

## Quarterly Activities Report and Appendix 4C of the ASX Listing Rules For the Quarter Ended 31 March 2022

### HIGHLIGHTS

- Record quarter, with cash receipts of combined group for Q3 FY2022 exceeded \$18.0 million
- Net cash flows from operations for the first nine months of FY2022 exceeded \$10.5 million
- Total cash and cash equivalents increase to \$13.6 million at the end of Q3 FY2022
- Record 125,500 products sold through BHC's CanView platform during Q3 FY2022

**Melbourne, Australia, 28 April 2022** - Pursuant to ASX Listing Rule 4.7C.1, Cronos Australia Limited (ASX: CAU; "Cronos Australia", "CAU", the "Company"), releases its Quarterly Activities Report ("Report") covering the period from 1 January 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 31 March 2022.

"As the only profitable pure-play medicinal cannabis company listed on the ASX, we have achieved another record quarter with \$18 million in cash receipts and year-to-date positive operating cashflows of \$10.5 million which is underpinned by the successful merger and integration with CDA Health and the hard work of our exceptional team. We enter the last quarter of the 2022 financial year in a position of market leadership in Australia with more than \$13.6 million in cash and look forward to delivering for shareholders with our full year results. Our strategy moving into the 2023 financial year sets Cronos Australia up for sustainable, profitable growth," said Cronos Australia CEO Rodney Cocks.

### FINANCIAL UPDATE

Total cash receipts from the sale of medicinal cannabis and consumer products and the provision of clinic services during the March quarter were a record \$18,086,638, up \$1,612,802, or approximately 10%, from the corresponding figure in the December quarter. As a result, the net cash generated by the Group from operating activities during the current quarter was \$1,594,523, or \$10,548,121 for the nine-month period ended 31 March 2022.

As detailed in the ASX Appendix 4C, the Company had approximately \$13.6 million in consolidated cash and cash equivalents as at 31 March 2022. Based on the fact that the Group generated positive net cash flows from its operating activities during the quarter then ended, the Company is not required to complete sections 8.5 and 8.6 of the Appendix 4C.

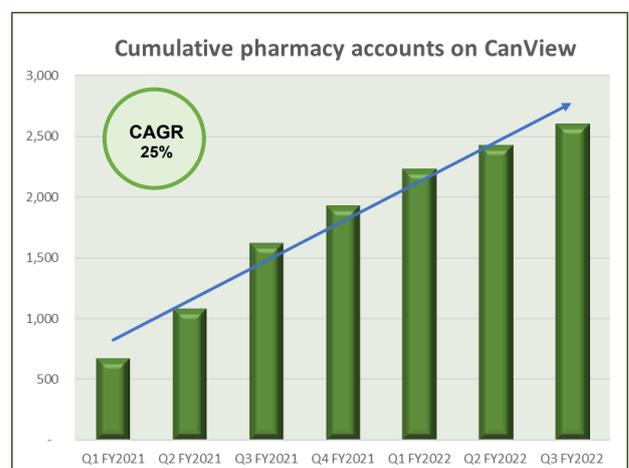
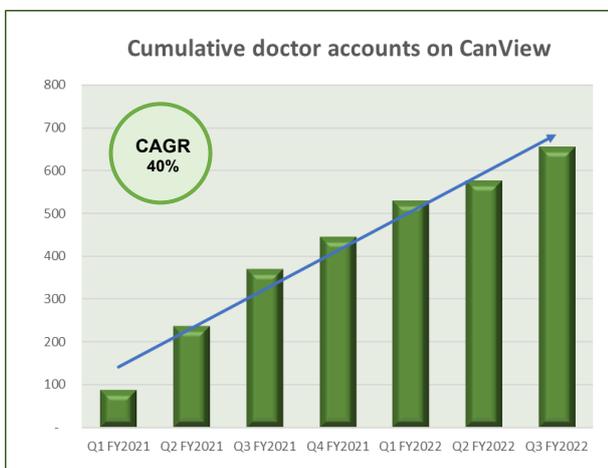
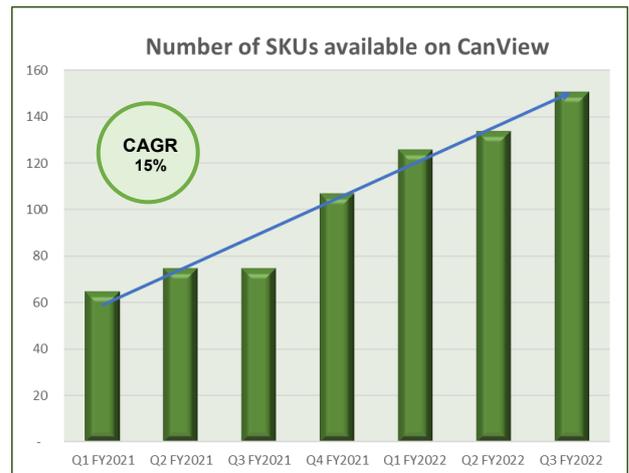
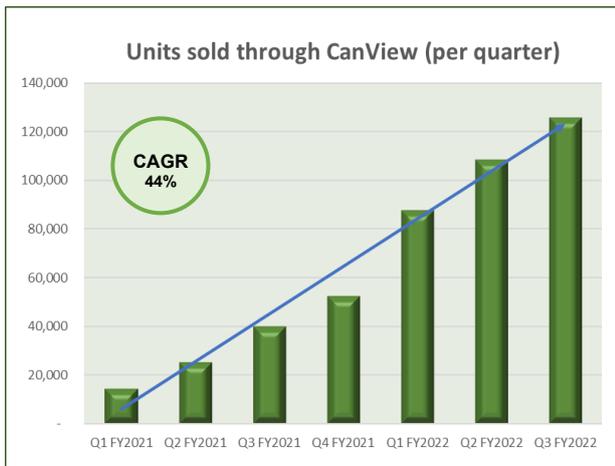
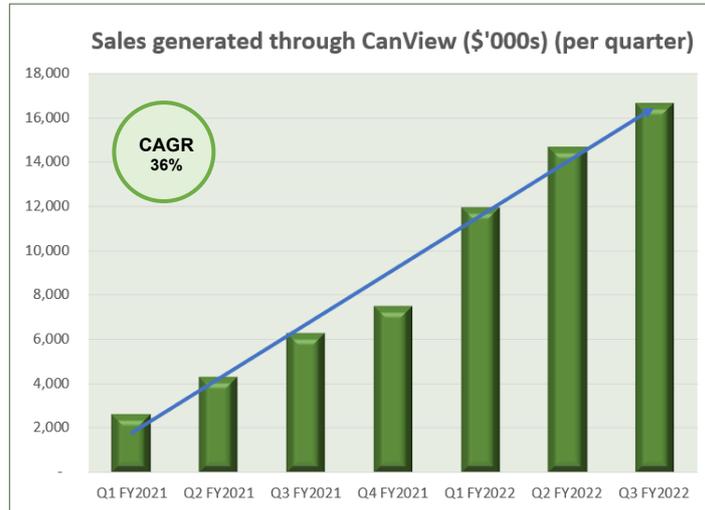
As detailed in the Company's 2022 Half-Year Report, the balance of the Group's trade payables at 31 December 2021 was unusually high due to the timing of certain payments made across the New Year holiday period and the final amounts owing in respect of the Company's merger with CDA Health. Accordingly, the Group's closing balance of cash and cash equivalents of \$12,943,868 did not reflect the payment of certain amounts which were subsequently paid in January 2022. The subsequent payment of these material amounts during the March quarter resulted in the net cash flows from operations in the December quarter of \$6,745,541 being higher than expected and the corresponding inflows in the March quarter of \$1,594,523 being lower than would have otherwise been the case.

Staff costs and administration and corporate costs incurred during the March quarter both increased as a result of the inclusion of a full quarter's results of the pre-merger Cronos Australia business. Final cash costs in relation to the merger between the Company and CDA Health Pty Ltd, amounting to \$779,033, were paid during the March quarter which have largely been offset against the equity issued by the Company to the former shareholders of CDA Health as part of the transaction.

**OPERATIONAL UPDATE**

**BHC's CanView**

BHC's CanView platform was launched on 11 June 2020. During the seven completed financial quarters since the launch of the platform, the growth achieved across all key performance metrics has been strong and the underlying numbers in all categories continue to increase, as illustrated in the graphs below.



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

- Total revenue (unaudited): \$7.5 million
- Cash receipts from customers: \$7.6 million
- Total units sold through CanView: 52,726
- New doctor accounts added on CanView: 26
- New pharmacy accounts added on CanView: 79

### **Suppliers selling through CanView**

During the March quarter, the Group was pleased to add HeyDay Rx Pty Ltd and Blue Mountain Global Pty Ltd to the growing list of trusted third-party suppliers whose products are available and sold by the Company through the Group's CanView platform.

The above suppliers have now joined the 19 companies below who have executed agreements pursuant to which their products and brands can be sold through the CanView platform:

- ABC CAN Pty Ltd (ANTG)
- ABCann Medicinals Inc
- Altum Oceania Pty Ltd (Kind)
- Aruma Labs Pty Ltd
- BOD Australia Ltd
- Bloom Pharms Pty Ltd
- Cannatrek Medical Pty Ltd
- Cannim Australia Pty Ltd
- Cymra Life Sciences Limited
- Gamma Biomedical Pty Ltd
- Greenlab Australia Pty Ltd
- Little Green Pharma Ltd
- Medcan Australia Pty Ltd
- MGC Research (Aus) Pty Ltd
- PharmaCann Pty Ltd
- Sativite Pty Ltd
- Sunco Green Pharmaceutical Pty Ltd
- Tikun Oceana Pty Ltd
- Tilray Australia New Zealand Pty Ltd

In addition to the numerous products and brands from the above suppliers, owned products and brands, including Adaya, are also available on the CanView platform.

### **Launch of CanView 2.0**

As foreshadowed in the Company's previous Quarterly Activities Report, the Company is well-advanced with the completion and rollout of the next, and significantly improved, iteration of the CanView platform. Known internally as "CanView 2.0", the new platform will provide a number of important upgrades, features and improvements for the following key stakeholders:

#### **Pharmacies**

- Seamless integration with the dispensing software used by pharmacies to improve and streamline processes and reduce double handling
- Ability to receive prescriptions and TGA approvals directly from doctors/prescribers prescribing through the CanView platform and enable patients to order their prescription repeats directly through the platform
- Simplified ordering process with auto-matching functionality for products and dosage forms based on TGA approvals
- Improved visibility of available stock levels in real time before products are dispensed and ordered

## Doctors/prescribers

- Seamless integration with practice management software used by doctors/prescribers to improve and streamline relevant processes
- Ability to generate prescriptions directly through the CanView platform
- Ability to store TGA approval documents in one location and to send approvals directly to pharmacies alongside electronic prescriptions
- Ability to view available stock levels in real time during consultations with patients
- Increased compliance features, including TGA reporting requirements

## Patients

- Ability for patients to track and check their own orders through the CanView platform
- Ability for patients to receive delivery notifications through the CanView mobile app and via SMS
- Ability for patients to order prescription repeats from the pharmacy through the CanView mobile app

## Suppliers

- Ability for suppliers to view and track key sales analytics, including future forecasting functionality
- Ability to view inventory levels and reorder points for improved stock management

It is anticipated that CanView 2.0 will be deployed in five separate stages between now and the end of the 2022 calendar year:

- **Stage One**, which provides a number of order fulfilment upgrades, process improvements and efficiencies, has now been deployed internally within the Group and has already delivered a number of tangible benefits.
- **Stage Two**, which will be made available to the more than 2,500 pharmacies who currently have accounts on CanView and all remaining Australian pharmacies, will be tested in the coming weeks prior to an expected rollout commencing in late May.
- **Stage Three**, which will be made available to the nearly 700 doctors/prescribers who currently have accounts on CanView and all remaining prescribers, will then be tested prior to an expected rollout commencing in late June.
- **Stage Four**, which will be made available to the numerous patients currently registered on CanView, is expected to be completed and rolled out in the third quarter of the calendar year.
- **Stage Five**, which will be made available to the 21 suppliers who currently have products available on CanView, is expected to be completed and rolled out in the final quarter of the calendar year.

Pharmacists, doctors and patients can be confident that the personal data they upload to the CanView platform is securely stored and protected.

All of the above improvements will deliver a number of efficiencies and cost savings for the Group while, at the same time, enhancing the user experience for the growing numbers of pharmacies, doctors/prescribers, patients and suppliers using the CanView platform.

The Group's infield sales team will actively recruit prescribers on to the platform, providing education and support to further increase the Australian prescriber base. The platform's user-friendly design has been developed to ensure the prescribing journey is as simple as possible for the clinician which in turn will open the door to a larger number of prescribers who are considering using medicinal cannabis treatments within their practices.

## CDA CLINICS AND CANNADOC HEALTH MEDICINAL CANNABIS CLINIC BUSINESS

Following the successful completion of the merger with CDA Health, work continues to integrate the Group's two medicinal cannabis clinic businesses, operated respectively by CDA Clinics and Cannadoc Health, to harmonise the various back-office systems and processes and create operational efficiencies and further cost savings. Moreover, the businesses will share anonymised clinical data to provide improved patient outcomes. In future quarterly activities reports, the activities and successes of the combined clinics business will be reported together.

## INTEGRATION WITH CDA HEALTH PTY LTD

Following the successful completion of the Company's merger with CDA Health Pty Ltd on 16 December 2021, considerable progress has been made on a number of fronts with respect to the integration of the operations of the two businesses. Specifically, in the areas of finance, payroll, human resources, IT, distribution and inventory management, systems and processes have been added, refined and updated across the nine separate locations in which the Group now operates to deliver a range of efficiencies and cost savings. The majority of these programs are expected to be completed before the end of the current financial year.

## OTHER ACTIVITIES

### Adaya sales update

Sales of the owned Adaya range of medicinal cannabis products continued to grow in the March quarter with record sales of \$561,279 in March alone, reflecting an annualised run rate of more than \$6.5 million, as compared to \$1.2 million for the full 2021 financial year.

### Consumer sales update

Work continues in the markets of Japan and Hong Kong to distribute the Group's three ranges of hemp seed oil and CBD-based consumer products under the Bathing Shed, FCTR and Saiph brands. During the March quarter, a number of new stockists were added to the existing list of distributors in those markets and further promotion of the brands was secured in various local media publications.

### CBD Joint Venture update

The Company continued to make progress during the quarter in the development of CBD-based products in its Joint Venture with partner, A&S Branding Pty Ltd.

## BOARD RENEWAL

Following recent Director resignations, the Company has commenced an active recruitment program seeking experienced and appropriately qualified Directors to join the Board. The Company remains committed to meeting the requirements of the Corporate Governance Principles and Recommendations (including all relevant amendments) of the ASX.

## ASX APPENDIX 4C

The financial information used to compile the attached Appendix 4C for the periods ended 31 March 2022 has been prepared in accordance with AASB 3 *Business combinations* ("AASB 3"). As disclosed in the previous Quarterly Activities Report, the merger between the Company and CDA Health Pty Ltd that was completed on 16 December 2021 ("Merger") resulted in the combined group being identified as a Business Combination under Australian Accounting Standards.

AASB 3 requires the identification of an acquirer for financial reporting purposes. The structure of the Merger is such that CDA Health has been identified as the accounting acquirer for these purposes. This decision has been based on the facts and circumstances of the transaction and, in particular, reference is made to the relative voting rights in Cronos Australia held collectively by the previous shareholders of CDA Health after the business combination, i.e. more than 70%, and the relative sizes (defined in terms of assets, revenues and profits) of both Cronos Australia and CDA Health.

As a result of the above, the attached ASX Appendix 4C includes the financial cash flows of CDA Health for the period from 1 July 2021 to 31 March 2022 and the results of the pre-Merger Cronos Australia entities for the period from the date of the Merger (being 16 December 2021) to 31 March 2022.

### **ASX LISTING RULE 4.7C**

Pursuant to **Listing Rule 4.7C.3**, and as disclosed in Item 6.1 of the attached Appendix 4C, the Company confirms that during the March 2022 quarter a total of \$188,575 was paid to Directors and entities associated with Directors in respect of Directors' fees, as well as salary and superannuation paid to Rodney Cocks (Chief Executive Officer), Guy Headley (Chief Commercial Officer) and Dr. Ben Jansen (Chief Medical Officer), each of whom also serves as a Director of the Company.

Going forward, as described elsewhere in this Report, the merger with CDA Health Pty Ltd has resulted in a significant increase in the Group's expenditures as the extent, size and scale of its activities expand dramatically. Importantly, as detailed in the attached Appendix 4C, the Group has generated positive net cash flows from operations for the first three quarters of the 2022 financial year and it is anticipated that, in the absence of material investing and financing net outflows, the Group's cash and cash equivalents are expected to increase over time.

### **APPROVED BY THE BOARD OF CRONOS AUSTRALIA LIMITED**

Dated this 28<sup>th</sup> day of April, 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")

**31 March 2022**

Consolidated statement of cash flows	Current quarter \$A	Year to date (nine months) \$A
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	18,086,638	46,641,588
1.2 Payments for		
(a) research and development	-	(31,459)
(b) product manufacturing, operating costs	(13,276,813)	(28,432,993)
(c) advertising, product and marketing	(105,304)	(362,149)
(d) leased assets	-	-
(e) staff costs	(2,136,726)	(5,202,820)
(f) administration and corporate costs	(952,001)	(1,997,681)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	444	905
1.5 Interest and other costs of finance paid	(21,715)	(67,270)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>1,594,523</b>	<b>10,548,121</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	(97,720)	(246,168)
(d) investments	-	-
(e) intellectual property	-	-
(f) security deposits	-	-

Consolidated statement of cash flows	Current quarter \$A	Year to date (nine 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	(36,300)	(36,300)
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)	-	2,465,914
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(134,020)</b>	<b>2,183,446</b>
<b>3. Cash flows from financing activities</b>		
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 equity securities as part of CDA Health merger	(779,033)	(1,185,535)
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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(779,033)</b>	<b>(1,185,535)</b>

Consolidated statement of cash flows		Current quarter \$A	Year to date (nine months) \$A
<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	12,943,869	2,079,307
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,594,523	10,548,121
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(134,020)	2,183,446
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(779,033)	(1,185,535)
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>13,625,339</b>	<b>13,625,339</b>

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	13,624,756	12,943,147
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (cash on hand)	583	722
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>13,625,339</b>	<b>12,943,869</b>

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	(188,575)
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.*

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A</b>	<b>Amount drawn at quarter end \$A</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 (refer item 7.6 below)	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (credit cards) (refer item 7.6 below)	50,000	19,614
<b>7.4 Total financing facilities</b>	<b>50,000</b>	<b>19,614</b>
<b>7.5 Unused financing facilities available at quarter end</b>		<b>30,386</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.		
The credit card facility is provided by ANZ Banking Group Limited. The facility is secured by way of a bank guarantee. All amounts due are paid on time such that no interest is payable.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	1,594,523
8.2 Cash and cash equivalents at quarter end (item 4.6)	13,625,339
8.3 Unused finance facilities available at quarter end (item 7.5)	30,386
8.4 Total available funding (item 8.2 + item 8.3)	13,655,725
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	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: **28 April 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.