

# QUARTERLY REPORT

31 March 2021



# 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 March 2021 (“Q3 FY2021”).

## KEY HIGHLIGHTS

- Whilst demand for food division products continue to remain strong, the Company reports lower cash receipts from customers of \$273k, compared to \$636k for the prior quarter due to unexpected shipping delays and logistics challenges within Asia and orders delayed as a result of the Lunar Holidays which has impacted March quarter export revenue.
- Following the introduction of a new regulatory framework governing hemp cultivation in Thailand, the business model has been expanded to include a highly scalable and potentially profitable plant funding structure which will deliver upfront revenue to Cann Global.
- The pilot run production of the Company’s premium, plant-based skincare products was successfully completed paving the way for launch to market later in the calendar year.
- Cann Global’s Canadian partner Canntab recently received its export permit allowing the Company’s first order of cannabinoid hard pill formulations to be launched in Australia upon receipt.
- Following the decision to continue research in Australia, Western Sydney University has been engaged to develop a clinical trial protocol for the purpose of undertaking human clinical trials to evaluate the efficacy of a unique strain of medicinal cannabis to slow the progression of Multiple Sclerosis.
- Cann Global continues to ready the business for the launch of new products with the recruitment of three additional staff with supply chain, sales and marketing expertise.

# FINANCIAL PERFORMANCE OVERVIEW

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Cann Global is pleased to report that revenue from food retailers, wholesalers and distributors are up domestically, however lower than expected sales in Asia has resulted in total revenue for the quarter falling 57% on the previous quarter and being down 36% on the prior corresponding quarter.

The fall in export sales to Asia is attributed to unexpected shipping delays and logistics challenges due to the current COVID environment, an internal restructuring by the Company's main distributor in Asia - Epco; and delays in orders due to the Lunar calendar holidays in Asia.

Despite these challenges, demand for Cann Globals' food products in Vietnam and Asia remains strong with the flow of orders and sales expected to resume in the current quarter ending 30 June (Q4 FY21).

In accordance with accounting standards, cashflows relating to the joint ventures - Pharmocann and Canntab, will no longer be reported as consolidated cashflows, but rather as loans to and payments from other entities. To reflect this, expenses related to these joint ventures were required to be reclassified in the March quarter accounts.

# FINANCIAL PERFORMANCE OVERVIEW

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Research and development, and marketing costs appear significantly lower than the prior quarter as a result of the transfer of joint venture expenses. Without this accounting anomaly, research and development saw a marginal increase and sales and marketing costs were \$62k. The latter represents 30% less than the previous quarter which had included positioning costs for the new skincare range.

Whilst revenue has declined this quarter the Company continues to build inventory levels to fulfill orders and as such the Company has continued to incur \$307k in product manufacturing and operating costs.

Staff costs increased slightly during the March quarter. These costs are expected to increase as the Company continues to build capability to support growth including the recent appointment of three new staff in marketing, sales and supply chain management roles.

Administration and corporate costs are \$550k, significantly lower than the prior quarter \$727k which included costs relating to the equity raise.

Pursuant to ASX LR4.7C.3, at item 6.1 of the appendix 4C, the company reported aggregate amount to related parties of \$190k. These payments represent payment for non-executive directors' fees and directors' remuneration.

# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## **1. Food division**

As foreshadowed, the company's newest product, chia seed oil capsules, are now available online for sale through CostCo's website and have been launched to market as a white label product by the Company's new wholesale distributor. The distributor also purchased raw materials during the quarter.

The Company engaged a specialist retail consultancy firm, who has a successful track record selling health food brands and products into Australia's major grocery retailers, to provide support for expanding distributor, wholesale and retail channels in Australia for Cann Global's products. Cann Global has also recently hired a Sales Manager to focus on driving sales for all of Cann Global's products including increasing sales direct to retailers.

This drive for sales growth in Australia is also being supported by the rebranding of the Vitahemp and Australian Grown Naturals product portfolios to reflect the premium quality of the product and be more appealing to the target audience. The rebranding exercise commenced in the third quarter with the new brand identity to be launched in Q4 FY21.

# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## *1. Food division (continued)*

Marketing and promotional activities commenced this quarter with Unique Health Products (UHP) who distribute ten products within the EM Wholefoods range. UHP distributes to 8000+ retail stores in Australia and the initiatives are aimed at increasing brand awareness and sales volumes.

Export demand from Asia for hemp and chia products remains strong, however revenue for the March quarter is down on expectations. This is due in part to shipping delays and logistics challenges arising from the current COVID-19 environment and order delays due to the Lunar Calendar holidays.

Cann Global's Vietnamese distribution partner, Epco has been working through an internal restructure which has also impacted the Company's sales to the country which remains a key export market for the Company. Cann Global is working with Epco to provide additional marketing support and initiatives to grow demand for the existing range, increase the range distributed, and extend the geographical market.

During the quarter the Company began preparations to launch its products on Amazon USA, one of the world's largest shopping platforms and online marketplaces. Once the rebranding of the Vitahemp and Australian Grown Naturals range is complete the launch will commence. It is anticipated this will occur early in the new financial year.

Discussions with interested distributors, wholesalers and retailers continue in Thailand, China and Japan, as well as retailers in the United Kingdom and Europe.

# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## 2. Hemp cultivation & processing

The Government of Thailand has now commenced processing applications for licences allowing Thai companies to cultivate, process and distribute CBD hemp products. Cann Global sees this as an important turning point in the establishment of a medical hemp industry in Thailand and across South-East Asia where previously hemp licences were only issued to entities undertaking research programs.

The Company is pleased to report that two of its key partners in Thailand, AA Bio and Green Pharma Botanical, are in the final stages of regulatory approval for their cultivation and processing licences under these new CBD hemp regulations. Cann Global Thailand (CGT) will operate its commercial operations under these licenses when issued.



Cann Global has had a team of experts on the ground in Thailand preparing for this change in regulation and during the quarter CGT expanded its business model to take full advantage of these regulatory changes. Whilst the Company will continue its full-service offering for hemp cultivation, extraction, and sales service it will now also offer a unique plant-funding model for international investors.

This model operates on the basis that investors provide guaranteed funding on a per plant basis with a fixed fee per plant returned to the investor after successful cultivation and extraction by CGT.

This model offers attractive returns for investors and for CGT, provides upfront revenue for working capital with the potential for a healthy profit margin on sale of product produced from the plant. This is expected to be a highly scalable and potentially profitable model for the Company.

A detailed testing process comprising 24 various seed varieties has already commenced in the Chiang Rai province. This testing process will ensure the greatest possible success for the first commercial crops which are expected to be planted in Q4 FY21 and Q1 FY22. The testing is being undertaken under the supervision of Green Pharma Botanical and their scientists.

It is anticipated that the output of the testing crop will generate revenues and will also provide seed inventory that will be utilised in later crops and/or sold.

# 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.

A successful pilot production run of the Company's first three skincare products was undertaken during the quarter and so development will now enter the next phase.

The three skincare products being developed, a cream, serum, and oil, are all hemp seed oil based and combined with other powerful Australian ingredients, are now undergoing the required cosmetic safety tests at third party laboratories. The application process for certifying the products as organic has also commenced.

It is anticipated that consumer testing will commence later this year with official product launch expected during the end of the calendar year.

Go to market strategies for the Australian market have been identified, incorporating sales channel selection, consumer marketing, advertising and public relations activities which will generate awareness and demand. Development of the skincare website commenced in Q3 FY2021 and will be completed ahead of mass production of the products.

With the growth in Cann Global's product range the Company as noted earlier, has recruited a Sales Manager, as well as a marketing professional with specific experience in consumer goods marketing to support the rollout of these products. The Company has engaged a specialist distribution consultancy to advance necessary activities to finalise distributors, wholesalers and retailers of the Company's new skincare range.

Export markets for the skincare range where consumer demand is high for plant-based skin care products are being explored by our specialist consulting partner. South Korea, Japan and Thailand are markets where initial efforts will be targeted.



# OPERATIONAL PERFORMANCE AND ACTIVITIES

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## 4. Medicine

Cann Global expects to be in a position to launch its medicinal cannabis tablets in Australia this quarter. These tablets have been developed in joint venture with its partner Canadian listed Canntab Therapeutics Limited (Canntab).

Following receipt of Canntab's export licence, the initial product order of six hard pill cannabinoid formulations are expected to be received in Australia shortly and will be available to consumers through the Special Access Scheme B and Authorised Prescriber Scheme.

The Australian Patent Office has granted Australian Patent No. AU 2018210690 to our joint venture partner Canntab Therapeutics Limited (CSE: PILLCN) ("Canntab"), in relation to the above mentioned proprietary pharmaceutical hard pill cannabidiol tablets with a priority date of January 23, 2017. The term of the patent expires on 22 January 2038.

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.

As previously announced to the market the Company has chosen to further its research efforts in Australia. The specific research relates to 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.

Continuing this research in Australia gives Cann Global the opportunity to seek government research grants and results are more likely to gain international recognition due to Australia's high standard of research.

Following on from this decision, the Company recently announced that it has signed an agreement with Western Sydney University's NICM Health Research Institute to design a clinical trial protocol for the purpose of undertaking human clinical trials.

Cann Global is pleased to note that Michael Barnett, Professor of Neurology at the Brain and Mind Centre, University of Sydney, will be assisting NICM with this project.



# OUTLOOK

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Cann Global continues to focus its efforts on expanding sales and distribution of existing products, and the imminent launch of new medicinal cannabis and skincare products to market. The Company is confident that once these products are available to consumers, they will make a significant contribution to Cann Global's revenue growth.

According to a report issued by FreshLeaf Analytics and based on data collected in January and February 2021, medicinal cannabis revenue is expected to reach \$200m this calendar year. Patient numbers have increased by 15% and there has been a significant increase in the number of Authorised Prescribers after a lengthy period of stagnation. At December 2020 the number of Authorised Prescribers was less than 50, at the end of the quarter it was 179. Cann Global is well positioned to take advantage of increased patient and prescriber numbers with the imminent launch of its Canntab product.

Challenges stemming from the current international border restrictions have had an impact on sales revenue this quarter, however the Company continues to work through these shipping and logistical challenges to deliver product to export customers where demand remains high. With the Lunar holiday now over and a campaign underway with EPCO to further promote Cann Global's products in Asia, the Company expects to return to revenue growth this current quarter.

Cann Global continues to have a strong debt-free balance sheet, and significant cash reserves which not only supports current business activities but allows the company to consider additional opportunities for product range expansion as well as potential to drive synergies and cost savings through vertical integration.

## 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 at [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 March 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	273	1,357
1.2 Payments for		
(a) research and development	-7	-76
(b) product manufacturing and operating costs	-307	-1069
(c) advertising and marketing	-39	-198
(d) leased assets	-5	-13
(e) staff costs	-371	-1021
(f) administration and corporate costs	-550	-1,839
1.3 Dividends received (see note 3)		
1.4 Interest received		73
1.5 Interest and other costs of finance paid	-12	-35
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (GST Refund)	79	285
<b>1.9 Net cash from / (used in) operating activities</b>	<b>-940</b>	<b>-2,537</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	-1	-1
(d) investments		
(e) intellectual property	-16	-49
(f) other non-current assets		

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
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 (JV)		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material): Cash flows spent on R&D and Marketing Activities towards the Pharmocann and Canntab JV	-107	-107
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-124</b>	<b>-157</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		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		-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>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	12,401	7,417
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-940	-2,537

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-124	-157
4.4	Net cash from / (used in) financing activities (item 3.10 above)		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>11,337</b>	<b>11,337</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	11,337	12,401
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>11,337</b>	<b>12,401</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	190
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>		

<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)	-940
8.2 Cash and cash equivalents at quarter end (item 4.6)	11,337
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	11,337
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	12
<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: .....29/04/2021.....

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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