

# QUARTERLY REPORT

30 September 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 30 September 2020 (“Q1 FY2021”).

## KEY HIGHLIGHTS

- Cash receipts from customers of \$448k are up 59% over the prior corresponding period and up 34% over the prior quarter (\$333k) continuing to reflect growth in food division sales and revenue from the Company’s subsidiary, Cann Global Thailand.
- As at 30 September the Company had a healthy cash balance of \$8.9m, an increase over the quarter following completion of the successful rights issue.
- T12 has launched its latest product, chia-soft-gel oil capsules, as planned with a first order received from major retail chain Costco and this will be available in stores in the coming months.
- As announced to the ASX on 26 October 2020, Cann Global has received its import permit to bring the Canntab cannabinoid hard pills to Australia with sales expected to commence in Q3 FY21.
- Cann Global also entered into a Grant Agreement with Applied Cannabis Research to support the Cannabinoid Medicine Observational Study, the largest study ever undertaken in Australia, on hard pill cannabinoid formulations produced by Canntab facilitating early exposure to Australian consumers.
- Cann Global is close to launching the pilot phase of its 100% plant-based skincare product range with branding and go-to-market plans commencing shortly.

# FINANCIAL PERFORMANCE OVERVIEW

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Cash receipts from customers of \$448K were up 59.4% on the prior corresponding period, and 34.5% higher than the prior quarter. This result was driven by increased sales in the food division as well as the first cash receipts from Cann Global Thailand. Accrued revenue has also significantly increased during the period as a result of increased orders for Cann Global's product range and contracted services in Asia.

Product manufacturing and operating costs were similar to last quarter, but are expected to increase next quarter as a result of the purchase order for CannTab products in preparation for release for sale to the Australian market and the need for increased inventory for T12 to meet growing demand.

As anticipated advertising and marketing costs have increased to \$70k for the quarter as the Company's FY21 marketing strategy continues to develop go-to-market plans for both the new CannTab therapeutic medical cannabis products, and our 100% plant-based premium skin care ranges.

Administration and corporate costs at \$562k have increased as expected due to costs associated with the rights issue. Staff costs have increased, albeit marginally, as additional expertise has been added to the team to support the growth of the business, in particular in the area of sales and marketing.

Whilst cash receipts saw strong growth, net cash used in operating activities was higher this quarter largely reflecting an increase in advertising and marketing costs. Last quarter also benefited from a significant GST refund so excluding this anomaly net cash used was only marginally higher than the last quarter. This operating cash flow trend continues to support managements' efforts to drive the business towards profitability.

At item 6.1 of the appendix 4C the Company reported aggregate amount to related parties totalling \$199,600. These payments represent payment to non-executive directors' fees and directors' remuneration.

During the quarter the rights issue was successfully undertaken with net proceeds totalling \$2,289k after transaction costs. The shortfall of the rights issue was concluded in the current quarter and will be reflected in the next quarter's cash flow.

Commenting on the placement and conclusion of the offer, Cann Global's Managing Director Sholom Feldman said "We are very pleased with the level of support for the Company which has been demonstrated by our existing shareholders and are also happy to be welcoming new investors to the register.

We are excited about the growth prospects for the Company and pleased with the support we have received from investors who share our vision".

# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## 1. Food division

As anticipated, T12 launched its newest product during the quarter - chia soft-gel oil capsules, a nutraceutical sold under the 'Australian Grown Naturals' brand. This range of innovative products has the highest Omega 3 content of any plant-based product on the market and is gaining interest from a number of key trade and industry members.

Existing Australian retail partner CostCo has placed an initial order for the product and this will be available in store in the coming months, as well as replenishment orders for T12 products they stock in their twelve Australian stores.

Marketing efforts this quarter will focus on expanding distribution channels within Australia including to major supermarkets and grocery partners, as well as pharmacy companies, with chia soft-gel oil capsules being the key focus.

Distributor Unique Health Products have recently identified Hemp Seed Oil Capsules as an additional line they will take to their network of retailers in Australia including IGA.

Following receipt of the Australian Government certification to export hemp products to Vietnam hemp food was sent to major high-end grocery chains in Vietnam for trialling. The response has been positive and Cann Global are confident of receiving sales orders before year end.



Demand for chia seeds in Vietnam continues to be high, with purchase orders received earlier in the quarter now having been fulfilled and new purchase orders received.

Efforts to establish new markets for sale of food products in Asia is seeing some progress. Chia seed samples have been sent to key industry distributors and suppliers in Singapore and Shanghai and the initial response has been positive.

The competitive advantage in these markets is that Asian consumers are wanting high quality natural Australian products. The next step to leverage the sale of these products throughout Asia is to consider online sales channel platforms.

# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## 2. Hemp cultivation & processing

Cann Global's operations in Asia, via its 55% owned subsidiary Cann Global Thailand, is proving to be successful and is expected to be operating at a net profit by year end.

Cann Global Thailand entered into a contracting agreement with AA Bio in June to provide technical support for its hemp cultivation research program with the Uttaradit Rajabhat University.

An intensive farming model has been developed and has proven that it is possible to cultivate cannabis at a very high planting density of 37,500 plants per hectare using entirely organic farming practices, which compares to a standard planting density of 7,000 plants per hectare.

AA Bio's research program will now be updated to implement this cultivation model for CBD hemp using local seed strains that are adapted and proven for the growing conditions, pests and diseases in Thailand.

As previously reported, five agreements with an associated first tranche of revenue were signed for US\$148,600. An amount of A\$36,771(US\$24,300) was received in July to fund the preparatory work for the cultivation program and is reflected in the receipts from customers in the quarter to 30 September 2020. The program is on track to deliver a further US\$118,300 before the end of the calendar year.

Before the end of 2020, The Government of Thailand is expected to release the regulatory framework that will allow Thai companies to secure commercial licenses for the cultivation, processing, and export of CBD hemp products. Cann Global Thailand is already entering into agreements with Thai companies to provide technical support, extraction services and international sales services for their planned commercial CBD hemp operations facilitating significant growth of this business over the course of 2021.

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 services to the cultivation of approximately 400 hectares of CBD hemp by the end of 2021.

The ideal growing conditions in Thailand coupled with the low production cost of CBD hemp, will enable Thailand to produce high quality wholesale and retail products at a highly competitive price.

# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## 3. Skincare

Further to extensive research of the competitor and target customer market for Cann Global's premium range of 100% plant-based skincare products, the company is nearing launch of the pilot phase. Cann Global continues to formalise its brand strategy and position, and go to market plans, to enable a smooth entry with differentiated product offering for consumers.

As previously reported the first batch of samples was produced in Australia and sent to JV partners Pharmocann in Israel for testing and approval. Refined formulations have now been returned for quality assurance and control in Australia.

The pilot phase of the launch to market plan in Australia is expected to take three months, which will provide enough information for the company to then undertake a well-considered move to large scale production.

Across Asian markets Cann Global has the potential to enter the market as an emerging premium brand with Australian made products using native elements and ingredients. Whilst females dominate the buying demand for these types of health-conscious products in Australia there is an emergence of demand for unisex and male oriented lines in Asia which represents a unique opportunity for Cann Global as a new entrant.



# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## 4. Medicine

Cann Global is pleased to launch its medical cannabis tablets in Australia via its joint venture with CannTab Therapeutics Limited which it entered into in January 2018. Cann Global has placed an initial product order following receipt of its Australian import permit.

CannTab Therapeutics manufactures and distributes a suite of hard pill cannabinoid formulations. Cann Global is importing six products from the CannTab range for distribution to the Australian market and these are expected to be available from pharmacies initially through the Special Access Scheme B (SAS-B) and Authorised prescriber schemes from January 2021.

The initial order has been placed and via the facilitation agreement with Medcan, Cann Global will have 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.

Cann Global is working through the regulatory processes to benefit from the Therapeutic Goods Administration (TGA) proposed amendment to create a new Schedule 3 entry which will allow greater access to cannabidiol (CBD) products.

As previously noted this amendment would allow Australian patients to purchase CBD products upon consultation with a pharmacist, without the need for a prescription.

The TGA has announced 1 June 2021 as the proposed implementation date and the Company is working with a regulatory consultant to ensure the appropriate steps are being followed to be successfully registered by this time.

Cann Global has also entered into a Grant Agreement with Applied Cannabis Research (“ACR”) to support the Cannabinoid Medicine Observational Study (“CMOS”) on the hard pill cannabinoid formulations produced by Canntab.

ACR is the leading Australian contract research organization focused exclusively on medical cannabis treatments and this is the largest observational study ever undertaken in Australia for cannabinoid medicine products.



# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## 4. Medicine (continued)



Cann Global believes there is a need for more supporting data around the safe use of medical cannabis and participating in the CMOS study will help fill the current information gap.

The observational study only requires a very small investment by Cann Global and the company will receive revenue when a patient participating in the study purchases the Canntab product as prescribed by a Medical Practitioner. Participation will provide early exposure of the product in Australia to both medical practitioners and patients.

Assuming products can be successfully registered and made available to patients, independent research estimates the addressable market for low dose CBD to be substantial. Based on the trajectory of the UK CBD market where products are available in pharmacies Australian patient numbers could quickly exceed two million people and generate \$200 million in revenue<sup>1</sup>.

Cann Global continues its discussion with industry partners to develop protocols for randomised controlled trials (RCT) in Australia for the cannabis strain that has been identified in the research being done in conjunction with the Technion in Israel.

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<sup>1</sup>FreshLeaf Analytics Q3 2020 report.

# OUTLOOK

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Despite the current challenging economic environment Cann Global operates in the health and wellbeing sectors which continues to experience growth.

Cann Global continues to produce and distribute innovative plant-based food; facilitate the cultivation of hemp and hemp seeds in Asia; develop a range of premium skincare products; and partner with industry experts to progress research for development and distribution of advanced high-quality medicinal cannabis products.

Cann Global are pleased to be progressing with launch plans for a number of products which have been in the development phase for some time. We expect this will drive further revenue growth as these new products are made available to consumers.

The Medicinal Cannabis market is still relatively immature globally with strict legislations worldwide. Operating in a complex regulatory environment, Cann Global has positioned the business to adapt and leverage the opportunities presented by regulatory changes in the industry.

The regulatory changes by the TGA are pleasing and a step forward for greater acceptance of medicinal cannabis products, however the process is not straight forward and the Company is continuing to work through the steps necessary to have Canntab products registered for sale without a medical practitioners' prescription.

Cann Global are also acutely aware of the need to continue to educate doctors, patients and consumers of the significant benefits of these products. Partnering with ACR on the Cannabinoid Medicine Observational Study plays an important role in bringing greater awareness and information about the safe use of these unique products.

Cann Global continues to focus on driving a path to profitability with new revenue channels in product areas of expected high demand and a focus on operational efficiency.

## **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 Sholom Feldman, Managing Director, on +61 (0)2 8379 1832, or via email [sfeldman@cannnglobal.com.au](mailto:sfeldman@cannnglobal.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")**

30 September 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	448	448
1.2 Payments for		
(a) research and development	-49	-49
(b) product manufacturing and operating costs	-265	-265
(c) advertising and marketing	-70	-70
(d) leased assets	-5	-5
(e) staff costs	-290	-290
(f) administration and corporate costs	-562	-562
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	-9	-9
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (GST Refund)	88	88
<b>1.9 Net cash from / (used in) operating activities</b>	<b>-714</b>	<b>-714</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	-33
(f) other non-current assets		

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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>-33</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,480	2,480
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	-191	-191
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>2,289</b>	<b>2,289</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	7,417	7,417
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-714	-714
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-33	-33

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,289	2,289
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>8,959</b>	<b>8,959</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	8,959	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>8,959</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	199
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)	-714
8.2 Cash and cash equivalents at quarter end (item 4.6)	8,959
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	8,959
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	13
<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: .....30/10/2020.....

Authorised by: .....By the board.....  
(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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