

# Cronos Australia Limited

## Results for announcement to the market for the half-year ended 31 December 2020

## ASX Appendix 4D

- The reporting period covers the half-year ended 31 December 2020.  
The previous reporting period covers the half-year ended 31 December 2019.
- Results for announcement to the Market:

	31 Dec. 2020 \$	31 Dec. 2019 \$	Increase/ (decrease) \$	Increase/ (decrease) %
2.1 Total revenues from ordinary activities	376,205	-	376,205	N/A
2.2 The loss from ordinary activities after tax attributable to Members	(2,006,258)	(1,857,212)	149,046	8.0
2.3 The net loss attributable to Members	(2,006,258)	(1,857,212)	149,046	8.0

2.4 The Company does not propose to pay a dividend for the interim period ended 31 December 2020 and did not pay a dividend in respect of the year ended 30 June 2020.

2.5 During the reporting period, the Company generated a consolidated loss after income tax of \$2,116,523, an increase of 14% over the figure for the previous reporting period.

Included in the result were the first revenues from the sale of medicinal cannabis products in the new Adaya range which was launched by the Company in July 2020 and the growing revenues from the Group's clinics business under the Cannadoc Health banner. Total revenues of \$376,205 comprised sales of medicinal cannabis products of \$172,350 and clinic revenue of \$202,942, as well as \$913 from the first sales of consumer products under the Bathing Shed brand. Other income of \$116,838 included amounts received under various Government stimulus schemes relating to COVID-19 of \$82,266, as well as interest earned of \$34,350 (2019: \$38,487) on the Company's cash and cash equivalents.

With the first sales of medicinal cannabis products, cost of sales of \$112,674 were incurred during the reporting period, resulting in an average gross margin of 35%. Most expenses incurred by the Group during the reporting period increased in line with overall business activity and expansion of the Group's three business units. Total personnel expenses increased by 31% (from \$1,246,149 in 2019 to \$1,630,855 in 2020) as the Company's global workforce was expanded to meet its growing operations, while administration expenses increased by 62% (from \$312,424 in 2019 to \$507,039 in 2020) in line with the Group's expanding operations. Travel-related expenses fell significantly (from \$82,127 in 2019 to \$13,012 in 2020), due to restrictions caused by the COVID-19 pandemic. Finance costs of \$197,870 principally related to interest accrued on the loan from Cronos Group Inc. and foreign exchange losses.

- Net tangible assets per ordinary share as at 31 December 2020 were 8.5 cents. Net tangible assets per ordinary share as at 30 June 2020, being the previous corresponding balance date, were 10.1 cents.
- During the reporting period, Cronos Australia Limited acquired 100% of the shares in Personal Care Asia GK, a company that it incorporated in Japan on 1 July 2020. Also during that period, Cannadoc Health Pty. Ltd., a company in which Cronos Australia Limited holds a 75.5% beneficial interest, acquired 100% of the shares in Cannadoc Health (NZ) Limited, a company that it incorporated in New Zealand on 9 October 2020.
- No dividends were paid by Cronos Australia Limited during or after the reporting period, nor were any paid during the previous reporting period.
- The Company has no dividend reinvestment plans in operation.

7. As at 31 December 2020, Cronos Australia Limited held a 50% indirect beneficial interest in CBD Joint Venture Pty. Ltd., in conjunction with A&S Branding Pty. Ltd., for the development of cannabidiol-based products, including skincare products, for the Australian and export markets, as relevant legislation permits. The total loss incurred by CBD Joint Venture Pty. Ltd. during the reporting period was \$24,551. The loss for the previous reporting period was \$Nil.
8. Not applicable.
9. The attached Financial Report for the half-year ended 31 December 2020 was reviewed by the Company's auditor, KPMG. The report from KPMG does not contain any modified opinion or emphasis of matter.

**Signed on behalf of Cronos Australia Limited**



RODNEY D. COCKS  
*Chief Executive Officer*

Dated this 25th day of February, 2021

# FINANCIAL REPORT

## CRONOS AUSTRALIA LIMITED

ABN 59 629 071 594

FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

CRONOS  
AUSTRALIA



# Cronos Australia Limited

## 2021 Half-Year Financial Report

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### **Disclaimer**

*Certain statements in this Report are about the future. These are identified by words such as "believes", "considers", "could", "estimates", "expects", "intends", "may" and other similar words that involve risks and uncertainties. There are risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of Cronos Australia to be materially different from the future conduct, results, performance or achievements expressed or implied by such statements or that could cause the future conduct to be materially different from historical conduct. Such forward-looking statements are not guarantees of future performance. Deviations as to future conduct, results, performance and achievements are both normal and to be expected. Cronos Australia cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Report will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.*

# Directors' Report

The Directors of Cronos Australia Limited submit their Report for the half-year ended 31 December 2020.

## DIRECTORS

The details of the Directors of Cronos Australia Limited ("CAL" and the "Company") who held office during the period from 1 July 2020 until the date of this Report are stated below, as are the dates on which they were appointed.

### Directors in office as at the date of this Report

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#### Shane F. Tanner

*Position:* Independent Non-Executive Chairman

*Qualifications:* Dip Bus (RMIT), Grad Dip Bus (Swinburne), FCPA, ACIS, MAICD

*Other responsibilities:* Member of Audit and Risk Committee  
Member of Nomination and Remuneration Committee

*Other Directorships:* Paragon Care Limited (ASX: PGC) (Chairman)

Shane Tanner was appointed Independent Non-Executive Chairman of CAL on 9 October 2018. Formerly, Shane was Chairman of Vision Eye Institute (ASX: VEI), Chief Executive Officer of Mayne Nickless Diagnostic Services (later renamed Symbion Health (ASX: SYB)) and Chief Financial Officer of Mayne Group. Shane has significant strategy and transaction experience, including whilst working at Mayne Group via the IPO of telecommunications company, Optus Communications.



#### Rodney D. Cocks CSM

*Position:* Chief Executive Officer and Executive Director

*Qualifications:* BCom (Melb.), LLB (QUT), MBA (Wharton), MPA (Harvard), GAICD

*Other responsibilities:* None

*Other Directorships:* None

Rodney Cocks CSM was appointed Executive Director and Chief Executive Officer of Cronos Australia on 27 September 2018. He is a Director of NewSouthern Capital Pty. Ltd., a private equity firm he co-founded. Prior to joining CAL, he was a member of the Senior Leadership Team at Linfox and was a Consultant at the Boston Consulting Group. Rodney served on the Counter Narcotics Team of the British Embassy in Afghanistan and with the United Nations in Afghanistan, Sri Lanka, Pakistan and Iraq and started his career as an Infantry Officer in the Australian Army. Rodney holds a BCom from the University of Melbourne, LLB from the Queensland University of Technology, MBA from the Wharton School, University of Pennsylvania, MPA from the Harvard Kennedy School, Harvard University and is a Graduate of the Australian Institute of Company Directors and the Royal Military College, Duntroon. He is an admitted Lawyer to the Supreme Court of New South Wales, was a Fellow at Harvard University and named the 2005 Victorian Australian of the Year. In 2003, Rodney was awarded a Conspicuous Service Medal for his actions in the aftermath of the 2002 Bali bombings.

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**Daniel E. Abrahams**

*Position:* Independent Non-Executive Director

*Qualifications:* BBus (Accounting and Finance) (Central Queensland Uni.), FCPA, FCIS

*Other responsibilities:* Chairman of Audit and Risk Committee  
Member of Nomination and Remuneration Committee

*Other Directorships:* None

Daniel Abrahams was appointed as an Independent Non-Executive Director of CAL on 17 October 2018. Daniel is an independent consultant providing practical expertise on entrepreneurship and leadership programs to universities, helping students and alumni take ideas to commercialisation, and acting as an independent adviser to companies on scaling up. Prior to this, Daniel was an Executive Director and Chief Executive Officer of Superloop Limited (ASX: SLC), taking the company to IPO and overseeing its infrastructure rollout in Australia, Singapore and Hong Kong. Daniel has also held senior executive positions at Aurizon Holdings Limited (ASX: AZJ), Suncorp Group Limited (ASX: SUN), Energex and Toyota Tsusho South Pacific.



**Jason M. Adler**

*Position:* Non-Executive Director

*Qualifications:* BA (University of Rhode Island)

*Other responsibilities:* None

*Other Directorships:* Cronos Group Inc. (NASDAQ: CRON; TSX: CRON)

Jason Adler was appointed as a Non-Executive Director of CAL on 8 April 2019. He is a Director of Cronos Group Inc., a major shareholder of CAL, and is a co-founder and Managing Member of Gotham Green Partners (“Gotham Green”), a private equity firm focused primarily on early stage investing in companies operating in the cannabis industry. Prior to founding Gotham Green, Jason was the co-founder and Chief Executive Officer of Alphabet Partners, LP, a New York based multi-strategy investment management firm, focussed on identifying mispriced assets across various industries, asset classes and geographies. Jason also founded Geronimo, LLC, a broker dealer and member of the American Stock Exchange, that made markets in equity options, and began his career as a market maker at G&D Trading.



**Anna E. Burke AO**

*Position:* Independent Non-Executive Director

*Qualifications:* BA (Hons), MCom (Hons) (University of Melbourne), GAICD

*Other responsibilities:* Chairman of Nomination and Remuneration Committee  
Member of Audit and Risk Committee

*Other Directorships:* None

Anna Burke AO was appointed as an Independent Non-Executive Director of CAL on 8 October 2018. Anna served in the Australian Federal Parliament as the Member for Chisholm in the House of Representatives from 1998 to 2016, and was also the 28th Speaker of the Australian House of Representatives. She currently serves as a Member of the Administrative Appeals Tribunal. Anna had extensive Committee service in the Federal Parliament, including serving as a member of the Joint Statutory Committee on Corporations and Financial Services and the House of Representatives Standing Committee on Economic, Finance and Public Administration. Prior to Anna’s parliamentary career, she was an Industrial Officer with VicRoads, Victorian University of Technology and the Financial Sector Union. Anna was appointed as an Officer of the Order of Australia in January 2019 for distinguished service to the Parliament of Australia, particularly as Speaker of the House of Representatives, and to the community.



### Michael R. Gorenstein

*Position:* Non-Executive Director

*Qualifications:* JD (University of Pennsylvania), BEPP (Wharton), BBS (Finance) (Kelley)

*Other responsibilities:* None

*Other Directorships:* Cronos Group Inc. (NASDAQ: CRON; TSX: CRON)

Michael Gorenstein was appointed as a Non-Executive Director of CAL on 1 April 2019. Michael is the Executive Chairman of Cronos Group Inc., the Company's largest shareholder. He also serves as the Chairman of Cronos Group's Board. He is a co-founder and passive Member of Gotham Green Partners and sits on the Board of Directors of Natuera, Cronos Group's South American joint venture. Before joining Cronos Group, Michael was the Vice President and General Counsel at Alphabet Partners, LP, a New York City based multi-strategy investment management firm, focused on identifying mispriced assets across various industries, asset classes and geographies. Prior to Alphabet Partners, LP, he was a corporate attorney at Sullivan & Cromwell LLP where he focused on mergers and acquisitions and capital markets transactions. Michael graduated from the University of Pennsylvania Law School with a Juris Doctor, the Wharton School at University of Pennsylvania with a certificate in Business Economics and Public Policy and the Kelley School of Business at Indiana University with a Bachelor of Science Business in Finance.

## Company Secretary



### Thomas G. Howitt

*Position:* Chief Financial Officer and Company Secretary

*Qualifications:* BCom (University of Western Australia), CA, AICPA, AGIA, ACIS, CTA

*Other responsibilities:* None

*Other Directorships:* None

Thomas Howitt was appointed as the Chief Financial Officer of CAL on 3 December 2018 and as Company Secretary on 14 August 2020. Prior to joining the Company, he was the Chief Financial Officer of Global Kinetics Corporation, a pre-IPO life sciences company, Chief Financial Officer/ Company Secretary of Simavita (ASX:SVA, TSX-V:SV) a digital healthcare company, Chief Financial Officer/Company Secretary of Genetic Technologies Limited (ASX:GTG, NASDAQ:GENE) a genetic testing company, and several other listed life science companies. Prior to that, Thomas worked in the investment banking industry and was a Taxation Manager at EY. Thomas is a member of the Victorian Branch Committee of AusBiotech and a member of the CCRM Australia Industry Interface Committee based at Monash University.

## INTERESTS IN THE SECURITIES OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this Report, the following Directors held beneficial interests in the ordinary shares of the Company:

Name of Director	Nature of beneficial interest in ordinary shares
Shane F. Tanner	350,000 ordinary shares (via Tanner Superannuation Fund)
Rodney D. Cocks CSM	20,000,000 ordinary shares (via NewSouthern Investment Holdings 1 Pty. Ltd.)
Daniel E. Abrahams	100,000 ordinary shares (via Dankim Abrahams Investment Trust)
Anna E. Burke AO	50,000 ordinary shares (direct interest)

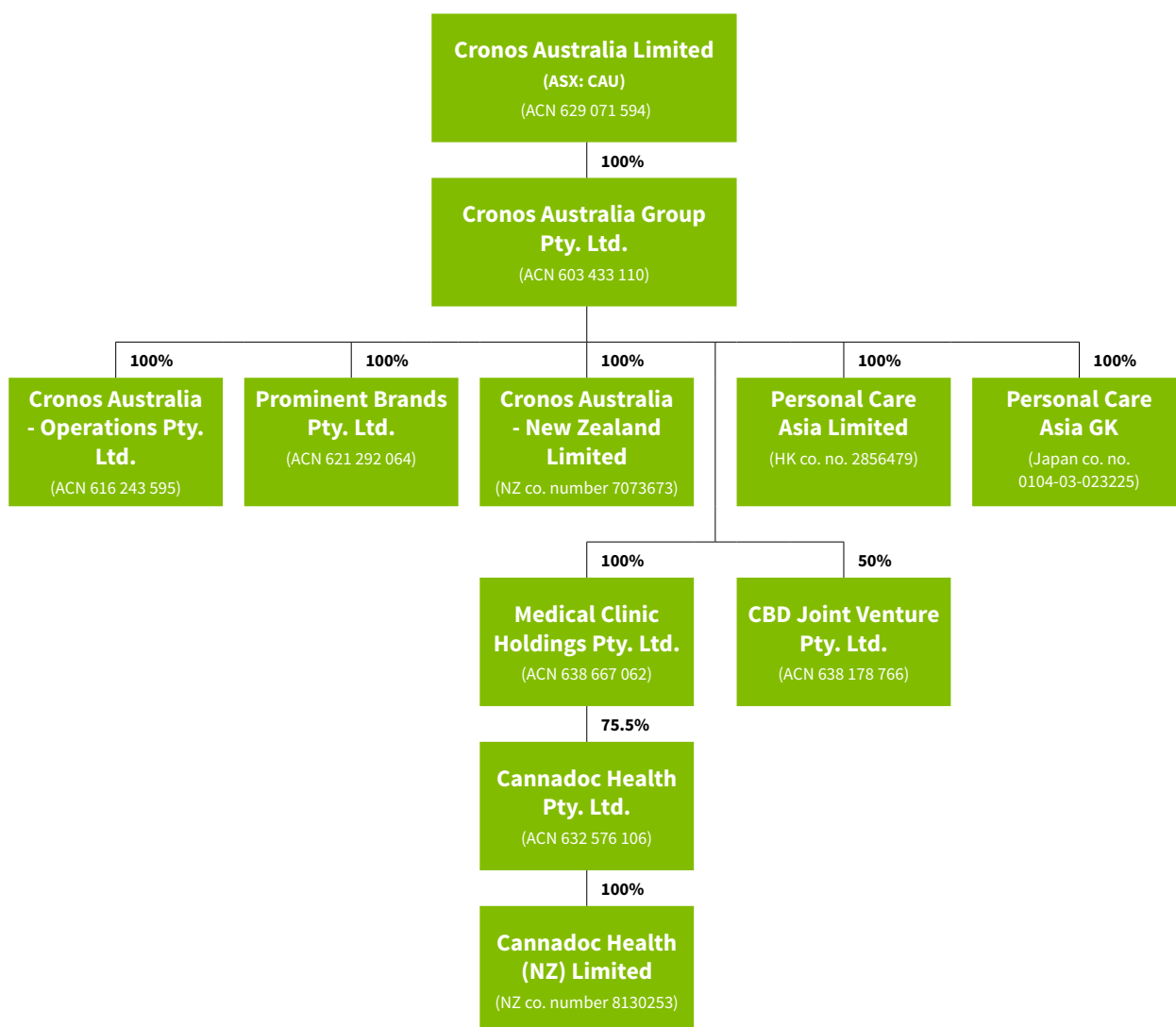
Apart from the above, no Director held any beneficial interest in the Company's shares as at the date of this Report.

OPERATING AND FINANCIAL REVIEW

Corporate structure

Cronos Australia Limited is a public company limited by shares that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled during the half-year ended 31 December 2020 which are collectively referred to in this Report as the "Cronos Australia Group" or the "Group".

The structure of the Group at the date of this Report can be represented as follows:



Overview

Cronos Australia Limited was incorporated in Victoria, Australia on 27 September 2018 and was admitted to the Official List of the Australian Securities Exchange on 7 November 2019.

CAL is a medicinal cannabis company that has created a number of cannabinoid-based products and brands which it is selling in Australia and target export markets, including Japan and Hong Kong. The first of these brands is the Adaya range of medicinal cannabis products that was launched by the Company in Australia in early July 2020. In December 2020, the Company's first range of premium hemp seed oil personal care consumer products, Bathing Shed, was launched in certain North Asian markets, as well as in Australia.

In addition to the above products, CAL owns 75.5% of Cannadoc Health Pty. Ltd., a business operating a growing medical practice specialising in the provision of cannabinoid-based therapies and treatments via face-to-face consultations, from its clinic in Melbourne, and via telehealth.



## Principal activities

The principal activity of the entities within the Group during the half-year ended 31 December 2020 was the expansion of its business to develop ranges of cannabinoid-based and related brands and sell the resulting products in Australia and target export markets, including Japan and Hong Kong, as well as expanding Cannadoc Health Pty. Ltd., its medical clinic business based in Melbourne.

Apart from the above, there were no significant changes in the Group's activities during the half-year under review.

## Result

During the half-year ended 31 December 2020, the Company and its subsidiaries generated a consolidated loss after income tax of \$(2,116,523) (2019: \$(1,857,212)). Details relating to the Company's financial results for the half-year under review are included below under the heading *Financial Analysis*.

## Dividends and distributions

No dividends have been paid since the Company was incorporated in 2018, nor have the Directors recommended that any dividend be paid.

## Review of operations

During the half-year ended 31 December 2020, the Group continued to develop each of its three discrete business units, or pillars, that were restructured during the half-year to better reflect the nature of their activities, as summarised below. In addition, a further unit, entitled *Corporate*, manages the Group's administration and head office function.

- *Medical* - development of medicinal cannabis brands and products and the sale of these products in Australia
- *Clinics* - operation of medicinal cannabis clinics via its 75.5% investment in Cannadoc Health Pty. Ltd.
- *Consumer* - development of consumer brands and products for sale in Australia and certain North Asian markets

### Medical

On 1 July 2020, the Company announced the launch of its Adaya range of medicinal cannabis products to the Australian market, to complement its existing PEACE NATURALS™ range. During the half-year, further products were added to extend the initial Adaya range which now includes a total of five SKUs, all of which have been manufactured to Good Manufacturing Practices ("GMP") standards and specifically formulated to address the majority of needs of Australian patients. The currently-imported Adaya CBD 100 medicinal cannabis oil is expected to be manufactured onshore by the end of March 2021. At that time, all Adaya medicinal cannabis oils are then expected to be manufactured in Australia to AU-GMP standards.

Since its launch, sales of Adaya products have increased, on average, more than 50% month-on-month during each of the six months under review. To help expand the market for Adaya products and drive further growth in sales, the Company has appointed additional independent distribution partners during the period, providing the Company with an expanded Health Care Professional ("HCP") network which is becoming progressively more aware of the convenience and accessibility of Adaya products through the partners' logistics and distribution services. As a result of this expansion, the Company now has a sales presence for the Adaya range in all mainland states and territories of Australia.

In order to assist these distribution partners, the Company's sales force has been increased during the half-year with the recruitment of Medical Science Liaisons ("MSLs") based in Melbourne, Sydney, Brisbane and Perth, covering all mainland states and territories of Australia. The MSLs have conducted education sessions with doctors to increase awareness and understanding of the Adaya range and the Company has engaged with service provider Praxhub Pty. Ltd. to provide free, online webinars and on-demand videos of RACGP-accredited education programs on medicinal cannabis to increase awareness and knowledge across the HCP network.

To ensure the ongoing supply of products for its growing number of patients, the Company has purchased additional inventories of all medicinal cannabis products from its various suppliers during the half-year. Cronos Australia believes that the Adaya range provides patients with one of the most cost-competitive, high quality, medicinal cannabis product ranges currently available on the Australian market.

### Clinics

During the half-year, revenues generated by the Company's medicinal cannabis clinic business, Cannadoc Health, continued to grow, despite restrictions imposed by the COVID-19 pandemic. During this time, patient consultations were largely conducted via a telehealth format, which has been embraced by Cannadoc's growing number of patients, with additional doctors having been recruited to meet the needs of Cannadoc's growing patient base. With the easing of restrictions, the Company's clinic in St. Kilda Road, Melbourne has reopened and face-to-face consultations with patients have now recommenced, in addition to those still conducted via telehealth.

In recognition of opportunities to replicate the Cannadoc business model in other markets, on 9 October 2020, the Group incorporated a New Zealand-based subsidiary, Cannadoc Health (NZ) Limited. This company, which is wholly-owned by Cannadoc Health Pty. Ltd., has since established a clinic in Wellington, New Zealand which is being managed by Cannadoc co-founder, Dr. David Feng, who is based there. First patients have now been seen in this clinic, as revenues increase. Further expansion of the Cannadoc business model to other cities around Australia is underway, with an early presence in Sydney having now been established, as well as potentially other cities in New Zealand.

Subsequent to balance date, Cronos Australia Limited took the opportunity to increase its ownership of the Cannadoc Health business. On 1 February 2021, Medical Clinic Holdings Pty. Ltd. ("MCH"), a wholly-owned subsidiary of the Group, paid \$101,000 to purchase 6,566 ordinary shares in Cannadoc Health Pty. Ltd., representing 24.5% of that company's total issued capital, such that MCH now owns 75.5% of the total issued capital of Cannadoc Health Pty. Ltd.

### Consumer

On 16 July 2020, the Company provided an update on its developing operations in Asia to address the growing market opportunities in this region. Cronos Australia now has operations in Hong Kong and Japan and is focused on creating and launching proprietary products and brands in personal care consumer markets in Asia. The products are expected to be sold to consumers through both local distributors and via e-commerce platforms.

On 16 December 2020, the Company announced the "soft" launch of Bathing Shed, its first personal care consumer range. The Bathing Shed range is being created by the Company's Hong Kong-based subsidiary Personal Care Asia Limited and is a premium hemp seed oil range being sold in North Asian personal care consumer markets, as well as in Australia.

The first product in the Bathing Shed range is Fresh Start, a solid soap for face and body, made from ingredients including Tasmanian cold-pressed hemp seed oil, sea salt and various essential oils. The first revenues from the online sale of Fresh Start have now been generated and the Company expects to launch additional skin, body and other personal care products to expand the Bathing Shed range in the first half of calendar 2021. Bathing Shed will donate a portion of its revenue to Clean Up Australia to assist with its beach clean-up programs. Bathing Shed is also launching as a carbon-neutral brand and is supporting the Mount Sandy Conservation project in South Australia with carbon offsets.

As announced, the initial launch of the Bathing Shed range was a "soft" launch, with products being available online and with select retailers in Japan, Hong Kong and Australia. A broader launch of the range occurred on 4 February 2021 to coincide with the major retail sales cycles in the above North Asian markets. Further information regarding Bathing Shed can be found at [www.bathingshed.com](http://www.bathingshed.com).

In addition to Bathing Shed, development work is also underway in respect of two further ranges of personal care consumer products which the Company expects to launch in the second half of the current financial year. Branding for these two product ranges has now been completed, with intellectual property assets, including trademarks, having also been secured in chosen markets, and product formulation work for products in both of these ranges has now commenced.

Finally, during the half-year, the Company continued to make solid progress on other aspects of its consumer business, including the further development of brands and the initial formulation of CBD-based products as part of its CBD Joint Venture in conjunction with its partner, A&S Branding Pty. Ltd., a company established with Alison Goodger and Simon O'Connor, the founders of Sukin Natural Skincare. The joint venture partners anticipate that final decisions relating to branding for the products will be made in the near future, with the first product formulations expected to be completed during the second half of the 2021 financial year.

### Significant changes in the state of affairs

- On 1 July 2020, the Company announced the launch of its Adaya range of medicinal cannabis products to the Australian market, to complement its existing PEACE NATURALS™ range.
- Also on 1 July 2020, the Group incorporated a Japanese subsidiary named Personal Care Asia GK from which the Group's operations in Japan are being managed.
- On 14 August 2020, Lior Harel resigned as General Counsel and Company Secretary of the Company. On the same date, Thomas Howitt, the Company's Chief Financial Officer, was appointed as Company Secretary of the Company and a total of 461,400 options over the Company's ordinary shares that had previously been granted to Lior Harel were forfeited following his departure from the Company.
- On 27 October 2020, the Company held its Annual General Meeting of shareholders. All resolutions that were put before the shareholders at the Meeting were passed.
- On 16 December 2020, the Company announced the launch of Bathing Shed, its first personal care consumer range.

Apart from these events, there have been no other significant changes which have not been described elsewhere in this Financial Report.

### Significant events after balance date

- On 22 January 2021, a total of 500,000 performance rights that had previously been granted to Kevin Brabazon, one of the Founders of Cannadoc Health Pty. Ltd., were forfeited upon his resignation from that company.
- On 1 February 2021, Medical Clinic Holdings Pty. Ltd. ("MCH"), a wholly-owned subsidiary of the Group, paid \$101,000 to purchase 6,566 ordinary shares in Cannadoc Health Pty. Ltd., representing 24.5% of that company's total issued capital, such that MCH now owns 75.5% of the total issued capital of Cannadoc Health Pty. Ltd.
- On 12 February 2021, a total of 500,000 performance rights that had previously been granted to Dr. Jian Hui (David) Feng, one of the Founders of Cannadoc Health Pty. Ltd., were forfeited upon his resignation from that company.

Apart from these events, there have been no other significant events which have occurred after balance date.

### Business strategy, future developments and prospects

The Company has adopted an "asset light" business model in which it has outsourced the cultivation and manufacture of cannabinoid-based products to selected leading manufacturers in Australia and around the world. The Group's primary strategy focusses on the development of proprietary brands and products sourced from such parties that the Group sells and distributes in various markets, including Australia.

As outlined above, the Group is focusing its efforts on three distinct areas, all of which have made significant progress during the half-year under review. During the second half of the 2021 financial year, the Group intends to leverage the progress made during that period, as summarised below:

- *Medical* - expand the sale and distribution of medicinal cannabis products in the Adaya and PEACE NATURALS™ ranges in Australia and further expand the doctor engagement programs that are now underway.
- *Clinics* - increase the numbers of patients accessing the services provided by the Cannadoc medicinal cannabis clinics and explore opportunities to establish further clinics around Australia and, potentially, in New Zealand.
- *Consumer* - develop and launch additional products for the Bathing Shed range of personal care consumer products and complete the development of two further consumer brands and launch such products in selected Asian markets.

### Profit/(loss) per share

The basic and diluted profit/(loss) per share for the half-year ended 31 December 2020 was (1.56) cents (2019: (3.40) cents).

### Legal matters

There were no legal matters affecting the Company as at the date of this Report.

### Financial analysis

#### Statement of Comprehensive Income/(Loss)

During the half-year ended 31 December 2020, the Company generated a consolidated loss after income tax of \$2,116,523 (2019: \$1,857,212), an increase of 14% over the figure for the previous corresponding period. Included in the result were the first revenues from the sale of medicinal cannabis products in the new Adaya range which was launched by the Company in July 2020 and the growing revenues from the Group's clinics business under the Cannadoc Health banner.

Total revenues for the half-year of \$376,205 comprised sales of medicinal cannabis products of \$172,350 and clinic revenue of \$202,942, as well as \$913 from the first sales of consumer products under the Bathing Shed brand. Other income of \$116,838 included amounts received under various Government stimulus schemes relating to COVID-19 of \$82,266, as well as interest earned of \$34,350 (2019: \$38,487) on the Company's cash and cash equivalents.

With the first sales of medicinal cannabis products, cost of sales of \$112,674 were incurred during the period under review, resulting in an average gross margin of 35%. Most expenses incurred by the Group during the half-year increased in line with overall business activity and expansion of the Group's three principal business units.

Total personnel expenses increased by 31% (from \$1,246,149 in 2019 to \$1,630,855 in 2020) as the Company's global workforce was expanded to meet its growing operations, while administration expenses increased by 62% (from \$312,424 in 2019 to \$507,039 in 2020) in line with the Group's expanding operations. Travel-related expenses fell significantly (from \$82,127 in 2019 to \$13,012 in 2020), due to restrictions caused by the COVID-19 pandemic. Finance costs of \$197,870 principally related to interest accrued in relation to the loan from Cronos Group Inc. and foreign exchange losses.

Overall, the consolidated loss after income tax of \$2,116,523 was less than 14% higher than the loss for the corresponding period, despite the growth that was achieved across the Group's three business units in both Australia and overseas.

#### Statement of Financial Position

As at 31 December 2020, the Group's consolidated cash and cash equivalents had decreased to \$12,155,869 (June 2020: \$14,685,943) as expenditure was incurred to expand the Group's business. To meet the growing demand for the Company's products, significant inventories of medicinal cannabis oils were purchased during the half-year such that the balance of stock on hand at balance date had increased to \$613,496 (June 2020: \$192,450).

The typically-larger balance of trade and other payables of \$452,436 at 30 June 2020 was reduced as the respective payments were made post year end, such that the balance at 31 December 2020 had fallen to \$282,829. Employee provisions, comprising accrued annual leave, increased during the period as the number of employees increased and the amount of annual leave taken fell as a result of restrictions imposed due to the COVID-19 pandemic.

Movements in reserves saw the balance of the share-based payments reserve fall due to reversals of the underlying expense caused by the forfeiture of options and performance rights upon the resignation of the holders of such securities. The balance of the foreign currency translation reserve increased to \$82,351 in line with growth of the Group's two Asian subsidiaries and the increasing loans from Cronos Australia Limited to those two companies to fund their growing local operations.

#### Statement of Cash Flows

During the half-year ended 31 December 2020, the Company received growing receipts from customers (\$291,684 in total) relating to medical consultation fees and the sale of medicinal cannabis and consumer products. Other cash receipts from operating activities included payments under Government stimulus schemes (\$179,064) and interest received (\$34,099). Payments to suppliers and employees of \$2,986,751 were in line with the figure for the previous corresponding period of \$2,951,905, notwithstanding the increasing nature and scale of the Group's expanding workforce and operations.

Net financing cash flows for the half-year ended 31 December 2020 included a \$10,000 contribution from the Company's joint venture partner, payments of \$39,850 made under the Company's lease in respect of its South Yarra office and chattel mortgage payments of \$5,320 in relation to the lease over the motor vehicle owned by the Company.

## ENVIRONMENT AND REGULATION

The Group does not believe it is subject to any specific environmental regulations. The Board believes there are adequate systems in place to ensure the Group's compliance with relevant Federal, State and Local government environmental regulations and the Board is not aware of any breach of applicable environmental regulations by the Group. There were no significant changes in laws or regulations during the period from 1 July 2020 to the date of this Report which have affected the business activities of the Group and the Board is not aware of any such changes in the near future.

## SHARE OPTIONS AND PERFORMANCE RIGHTS

### Unissued shares under option

As at 31 December 2020, the Company had a total of 2,565,000 ordinary shares under option (refer *Note 24*). No ordinary shares were issued as a result of the exercise of any options during the half-year ended 31 December 2020.

On 14 August 2020, a total of 461,400 options that had previously been granted to Lior Harel, former General Counsel and Company Secretary, were forfeited following his departure from the Company.

### Performance rights

As at 31 December 2020, the Company had a total of 1,060,000 performance rights on issue (refer *Note 24*). Of this total, 1,000,000 performance rights were granted to the two Founders of Cannadoc Health Pty. Ltd. as part of the Company's acquisition of a 51% indirect equity interest in that company on 3 February 2020.

On 22 January 2021, a total of 500,000 performance rights that had previously been granted to Kevin Brabazon, a Founder of Cannadoc Health Pty. Ltd., were forfeited following his departure from that company. On 12 February 2021, the remaining 500,000 performance rights that had previously been granted to Dr. Jian Hui (David) Feng, also a Founder of Cannadoc Health Pty. Ltd., were forfeited following his departure from that company.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the half-year ended 31 December 2020, the Company paid premiums in respect of a contract insuring the Directors and Officers of the Company and related bodies corporate against a liability incurred in his or her capacity as a Director or Officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the insurance provided and the amount of the premium. The Company has agreed to indemnify the current and former Directors and Officers against all liabilities to other persons that may arise from their position as Directors or Officers of the Company and its subsidiaries, except in circumstances including where the individual concerned has committed an illegal act, wilful misconduct or dishonesty or where to do so would be generally prohibited by law.

## ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission. Amounts in the Directors' Report have been rounded off in accordance with that Instrument to the nearest dollar.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in or on behalf of the Company with leave to the Court under section 237 of the *Corporations Act 2001*.

## DIRECTORS' REPORT CONTINUED

### AUDITOR'S INDEPENDENCE DECLARATION

KPMG continues in office as auditor in accordance with section 327 of the *Corporations Act 2001*. A copy of KPMG's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11 of this Report.

This Report is signed in accordance with a resolution of the Directors.



SHANE F. TANNER  
Chairman



RODNEY D. COCKS CSM  
Director

Melbourne, 25 February 2021

# Auditor's Independence Declaration



## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Cronos Australia Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Cronos Australia Limited for the half-year ended 31 December 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to be 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to be 'Gordon Sangster'.

Gordon Sangster

*Partner*

Melbourne

25 February 2021

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# Consolidated Statement of Comprehensive Income/(Loss)

For the half-year ended 31 December 2020

	Notes	Consolidated	
		31 Dec. 2020 \$	31 Dec. 2019 \$
<b>Continuing operations</b>			
Revenue	4	376,205	-
Cost of sales		(112,674)	-
Gross profit		263,531	-
Other income	5	116,838	38,487
Accounting, tax and audit fees		(60,679)	(102,577)
Administration expenses		(507,039)	(312,424)
Finance costs		(197,870)	(99,466)
Legal and regulatory expenses		(87,437)	(52,956)
Personnel expenses		(1,630,855)	(1,246,149)
Travel and accommodation		(13,012)	(82,127)
Loss before income tax		(2,116,523)	(1,857,212)
Income tax benefit		-	-
<b>Loss for the half-year</b>	6	<b>(2,116,523)</b>	<b>(1,857,212)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange gains on translation of controlled foreign operations		82,146	-
Other comprehensive income/(loss) for the half-year, net of tax		82,146	-
<b>Total comprehensive loss for the half-year</b>		<b>(2,034,377)</b>	<b>(1,857,212)</b>
<b>Loss for the year is attributable to:</b>			
Owners of Cronos Australia Limited		(2,006,258)	(1,857,212)
Non-controlling interests	23	(110,265)	-
<b>Total loss for the half-year</b>		<b>(2,116,523)</b>	<b>(1,857,212)</b>
<b>Total comprehensive loss for the year is attributable to:</b>			
Owners of Cronos Australia Limited		(1,924,112)	(1,857,212)
Non-controlling interests	23	(110,265)	-
<b>Total comprehensive loss for the half-year</b>		<b>(2,034,377)</b>	<b>(1,857,212)</b>
<b>Loss per share attributable to owners of Cronos Australia Limited and from continuing operations:</b>			
Basic and diluted loss per share (cents per share)	7	(1.56)	(3.40)

The accompanying notes form an integral part of these consolidated financial statements.



# Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	Consolidated	
		31 Dec. 2020 \$	30 June 2020 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	9	12,155,869	14,685,943
Trade and other receivables	10	143,155	27,200
Inventories	11	613,496	192,450
Other assets	12	217,639	339,780
<b>Total Current Assets</b>		<b>13,130,159</b>	<b>15,245,373</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	13	442,300	490,380
Intangible assets and goodwill	14	491,457	491,457
<b>Total Non-Current Assets</b>		<b>933,757</b>	<b>981,837</b>
<b>Total Assets</b>		<b>14,063,916</b>	<b>16,227,210</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	15	282,829	452,436
Interest-bearing liabilities	16	74,570	72,584
Chattel mortgage liabilities	17	27,254	31,892
Employee benefit provisions	18	88,286	70,516
<b>Total Current Liabilities</b>		<b>472,939</b>	<b>627,428</b>
<b>Non-Current Liabilities</b>			
Interest-bearing liabilities	19	2,156,461	2,103,113
<b>Total Non-Current Liabilities</b>		<b>2,156,461</b>	<b>2,103,113</b>
<b>Total Liabilities</b>		<b>2,629,400</b>	<b>2,730,541</b>
<b>Net Assets</b>		<b>11,434,516</b>	<b>13,496,669</b>
<b>Equity</b>			
Share capital	20	20,012,053	20,012,053
Reserves	21	269,304	214,934
Accumulated losses	22	(8,790,319)	(6,784,061)
Equity attributable to owners of the Company		11,491,038	13,442,926
Non-controlling interests	23	(56,522)	53,743
<b>Total Equity</b>		<b>11,434,516</b>	<b>13,496,669</b>

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2020

	Attributable to members of Cronos Australia Limited			Non- controlling interests \$	Totals \$
	Share capital \$	Reserves \$	Accumulated losses \$		
<b>Balance at 1 July 2019</b>	54,655	-	(2,846,848)	-	(2,792,193)
Loss for the half-year	-	-	(1,857,212)	-	(1,857,212)
Other comprehensive income/(loss)	-	-	-	-	-
Total comprehensive income/(loss)	-	-	(1,857,212)	-	(1,857,212)
<i>Transactions with owners</i>					
Shares issued for cash	20,000,000	-	-	-	20,000,000
Shares issued for loans	3,500,000	-	-	-	3,500,000
Equity transaction costs	(3,536,492)	-	-	-	(3,536,492)
Share-based payments	-	169,825	-	-	169,825
Foreign currency translation	-	(9)	-	-	(9)
Total transactions with owners	19,963,508	169,816	-	-	20,133,324
<b>Balance at 31 December 2019</b>	<b>20,018,163</b>	<b>169,816</b>	<b>(4,704,060)</b>	-	<b>15,483,919</b>
<b>Balance at 1 July 2020</b>	<b>20,012,053</b>	<b>214,934</b>	<b>(6,784,061)</b>	<b>53,743</b>	<b>13,496,669</b>
Loss for the half-year	-	-	(2,006,258)	(110,265)	(2,116,523)
Other comprehensive income/(loss)	-	82,146	-	-	82,146
Total comprehensive income/(loss)	-	82,146	(2,006,258)	(110,265)	(2,034,377)
<i>Transactions with owners</i>					
Share-based payments	-	(27,776)	-	-	(27,776)
Total transactions with owners	-	(27,776)	-	-	(27,776)
<b>Balance at 31 December 2020</b>	<b>20,012,053</b>	<b>269,304</b>	<b>(8,790,319)</b>	<b>(56,522)</b>	<b>11,434,516</b>

The accompanying notes form an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

For the half-year ended 31 December 2020

	Notes	Consolidated	
		31 Dec. 2020 \$	31 Dec. 2019 \$
<b>Cash flows from/(used in) operating activities</b>			
Receipts from customers		291,684	-
Payments made to suppliers and employees		(2,986,751)	(2,951,905)
Interest received		34,099	8,526
Receipts from Government stimulus schemes		179,064	-
Interest paid		-	(19,512)
<b>Net cash flows from/(used in) operating activities</b>		<b>(2,481,904)</b>	<b>(2,962,891)</b>
<b>Cash flows from/(used in) investing activities</b>			
Purchases of plant and equipment		(13,000)	(1,636)
<b>Net cash flows from/(used in) investing activities</b>		<b>(13,000)</b>	<b>(1,636)</b>
<b>Cash flows from/(used in) financing activities</b>			
Proceeds from non-controlling interests		10,000	-
Payments made under lease agreements		(39,850)	-
Chattel mortgage repayments		(5,320)	(10,711)
Proceeds from the issue of shares		-	20,000,000
Proceeds from convertible loans		-	3,500,000
Payment of transaction costs related to the issue of shares		-	(3,092,824)
Repayment of loan from related parties		-	(500,000)
<b>Net cash flows from/(used in) financing activities</b>		<b>(35,170)</b>	<b>19,896,465</b>
Net increase/(decrease) in cash and cash equivalents held		<b>(2,530,074)</b>	16,931,938
Cash and cash equivalents at the beginning of the half-year		<b>14,685,943</b>	159,679
<b>Cash and cash equivalents at the end of the half-year</b>	9	<b>12,155,869</b>	17,091,617

The accompanying notes form an integral part of these consolidated financial statements.

# Notes to the Financial Statements

For the half-year ended 31 December 2020

## 1. CORPORATE INFORMATION

The financial statements of Cronos Australia Limited (“CAL” and the “Company”) for the half-year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Company’s Board of Directors dated 25 February 2021. CAL was incorporated in Australia on 27 September 2018 and is a company limited by shares. The Company is listed on the Australian Securities Exchange and trades under the ASX symbol CAU.

The Company, together with its ten subsidiaries, are referred to in these financial statements as the “Group”.

The Company operates in the medicinal cannabis industry in Australia and is developing ranges and brands of medicinal cannabis and consumer products for sale in Australia and target markets in Asia.

The Company’s operations are headquartered in Melbourne, Australia.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

This consolidated interim financial report for the half-year ended 31 December 2020 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Company’s Annual Report for the year ended 30 June 2020 and any public announcements made by CAL during the interim reporting period in accordance with the continuous reporting requirements of the *Corporations Act 2001*.

The financial statements contained in this consolidated interim financial report have been prepared on a going concern basis.

### (b) New accounting standards and interpretations

New Accounting Standards and Interpretations not yet mandatory, or early adopted Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the reporting half-year ended 31 December 2020.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are evaluated and based on historical experience and other factors, including expectations of events that may have a financial impact on the Company and are believed to be reasonable under the circumstances.

### (a) Critical accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of certain assets and liabilities within the next annual reporting period are set out below.

#### COVID-19

While the longer-term impacts of the COVID-19 pandemic are uncertain, the Company does not believe that the pandemic will have a significant impact on its operations during the remainder of the current financial year.

#### Licences

Determining whether the Company’s indefinite life licences described in *Note 2(t)* of the Company’s 2020 Annual Report are impaired is a matter of judgement. The Company undertakes a full assessment of impairment of such licences annually, as required by Accounting Standards. At other reporting periods, the Company assesses whether there are any indicators of impairment. Where such indicators exist, a full impairment assessment is undertaken.

### Impairment of intangible assets and goodwill

The Group determines whether intangible assets, including goodwill, are impaired on at least a bi-annual basis, in accordance with the accounting policies stated in Notes 2(t) and 2(u) of the Company's 2020 Annual Report. This process requires an estimation to be made of the recoverable amount of the cash-generating units to which the respective assets are allocated.

### Inventories

The Group values inventories of finished goods in accordance with the accounting policies stated in Note 2(o) of the Company's 2020 Annual Report. This process requires an estimation to be made of the net realisable value of inventories. Net realisable value is the estimated selling price less the estimated selling expenses.

### Share-based payments transactions

The Group measures the cost of equity-settled transactions with employees by reference to the value of the equity instruments at the date on which they are granted. The fair value is determined by an independent valuer using a Black-Scholes options pricing model, as detailed in Note 2(l) of the Company's 2020 Annual Report.

## (b) Critical judgements in applying the Group's accounting policies

### Research and development costs

An intangible asset arising from development expenditure incurred on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to reliably measure the expenditure attributable to the intangible asset during its development.

To date, all research and development costs incurred by the Company have been expensed, as their recoverability cannot be regarded as assured. In future, the Group will only capitalise research and development expenses when specific milestones are met and when the Group is able to demonstrate that future economic benefits are probable.

	Consolidated	
	31 Dec. 2020 \$	31 Dec. 2019 \$
<b>4. REVENUE</b>		
Medical consultation fees	202,260	-
Sale of products	173,945	-
Total revenue	376,205	-
<b>5. OTHER INCOME</b>		
Payments received under Government stimulus schemes	82,266	-
Interest received	34,350	38,487
Profit on sale of property, plant and equipment	222	-
Total other income	116,838	38,487
<b>6. PROFIT/(LOSS) BEFORE INCOME TAX</b>		
Profit/(loss) before income tax includes:		
Depreciation of property, plant and equipment	(60,852)	(11,235)
Employee benefits expenses	(1,630,855)	(1,246,149)

Note: Employee benefits expenses represent all salaries, bonuses and associated on-costs attributable to employees of the Group which have been allocated across their respective functions in the consolidated statement of comprehensive income/(loss).

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	Consolidated	
	31 Dec. 2020 \$	31 Dec. 2019 \$
<b>7. PROFIT/(LOSS) PER SHARE</b>		
The following reflects the income and share data used in the calculations of basic and diluted profit/(loss) per share:		
Profit/(loss) for the half-year attributable to the owners of the Company	<b>(2,006,258)</b>	(1,857,212)
Weighted average number of shares used in calculating profit/(loss) per share	<b>128,750,000</b>	54,654,891

## 8. DIVIDENDS AND DISTRIBUTIONS

No dividends were paid during the half-year ended 31 December 2020, nor have the Directors recommended that any dividend be declared or paid in the foreseeable future. Rather, the Company intends to retain any earnings to finance its future growth and development. Any future payment of cash dividends will be dependent upon, amongst other things, the Company's future earnings, financial condition, capital requirements, and such other factors as the Board of Directors may deem relevant at that time.

	Consolidated	
	31 Dec. 2020 \$	30 June 2020 \$
<b>9. CASH AND CASH EQUIVALENTS</b>		
Cash at bank	<b>12,155,417</b>	14,685,491
Cash on hand	<b>452</b>	452
Total cash and cash equivalents	<b>12,155,869</b>	14,685,943
<b>10. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	<b>74,822</b>	7,518
Net GST receivable	<b>68,067</b>	19,682
Accrued interest	<b>266</b>	-
Total trade and other receivables	<b>143,155</b>	27,200
<b>11. INVENTORIES</b>		
Finished goods on hand, at cost	<b>613,496</b>	192,450
Total inventories	<b>613,496</b>	192,450
<b>12. OTHER ASSETS</b>		
Security deposits	<b>155,204</b>	155,204
Prepayments	<b>62,435</b>	184,576
Total other assets	<b>217,639</b>	339,780
<b>13. PROPERTY, PLANT AND EQUIPMENT</b>		
Right-of-use asset	<b>306,881</b>	342,290
Plant and equipment	<b>135,419</b>	148,090
Total property, plant and equipment	<b>442,300</b>	490,380

	Consolidated	
	31 Dec. 2020 \$	30 June 2020 \$
<b>14. INTANGIBLE ASSETS AND GOODWILL</b>		
Licences	200,000	200,000
Goodwill	291,457	291,457
Total intangible assets and goodwill	491,457	491,457
<b>15. TRADE AND OTHER PAYABLES</b>		
Accrued expenses	115,069	226,586
Payroll-related payables (excluding annual leave)	78,528	87,735
Trade payables	71,528	95,295
Other payables	17,704	42,820
Total trade and other payables	282,829	452,436
<b>16. INTEREST-BEARING LIABILITIES (CURRENT)</b>		
Lease liability	74,570	72,584
Total interest-bearing liabilities (current)	74,570	72,584
<b>17. CHATTEL MORTGAGE LIABILITIES</b>		
Motor vehicle chattel mortgage	27,254	31,892
Total chattel mortgage liabilities	27,254	31,892
<b>18. EMPLOYEE BENEFIT PROVISIONS</b>		
Annual leave	88,286	70,516
Total employee benefit provisions	88,286	70,516
<b>19. INTEREST-BEARING LIABILITIES (NON-CURRENT)</b>		
Unsecured loan	1,877,754	1,786,521
Lease liability	278,707	316,592
Total interest-bearing liabilities (non-current)	2,156,461	2,103,113
<b>20. SHARE CAPITAL</b>		
<b>(a) Issued and paid-up capital</b>		
Fully paid ordinary shares	20,012,053	20,012,053
Total share capital	20,012,053	20,012,053
<b>(b) Shares on issue</b>		
Balance at the end of the period	128,750,000	128,750,000

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	Consolidated	
	31 Dec. 2020 \$	30 June 2020 \$
<b>21. RESERVES</b>		
Share-based payments reserve	186,953	214,729
Foreign currency translation reserve	82,351	205
Total reserves	269,304	214,934
<b>22. ACCUMULATED LOSSES</b>		
Balance at the beginning of the half-year	(6,784,061)	(2,846,848)
Add: loss attributable to owners of Cronos Australia Limited	(2,006,258)	(1,857,212)
Balance at the end of the half-year	(8,790,319)	(4,704,060)
<b>23. NON-CONTROLLING INTERESTS</b>		
Balance at the beginning of the half-year	53,743	-
Less: share of operating losses	(110,265)	-
Balance at the end of the half-year	(56,522)	-

## 24. OPTIONS AND PERFORMANCE RIGHTS

### (a) Option on issue

Date granted	Quantity	Exercise price (cents)	Vesting date	Expiry date	Fair market value (cents)
7 November 2019	86,300	50.0	7 November 2020	7 November 2023	17.40
7 November 2019	2,000,000	65.0	7 November 2019	31 December 2021	5.59
7 November 2019	181,200	67.0	7 November 2021	7 November 2023	14.71
7 November 2019	297,500	83.0	7 November 2022	7 November 2023	12.80
Total	2,565,000				

Note: None of the above options are listed on the ASX.

### (b) Performance rights on issue

Date granted	Quantity	Vesting date	Expiry date
7 November 2019	60,000	7 November 2019	7 November 2029
3 February 2020	1,000,000	1 September 2023	31 August 2024
Total	1,060,000		

Note: None of the above performance rights are listed on the ASX.

A total of 500,000 performance rights were forfeited on 22 January 2021 upon the resignation of the owner, with a further 500,000 performance rights being forfeited on 12 February 2021 upon the resignation of that owner.



## 25. SEGMENT INFORMATION

### (a) Reportable segments

The Group has identified three reportable business segments based on the products sold and/or the services provided, as set out below, as these represent the source of the Group's major risks and have the greatest effect on the rates of return. The Group has identified two geographic segments, being Australia and Asia, based on the jurisdictions where the Company's operations are located. The segments are reported in a manner consistent with the reporting provided to the chief operating decision maker, being the Company's Chief Executive Officer.

### (b) Business segments

The Group's three business segments can be described as follows:

- *Medical* - involving the sale of medicinal cannabis products
- *Clinics* - involving the operation of medicinal cannabis clinics
- *Consumer* - involving the sale of personal care consumer products

The *Corporate* disclosures below include revenues, costs, assets and liabilities associated with CAL's headquarter function.

Segment		Sales revenue \$	Other income \$	Totals \$	Profit/(loss) \$
Medical	2020	172,350	-	172,350	(389,325)
	2019	-	-	-	(275,420)
Clinics	2020	202,942	-	202,942	(206,509)
	2019	-	-	-	-
Consumer	2020	913	-	913	(602,987)
	2019	-	-	-	(1,230)
Sub-totals	2020	376,205	-	376,205	(1,198,821)
	2019	-	-	-	(276,650)
Corporate	2020	-	116,838	116,838	(917,702)
	2019	-	38,487	38,487	(1,580,562)
Totals	2020	376,205	116,838	493,043	(2,116,523)
	2019	-	38,487	38,487	(1,857,212)

Segment		Assets (note) \$	Liabilities (note) \$	Depreciation/ amortisation \$	Purchases of equipment \$
Medical	2020	827,721	(30,379)	(877)	8,143
	2019	429,159	-	-	-
Clinics	2020	90,406	(69,777)	(3,140)	4,612
	2019	300,176	(28,449)	-	-
Consumer	2020	37,891	(63,102)	-	-
	2019	803	(54,498)	-	-
Sub-totals	2020	956,018	(163,258)	(4,017)	12,755
	2019	730,138	(82,947)	-	-
Corporate	2020	13,107,898	(2,466,142)	(56,835)	245
	2019	15,497,072	(2,647,594)	(11,235)	1,636
Totals	2020	14,063,916	(2,629,400)	(60,852)	13,000
	2019	16,227,210	(2,730,541)	(11,235)	1,636

Note: The prior period comparatives for assets and liabilities are as at 30 June 2020.

## NOTES TO THE FINANCIAL STATEMENTS CONTINUED

### 25. SEGMENT INFORMATION (CONT.)

#### (c) Geographic segments

The Group's two geographic segments can be described as follows:

- *Australia* - the home country of the parent entity, Cronos Australia Limited, and the location of the Group's medicinal cannabis and clinics operations
- *Asia* - the home of the Group's consumer business

The *Corporate* disclosures below include revenues, costs, assets and liabilities associated with CAL's headquarter function.

Segment		Sales revenue \$	Other income \$	Totals \$	Profit/(loss) \$
Australia	2020	376,014	-	376,014	(635,517)
	2019	-	-	-	(276,256)
Asia	2020	191	-	191	(563,304)
	2019	-	-	-	(394)
Sub-totals	2020	376,205	-	376,205	(1,198,821)
	2019	-	-	-	(276,650)
Corporate	2020	-	116,838	116,838	(917,702)
	2019	-	38,487	38,487	(1,580,562)
Totals	2020	376,205	116,838	493,043	(2,116,523)
	2019	-	38,487	38,487	(1,857,212)

Segment		Assets (note) \$	Liabilities (note) \$	Depreciation/ amortisation \$	Purchases of equipment \$
Australia	2020	955,837	(126,458)	(4,017)	12,755
	2019	729,486	(28,449)	-	-
Asia	2020	181	(36,800)	-	-
	2019	652	(54,498)	-	-
Sub-totals	2020	956,018	(163,258)	(4,017)	12,755
	2019	730,138	(82,947)	-	-
Corporate	2020	13,107,898	(2,466,142)	(56,835)	245
	2019	15,497,072	(2,647,594)	(11,235)	1,636
Totals	2020	14,063,916	(2,629,400)	(60,852)	13,000
	2019	16,227,210	(2,730,541)	(11,235)	1,636

Note: The prior period comparatives for assets and liabilities are as at 30 June 2020.

#### (d) Additional segment disclosures

*Other income* - corporate includes interest received of \$34,350 (2019: \$38,487).

*Assets* - corporate includes cash and cash equivalents of \$12,155,869 (2019: \$14,685,943).

There were no intersegment sales.

#### (e) Segment accounting policies

Segment information is prepared in conformity with the accounting policies of the entity and Accounting Standard AASB 8 *Operating Segments*. As a result, the primary reporting segments reflect more closely the information that Management uses to make decisions about operating matters. Interest received and finance costs are allocated under the heading *Corporate* as they are not part of the core operations of any other segment.

## (f) Major customers

As at 31 December 2020, the Group has two customers to which it provides products and from whom the Group generated revenues representing more than 10% of the total consolidated revenue from operations.

## 26. COMMITMENTS AND CONTINGENCIES

### (a) Lease expenditure commitments

As at 31 December 2020, the Group had entered into a lease relating to the following office premises which has been recognised, along with a corresponding right-of-use asset, under AASB 16 Leases (refer Notes 13, 16 and 19):

Location	Landlord	Date of expiry of lease	Consolidated	
			31 Dec. 2020 \$	30 June 2020 \$
Suite 8, Level 3, 299 Toorak Road South Yarra, Victoria 3141	Newmark Como Property Trust	10 May 2025		370,005
<b>(b) Chattel mortgage commitments</b>				
<i>Minimum chattel mortgage payments</i>				
Not later than one year			27,539	32,823
Later than one year but not later than five years			-	-
Later than five years			-	-
Total minimum chattel mortgage payments			27,539	32,823

Note: Cronos Australia Group Pty. Ltd. has financed via a chattel mortgage the purchase of a commercial vehicle used in the Company's business. The monthly payment due under the mortgage is \$887. As at 31 December 2020, a total of two further monthly payments were payable, in addition to a final payment of \$25,792, being 50% of the total amount financed in respect of the vehicle (refer Note 17).

### (c) Finance commitments

#### CBD Joint Venture Pty. Ltd.

On 23 December 2019, the Company announced that it had formed a joint venture with A&S Branding Pty. Ltd. for the development of cannabidiol-based products. CAL will make available to the joint venture vehicle (CBD Joint Venture Pty. Ltd.) an unsecured loan facility of up to \$250,000 on commercial terms, which may be used for working capital purposes and to further expand the business. As at 31 December 2020, a total of \$10,000 had been advanced under the facility. No interest is being charged in respect of this advance.

#### Cannadoc Health Pty. Ltd.

On 3 February 2020, the Group executed a Share Transfer and Shareholders Agreement (the "Agreement") pursuant to which it acquired a 51% indirect equity interest in Cannadoc Health Pty. Ltd. ("Cannadoc"), a Melbourne-based company operating a medical clinic business specialising in cannabinoid-based therapies. Under the Agreement, CAL will make available to Cannadoc a loan facility of up to \$1 million on commercial terms, which may be used for working capital purposes and to further expand the business.

As at 31 December 2020, a total of \$50,000 had been advanced under the facility on which interest is being charged at a rate of 9% per annum. Two further tranches of \$50,000 were advanced to Cannadoc on 31 January 2021 and 22 February 2021, taking the total balance to \$150,000.

On 1 February 2021, the Group acquired a further 24.5% equity interest in Cannadoc for \$101,000, taking its total equity interest in Cannadoc to 75.5%.

## 27. SUBSEQUENT EVENTS

- On 22 January 2021, a total of 500,000 performance rights that had previously been granted to Kevin Brabazon, one of the Founders of Cannadoc Health Pty. Ltd., were forfeited upon his resignation from that company.
- On 1 February 2021, Medical Clinic Holdings Pty. Ltd. (“MCH”), a wholly-owned subsidiary of the Group, paid \$101,000 to purchase 6,566 ordinary shares in Cannadoc Health Pty. Ltd., representing 24.5% of that company’s total issued capital, such that MCH now owns 75.5% of the total issued capital of Cannadoc Health Pty. Ltd.
- On 12 February 2021, a total of 500,000 performance rights that had previously been granted to Dr. Jian Hui (David) Feng, one of the Founders of Cannadoc Health Pty. Ltd., were forfeited upon his resignation from that company.

Apart from the events described above, there were no other events that have occurred subsequent to balance date that have not been disclosed elsewhere in this Financial Report.

## Directors' Declaration

In the opinion of the Directors of Cronos Australia Limited:

1. the Financial Statements and accompanying notes, as set out on pages 12 to 24, are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This Declaration is made in accordance with a resolution of the Directors.



SHANE F. TANNER  
Chairman



RODNEY D. COCKS CSM  
Director

Melbourne, 25 February 2021

# Auditor's Review Report



## Independent Auditor's Review Report

To the shareholders of Cronos Australia Limited

### Report on the Half-year Financial Report

#### Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Cronos Australia Limited

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Cronos Australia Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2020 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2020
- Consolidated statement of comprehensive income/(loss), Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 27 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Cronos Australia Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

#### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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#### Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the Half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Gordon Sangster

*Partner*

Melbourne

25 February 2021

# Corporate Directory

## DIRECTORS

Shane F. Tanner (*Non-Executive Chairman*)

Rodney D. Cocks CSM (*Executive Director and Chief Executive Officer*)

Daniel E. Abrahams (*Non-Executive*)

Jason M. Adler (*Non-Executive*)

Anna E. Burke AO (*Non-Executive*)

Michael R. Gorenstein (*Non-Executive*)

## COMPANY SECRETARY

Thomas G. Howitt

## REGISTERED OFFICE

Suite 8, Level 3, 299 Toorak Road  
South Yarra Vic. 3141  
Australia

Email: [info@cronosaustralia.com](mailto:info@cronosaustralia.com)

## AUSTRALIAN BUSINESS NUMBER

59 629 071 594

## COMPANY WEBSITE

[www.cronosaustralia.com](http://www.cronosaustralia.com)

## STOCK EXCHANGE

### **Australian Securities Exchange**

Level 4, Rialto North Tower  
525 Collins Street  
Melbourne Vic. 3000  
Australia

ASX code: **CAU**

## SHARE REGISTER

### **Link Market Services Limited**

Level 13, Tower Four, Collins Square  
727 Collins Street  
Melbourne Vic. 3008  
Australia

Shareholder enquiries: **+61 1300 554 474 (toll free)**

## BANKER

### **Australia and New Zealand Banking Group Limited**

833 Collins Street  
Docklands Vic. 3008  
Australia

## AUDITOR

### **KPMG**

Chartered Accountants  
Level 36, Tower Two, Collins Square  
727 Collins Street  
Melbourne Vic. 3008  
Australia