased to report that cash receipts from customers continue to grow with revenue of \$636k for the three months to 31 December 2020, up 109% over the prior corresponding period.

Cash receipts this quarter represent a 42% increase on the previous quarter (\$448k), and comprise increasing revenue from the food division, in particular growing export demand from Asian customers, and a contribution from Cann Global Thailand (CGT). A delayed payment of \$100k for CGT's services will be accounted for in the current quarter.

As sales across the food division have continued to grow Cann Global has incurred increased product manufacturing costs to meet this demand. Of the \$497k expense, approximately \$200k has been spent to build inventory to meet growing demand for food division products, and represents the initial purchase order for the Canntab range of medicinal cannabis hard-pill formulations which will launch in Australia this quarter. Sales of the Canntab products are expected to contribute to revenue in the fourth quarter of this financial year.

As expected, advertising and marketing expenses continue to increase as the Company prepares to launch new products. Marketing expenses this quarter of \$89k also reflect Cann Global's digital marketing spend aiming at directing traffic to new brand focused, consumer oriented websites to leverage the higher margin on direct to consumer sales.

Corporate costs this quarter are higher reflecting costs associated with the recent capital raise and the annual Directors and Officers Insurance payment. Excluding these one-off costs administration and capital costs would be similar to that of the previous quarter.

Whilst cash receipts increased, net cash used in operating activities was higher this quarter at \$883k largely reflecting the higher costs associated with the capital raise, and the need to build inventory levels to continue to support growth of the business divisions.

# FINANCIAL PERFORMANCE OVERVIEW

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At item 6.1 of the appendix 4C, the company reported aggregate amount to related parties of \$181k. These payments represent payment for non-executive directors' fees and directors' remuneration.

As noted, during the quarter Cann Global raised additional equity capital, clearing its liabilities and leaving the Company with a strong and debt free balance sheet. On 9 December 2020 the Company announced that it had raised \$3.75 million before costs in a placement to sophisticated and professional investors. The Company stated in that announcement that it intended to use a large portion of those funds to immediately clear all the Company's liabilities, including to large convertible note holders.

Cann Global's convertible note holders (LI Capital and Obsidian) then notified the Company, that instead of being repaid the funds owing to them, that as per the terms of their notes, they wished to instead convert their outstanding notes into equity.

Sholom Feldman, Cann Global's Managing Director commented: "We are pleased with the overwhelming support of the Company that has been shown by the investment community, and the further confidence that note holders Obsidian and LI Capital have demonstrated by converting their outstanding notes into an equity investment in Cann Global.

"This is a significant milestone for the Company with Cann Global boasting a strong debt-free balance sheet with funds which were reserved to repay the convertible notes now available to further support the development of the Company's diverse range of businesses during an exciting period of growth for Cann Global.

"We welcome our many large and small new shareholders to the Company and thank them for their confidence in Cann Global's business. The management team are highly motivated to continue its focus on driving business growth and a path to profitability, with an aim to deliver strong shareholder returns."

# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## *1. Food division*

In September last year Cann Global launched to market an innovative new nutraceutical – chia soft-gel oil capsules initially sold under the 'Australian Grown Naturals' brand. It is our understanding that this product has the highest Omega-3 content of any plant-based product on the market.

Following an early order, existing Australian retail partner Costco has already made the chia soft-gel capsules available in their Australian stores, and is taking steps to make them available for purchase online in March.

This product has spearheaded marketing efforts to expand distribution channels within Australia, and has resulted in a new wholesale distribution customer who will white-label Cann Global's chia soft-gel capsules with launch to market expected in February.

Discussions are progressing well for the sale of various food product lines to interested distributors, wholesalers and retailers in Vietnam, Thailand, Singapore and China. Demand for chia seeds from Vietnamese customers remains strong.

Cann Global are also increasingly directing efforts to exploring distribution channel opportunities with Chinese distributors and online sales channels such as e-commerce shopping platforms to leverage consumer demand in this market for high quality natural Australian products.

A new Vitahemp website with improved browse and checkout functionality has been launched. A direct to consumer marketing campaign to drive further traffic to the site will commence shortly and additional technology upgrades are scheduled for completion by June 2021. Websites are also under construction for EM Wholefoods and Australian Grown Naturals to provide consumers direct online access to purchase products.

# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## *2. Hemp cultivation & processing*

As anticipated, The Government of Thailand released a regulatory framework that will allow Thai companies to secure commercial licenses for the cultivation, processing and distribution of CBD hemp products. Cann Global announced to the ASX on 25 January, the Thailand Government will begin processing applications for these licences from January 29, 2021. The Company sees this as an important turning point in the establishment of a medical hemp industry in Thailand and across South-East Asia.

Prior to the recent changes hemp licenses were only issued to those undertaking research programs in Thailand. Cann Global's 55% owned subsidiary Cann Global Thailand (CGT) has been providing technical support for the last year to AA Bio Co Ltd relating to its hemp cultivation research program with the Uttaradit Rajajaht University.

CGT was established to provide a full-service offering to Thai clients in the business of hemp cultivation and extraction, which includes providing an international sales service. In particular, CGT will be providing seeds, organic growing materials, extraction equipment, and information technology systems to manage cultivations. CGT will also be assisting with licensing applications and business planning.

The Company has had a team of experts on the ground in Thailand preparing for this change in regulation and has been establishing partnerships and infrastructure to ensure CGT are well positioned to immediately capitalise on this significant market opportunity.

Cann Global Thailand is supporting AA Bio's application to obtain cultivation and processing licenses under these new CBD hemp regulations which if granted could result in Cann Global Thailand providing technical support and sales services to the cultivation of approximately 400 hectares of CBD hemp by the end of 2021.

Cann Global expects revenue from Cann Global Thailand to continue to grow in 2021. The Company is also expanding its relationships with universities that are involved in the cultivation of cannabis and hemp, and in the formulation of medical hemp products.

# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## 3. Skincare

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

Following comprehensive market research and sample testing over the past quarter, the skin care formulas were further refined by French cosmetic company ORNATUM Cosmetologie to respond to a demand for not only plant-based skin care products but also the need for them to be organic. The first three products that have been developed are 100% plant-based and organic, comply with COSMOS<sup>1</sup> standards and will be suitable for both men and women.



<sup>1</sup> COSMOS standard is the result of a harmonization effort conducted by five leading European certification bodies: BDHI (Germany), Cosmebio (France), Ecocert (France), ICEA (Italy) and Soil Association (UK) with the aim to create a global Organic and Natural Cosmetics Standard. Since its constitution in 2010, the standard has been placed in the hands of COSMOS-standard AISBL, an international non-profit Association. Australian Certified Organic is the first Asia-Pacific based certifier accredited under the COSMetics Organic and natural Standard (COSMOS) as an approved certifier for Organic and Natural cosmetics as well as cosmetics.

# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## 3. Skincare (continued)

Hemp seed oil is the main active ingredient in these products and the formulas are also innovative in their combination with extracts from Australian Native plants such as Australian kangaroo paw flower extract used to increase tenascin-X synthesis to rebuild skin architecture.

The initial range to be available in Australia will consist of an oil, serum and cream based skincare products.

In Australia, the natural, organic, vegan beauty, personal care market is expected to be worth AU\$360m in 2024. Recent research also shows that within the millennial generation, males are becoming an increasingly profitable market, with over 1 million millennial men using skincare products so the benefits of including a unisex product in the range was evident.

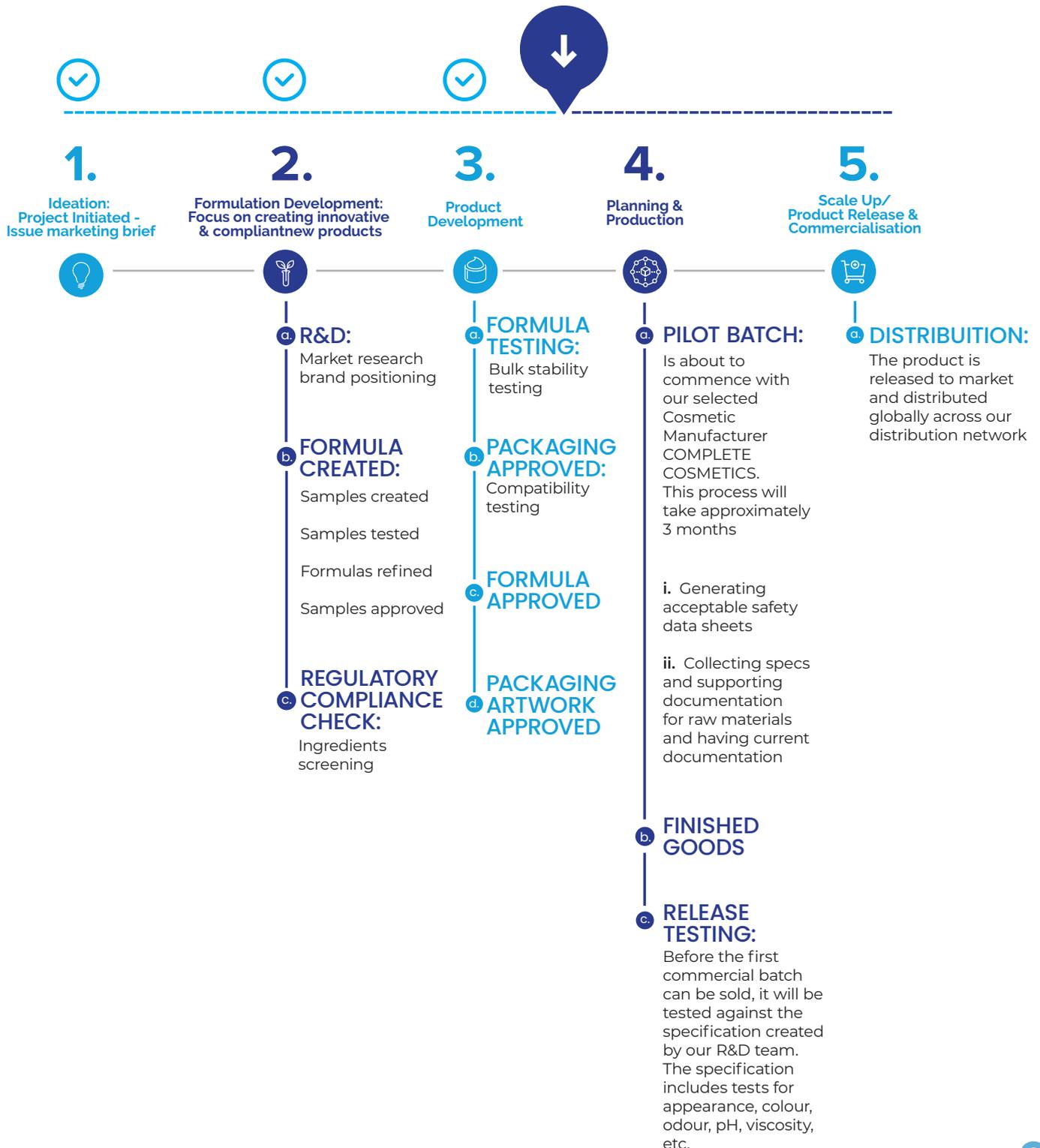
With research and testing now complete, production in Australia is about to commence the pilot run which is expected to take three months. The current pilot production will provide enough information for the company to then undertake a well-considered move to large scale production. This pilot batch is being produced by a recognised Australian-based natural cosmetic manufacturer, GMP and ISO 22716:2007 certified.

During the past quarter Cann Global's sales and marketing team have also commenced discussions with preferred online/offline distribution partners in key markets in preparation for the launch.

# OPERATIONAL PERFORMANCE AND ACTIVITIES

## 3. Skincare (continued)

### Skincare Project Tracker



# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## 4. Medicine

Following an extensive research and production period, Cann Global will this quarter launch its medical cannabis tablets in Australia in joint venture with its partner Canadian listed Canntab Therapeutics Limited (Canntab). An initial product order has been placed for six hard pill cannabinoid formulations which will initially be available from pharmacies through the Special Access Scheme B and Authorised Prescriber Schemes. Canntab are awaiting issuance of their export licences from Health Canada to complete the order.

Through its facilitation agreement with Medcan, Cann Global has access to an existing network of approved freight partners allowing Australia wide logistics, access to various networks of prescribing doctors and pharmacies Australia-wide and an online purchasing portal allowing seamless transactions for pharmacies.

In December the Therapeutic Goods Administration (TGA) released its final decision on proposed amendments to the Poisons Standard confirming that it will down schedule cannabidiol (CBD) preparations from Schedule 4 (Prescription medicine) to Schedule 3 (Pharmacist Only Medicine). In the final decision, the TGA has also increased the maximum daily dosage to 150 mg/day, up from 60 mg/day as proposed in the interim decision.



# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## 4. Medicine (continued)

This decision from the TGA to down schedule CBD products follows the landmark decision made on 2 December by the United Nations Commission on Narcotic Drugs (CND) to reclassify cannabis as a Schedule I substance, the least restrictive drug classification.

Cann Global welcomes the TGA's decision. There are two Canntab CBD hard pill products for which this change is expected to apply. Cann Global has already commenced the process of registering both products on the ARTG with the support of a regulatory consultant. There are currently no TGA approved products on the ARTG that meet the Schedule 3 criteria.

Cann Global is currently still working through the legal, regulatory and production hurdles to enable the production of the Olivia's Choice range of formulas in Australia, and Cann Global will update shareholders of progress.

The Company is also currently preparing to commence human clinical trials in Australia for the cannabis strain that has been identified by the Technion in Haifa to have proven, in vitro and in vivo, to assist in the recovery of, and to stop the progression of, the auto immune disease Multiple Sclerosis. The Company will update the market as this progresses. Cann Global has chosen to continue these trials and research in Australia. Australia adheres to the highest level of GCP standards, meaning that Australian clinical data and results are recognised worldwide. The Australian Government also offers significant support for Australian based medical research.

For further information, please see Cann Global's ASX announcement regarding the results of this research: ASX:CGB Results of Cannabis Research.

# OUTLOOK

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

Locally the TGA confirmed that it will make amendments to its Poisons Standard down scheduling CBD preparations so that registered products may be available over-the-counter at pharmacies. These changes reinforce the recognition of the medicinal properties of cannabis by academics, researchers and policy makers globally.

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

The momentum created by these decisions is expected to benefit Cann Global through attitude changes towards the use of cannabis driving demand for medicinal cannabis and cannabis related products.

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

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

## ABOUT CANN GLOBAL

Cann Global Limited (ASX:CGB) is a driving force in the hemp and medical Cannabis industries. Our strength comes from our team's core competencies and expertise, and our solid and strategic partnerships with experts in Australia, USA, Israel, Asia, Africa and Canada. We are working under the relevant legislation to ensure that the future in Medical Cannabis and Natural Foods will allow medical practitioners, patients, and consumers to gain access to the right information, as well as the safest, most effective and sustainable products.

## AUTHORITY AND CONTACT DETAILS

This announcement has been authorised for release by Sholom D Feldman, Managing Director. For further information please contact Investor Relations on +61 (0)2 8379 1832, or via email [investorrelations@cannglobal.com.au](mailto:investorrelations@cannglobal.com.au)

## Appendix 4C

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

**Name of entity**

CANN GLOBAL LIMITED

**ABN**

18 124 873 507

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

31 December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	636	1,084
1.2 Payments for		
(a) research and development	-20	-69
(b) product manufacturing and operating costs	-497	-762
(c) advertising and marketing	-89	-159
(d) leased assets	-3	-8
(e) staff costs	-360	-650
(f) administration and corporate costs	-727	-1,289
1.3 Dividends received (see note 3)		
1.4 Interest received	73	73
1.5 Interest and other costs of finance paid	-14	-23
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (GST Refund)	118	206
<b>1.9 Net cash from / (used in) operating activities</b>	<b>-883</b>	<b>-1,597</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		
(d) investments		
(e) intellectual property		-33
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>		<b>-33</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,621	7,101
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-296	-487
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>4,325</b>	<b>6,614</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	8,959	7,417
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-883	-1,597
4.3	Net cash from / (used in) investing activities (item 2.6 above)		-33

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,325	6,614
4.5	Effect of movement in exchange rates on cash held		
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>12,401</b>	<b>12,401</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	12,401	8,959
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>12,401</b>	<b>8,959</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	181
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		

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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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>		
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>		
7.5 <b>Unused financing facilities available at quarter end</b>		
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	-883
8.2 Cash and cash equivalents at quarter end (item 4.6)	12,401
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	12,401
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	14
<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:	
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:	
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:	
<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: .....29/01/2021.....

Authorised by: .....Sholom Feldman – Managing Director.....

(Name of body or officer authorising release – see note 4)

## 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.



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