

**RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

1. The Company was incorporated on 27 September 2018. The reporting period covers the half-year ended 31 December 2019. The previous reporting period covers the period ended 31 December 2018.

2./3. Results for announcement to the Market

	31 Dec. 2019	31 Dec. 2018	Increase/ (decrease)	Increase/ (decrease)
	\$	\$	\$	%
Total revenues from ordinary activities	38,487	57,205	(18,718)	(32.7)
The loss from ordinary activities after tax attributable to Members	(1,857,212)	(1,168,168)	689,044	59.0
The net loss attributable to Members	(1,857,212)	(1,168,168)	689,044	59.0
Net tangible assets per ordinary share (cents)	11.9	(74.8)	86.7	115.9

The Company does not propose to pay a dividend for the interim period ended 31 December 2019 and did not pay a dividend in respect of the year ended 30 June 2019.

Interest income of \$38,487 was received in relation to the short-term deposits that were established after the Company's IPO. A significant proportion of the expenses incurred during the period related to the continued expansion of the Company's medicinal cannabis business, in addition to costs related to the Company's IPO which was completed in November 2019 that have not been offset against the capital raised. Finance costs of \$99,466 principally related to interest that was paid on the unsecured loan from the Company's major shareholder, Cronos Group Inc. Personnel expenses increased by \$358,619 to \$1,076,324 (2018: \$717,705) as the Company employed additional personnel and consultants to assist with the expansion of its operations.

4. During the half-year ended 31 December 2019, Cronos Australia Limited acquired 100% of the shares in CBD Australia – Asia Limited, a company that it incorporated in Hong Kong on 25 July 2019, and 50% of the shares in CBD Joint Venture Pty. Ltd., a company that it incorporated in Melbourne, Victoria on 20 December 2019.
5. No dividends were paid by Cronos Australia Limited during or after the reporting period, nor were any paid during the previous reporting period.
6. The Company has no dividend reinvestment plans in operation.
7. As at 31 December 2019, Cronos Australia Limited held a 50% investment 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 New Zealand markets.
8. The attached Financial Report for the reporting period ended 31 December 2019 was prepared in accordance with International Financial Reporting Standards.
9. The attached Financial Report for the half-year ended 31 December 2019 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 21st day of February, 2020

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CRONOS
AUSTRALIA

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Financial Report

CRONOS AUSTRALIA LIMITED

ABN 59 629 071 594

**FOR THE HALF-YEAR ENDED
31 DECEMBER 2019**

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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 2019.

DIRECTORS

The details of the Directors of Cronos Australia Limited ("CAL" and the "Company") who held office during the period from 1 July 2019 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



Shane F. Tanner

- Position:* Independent Non-Executive Chairman
- Qualifications:* Dip Bus (RMIT), Grad Dip Bus (Swinburne), FCPA, ACIS
- Other responsibilities:* Member of Audit and Risk Committee
Member of Nomination and Remuneration Committee
- Other Directorships:* Paragon Care Limited (ASX: PGC) (Chairman)
Victory Offices Limited (ASX: VOL)

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 the telecommunications company, Optus Communications.



Rodney D. Cocks CSM

- Position:* Chief Executive Officer and Executive Director
- Qualifications:* BCom (Melb.), LLB (QUT), MBA (Wharton), MPA (Harvard)
- Other responsibilities:* None
- Other Directorships:* None

Rodney Cocks was appointed Executive Director and Chief Executive Officer of CAL on 27 September 2018. He is a Director of NewSouthern Capital Pty. Ltd., a private equity firm he co-founded, which undertakes business in the real estate, energy and digital sectors. 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 Kabul, 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 is a Graduate of the Australian Institute of Company Directors and the Royal Military College, Duntroon. Rodney is an admitted Lawyer to the Supreme Court of New South Wales and was a Fellow at Harvard University and the 2005 Victorian Australian of the Year. In 2003, he was awarded a Conspicuous Service Medal for his actions in the aftermath of the 2002 Bali bombings.

DIRECTORS' REPORT *(continued)*



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"), and the General Partner of Gotham Green Fund 1, LP, 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.

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Anna E. Burke AO

- Position:* Independent Non-Executive Director
- Qualifications:* BA (Hons), MCom (Hons) (University of Melbourne)
- Other responsibilities:* Member of Audit and Risk Committee
Chairman of Nomination and Remuneration 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. He is Chairman, President and Chief Executive Officer of Cronos Group Inc., a major shareholder of CAL. Mike is also a co-founder and Member of Gotham Green. Before joining CAL, Mike was the VP and General Counsel at Alphabet Partners, LP, a New York based multi-strategy investment management firm, focussed 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.

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DIRECTORS' REPORT *(continued)*



Peter J. Righetti

Position: Executive Director

Qualifications: BCom (Deakin), LLB (University of New England), GDLP, GAICD

Other responsibilities: None

Other Directorships: None

Peter Righetti was appointed Executive Director and Chief Operating Officer of CAL on 27 September 2018. He resigned from the position of Chief Operating Officer of CAL on 7 February 2020. He is a Director of NewSouthern Capital Pty. Ltd., a private equity firm he co-founded. Prior to co-founding NewSouthern, Peter held senior commercial and leadership positions with private development and construction organisations. He was a member of the executive team at ASX-listed, Engenco Limited (ASX: EGN) and held senior development and project roles at construction companies including Metricon Group. Peter has been a Commissioned Officer in the Australian Army. He is admitted as a lawyer to the Supreme Court of Victoria, a Graduate of the Royal Military College, Duntroon and a Graduate of the Australian Institute of Company Directors.

Company Secretary



Lior Harel

Position: General Counsel and Company Secretary

Qualifications: BA, LLB (University of Melbourne)

Other responsibilities: None

Other Directorships: None

Lior Harel was appointed as the General Counsel and Company Secretary of CAL on 22 October 2018. Prior to joining the Company, he was the Chief Legal Counsel of SEEK.com.au (ASX: SEK) with coverage of SEEK's Australian and Asian businesses. Prior to SEEK, Lior was the Chief Operating Officer and General Counsel of ecommerce and travel business, The Lux Group (including cudo.com.au, luxuriescapes.com, deals.com.au). He commenced his career with leading Australian commercial law firm, Arnold Bloch Leibler, rising to Senior Associate in the Corporate/Commercial and Banking and Finance teams.

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
Rodney D. Cocks CSM	20,000,000 ordinary shares (via NewSouthern Investment Holdings 1 Pty. Ltd.)
Peter J. Righetti	20,000,000 ordinary shares (via NewSouthern Investment Holdings A Pty. Ltd.)
Peter J. Righetti	625,000 ordinary shares (via Seascape Avenue Pty. Ltd.)

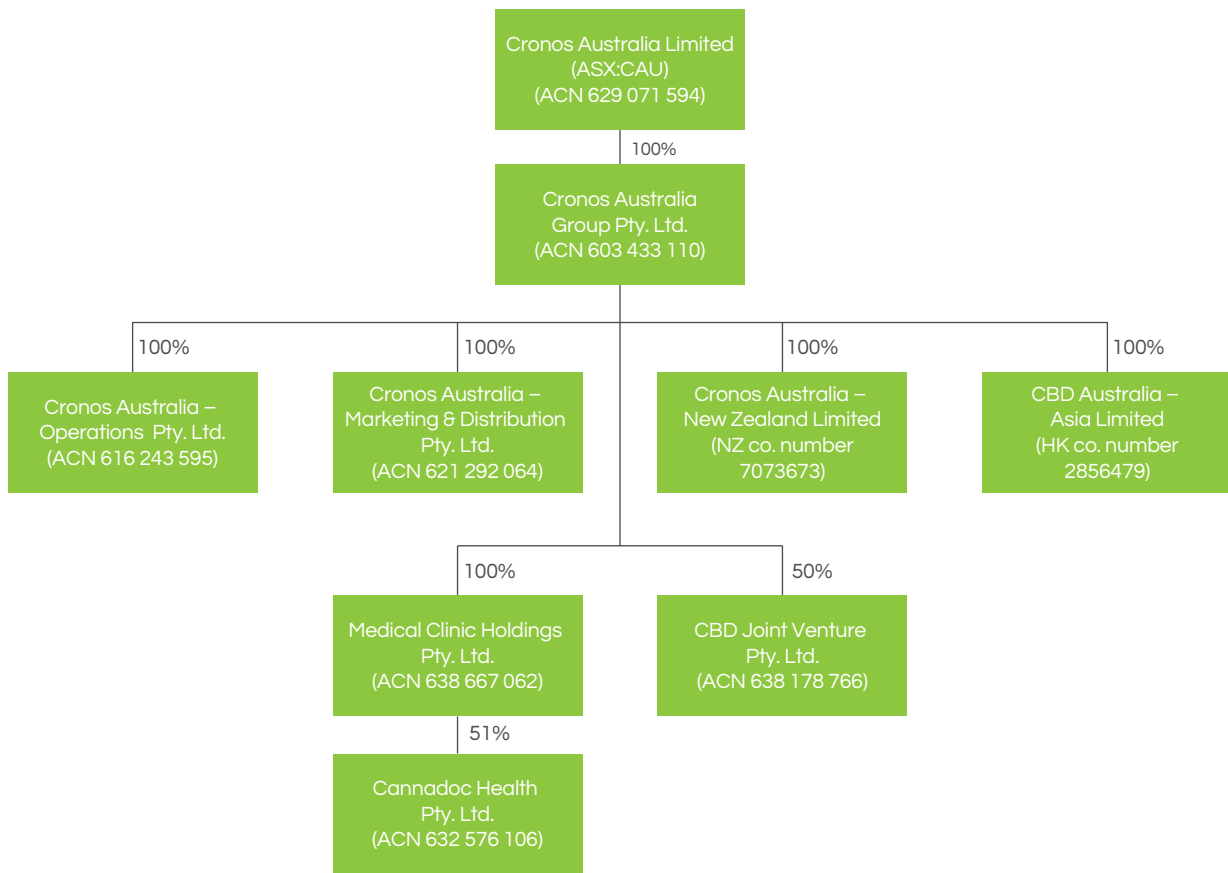
Apart from the above, no Director held any beneficial interest in the Company's shares as at the date of this Report.

OPERATING AND FINANCIAL REVIEW

Corporate structure

Cronos Australia Limited (“CAL” or the “Company”) is a public company limited by shares that is incorporated and domiciled in Australia. The Company was admitted to the official list of the Australian Securities Exchange (“ASX”) on 7 November 2019 and trades under the ASX symbol CAU.

The Company has prepared a consolidated financial report incorporating the entities that it controlled during the half-year ended 31 December 2019 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. CAL is a medicinal cannabis company that has entered the medicinal cannabis market in Australia and is developing a range of brands and products, having secured all the necessary Australian licences to operate – including import and export licences. In addition to distributing the PEACE NATURALS™ brand, which is currently sold in Canada and Germany, the Company proposes to outsource the manufacturing and distribution of its own medicinal cannabis and related product brands for sale in Australia and target export markets (subject to legislative reform in those markets and CAL obtaining any required approvals and licences).

The business now owned by CAL was established in 2016 as a 50:50 joint venture between Canadian-based cannabinoid company, Cronos Group Inc. (NASDAQ: CRON; TSX: CRON) (“Cronos Group”) and NewSouthern Capital Pty. Ltd., a Melbourne-based private equity firm controlled by the two Executive Directors of Cronos Australia Limited.

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DIRECTORS' REPORT *(continued)*

Principal activities

The principal activity of the entities within the Group during the half-year ended 31 December 2019 was the expansion of a business to develop a range of medicinal cannabis and other cannabinoid-based brands and products for sale in Australia and target export markets.

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

Result

During the half-year ended 31 December 2019, the Company and its subsidiaries generated a consolidated loss after income tax of \$(1,857,212) (2018: \$(1,168,168)). Details relating to the Company's financial results for the period are included below under the heading Review of Operations.

Dividends and distributions

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

Review of operations

Statement of Comprehensive Income/(Loss)

During the half-year ended 31 December 2019, the Company generated a consolidated loss after tax of \$(1,857,212) (2018: \$(1,168,168)). Interest income of \$38,487 was received in relation to the various short-term deposits that were established after the Company's IPO. No interest was received during the previous corresponding period. A significant proportion of the total expenses incurred during the period under review related to the continued expansion of the Company's medicinal cannabis business, in addition to certain costs related to the Company's IPO which was completed in November 2019 that have not been offset against the capital raised. Finance costs of \$99,466 principally related to interest that was paid on the unsecured loan from the Company's major shareholder, Cronos Group Inc. Personnel expenses increased by \$358,619 to \$1,076,324 (2018: \$717,705) as the Company employed additional personnel and consultants to assist with the expansion of its operations.

Statement of Financial Position

As at 31 December 2019, the Group's consolidated cash and cash equivalents balance increased by \$16,931,938 to \$17,091,617 (30 June 2019: \$159,679). During the period under review, a total of \$23,500,000 was raised through a combination of convertible loans (\$3,500,000) and new equity issued as part of the Company's IPO (\$20,000,000). The convertible loans were converted into 8,750,000 ordinary shares as part of the IPO. Offset against the capital raised were IPO-related expenses totaling \$3,536,492 (refer Note 19), of which \$1,331,397 was recorded as an Other Asset at 30 June 2019. Trade and other payables fell by \$2,131,704 to \$304,650 with the payment of IPO-related costs immediately after the completion of the IPO. A share-based payments reserve was established during the period in respect of the share-based payments expense relating to securities that were issued during the period to employees and the Underwriters of the Company's IPO (refer Note 19).

Statement of Cash Flows

During the half-year ended 31 December 2019, the Company's net cash flows used in operating activities increased by \$2,138,799 to \$2,962,891. The majority of these outflows related to payments made to the Company's expanded leadership team, its IPO and expanding its medicinal cannabis operations generally. Cash inflows of \$23,500,000 were received as a result of convertible loans entered into during the period as part of a pre-IPO raise (\$3,500,000) and the issue of 40,000,000 ordinary shares at an issue price of 50 cents per share as part of the Company's IPO which raised \$20,000,000.

During the half-year ended 31 December 2019 and subsequent to balance date, the Group continued to undertake a number of activities necessary for the expansion of its medicinal cannabis business, including:

- The successful raising of \$3.5 million in a "pre-IPO" round and the lodgement of a prospectus with ASIC in respect of an offer of shares in the Company to raise a further \$20 million which was completed on

7 November 2019, at which time the Company was admitted to the Official List of the ASX under the ASX code CAU following issue of 48.75 million new shares in the Company.

- The execution of a 3PL and Distribution Agreement with Sigma Healthcare Limited (ASX:SIG, "Sigma") pursuant to which both the Company's current and future products, including its PEACE NATURALS™ branded imported medicinal cannabis products, may be distributed through Sigma's significant national retail pharmacy network.
- The formation of a joint venture with A&S Branding Pty. Ltd., a company established by Alison Goodger and Simon O'Connor, the co-founders of Sukin Organic Skincare, for the development of cannabidiol ("CBD") based products, including skincare products, for the Australian and New Zealand markets.
- The arrival in Australia of the Company's first shipment of PEACE NATURALS™ branded medicinal cannabis oils from the Company's major shareholder, Cronos Group, in Canada.
- Expansion of the Group's operations in Asia to undertake associated activities and take advantage of opportunities in various local markets as the laws in relation to medicinal cannabis products in those markets continue to evolve.
- Preparation for the recruitment of additional personnel to provide specific experience and expertise to help the Company expand its operations in accordance with its overall strategy.

To fund the Company's business strategy, CAL lodged a prospectus dated 15 October 2019 with ASIC in respect of an Initial Public Offering ("IPO") of shares in the Company that was completed on 7 November 2019. Activities in relation to the IPO were undertaken during the period from 1 July 2019 up to the date on which the IPO was completed. A total of 40,000,000 ordinary shares in CAL were issued in the IPO at an issue price of 50 cents each raising a total of \$20,000,000, before the payment of associated expenses totalling \$3,536,492. In addition to the above shares, a total of 8,750,000 ordinary shares were also issued on the conversion of loans valued at \$3,500,000 that were created as part of a pre-IPO capital raise.

The funds raised by the Company from the IPO will be used to fund the following activities:

- Product and business development
- Patient acquisition and practitioner engagement
- Brand creation, development and launch
- Contract manufacturing establishment and management
- Research and development activities
- Purchase of inventory
- Working capital and administrative costs
- Costs associated with the Offer (all of which have since been paid)

Significant changes in the state of affairs

- On 25 July 2019, the Group incorporated a Hong Kong based subsidiary named CBD Australia – Asia Limited from which the Group's operations in Asia will be managed.
- On 2 August 2019, the Company repaid a loan, together with accrued interest, totaling \$519,512 to NewSouthern Capital Pty. Ltd. pursuant to the Loan Agreement described in Note 15.
- During the period from 4 July 2019 and 9 August 2019, the Company received funds totaling \$3,500,000 pursuant to 15 convertible loan agreements with various investors which were used to meet the Company's working capital commitments and the costs associated with the Company's proposed IPO. The loans were converted into a total of 8,750,000 ordinary shares upon the Company being admitted to the official list of the ASX on 7 November 2019.
- On 7 November 2019, CAL was admitted to the official list of the ASX having raised a total of \$20,000,000 from the issue of 40,000,000 ordinary shares at an issue price of 50 cents, before the payment of associated expenses. The Company trades under the ASX symbol CAU.

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DIRECTORS' REPORT *(continued)*

- On 15 November 2019, the Company announced that the Group had executed a Distribution Agreement with Sigma Company Limited ("Sigma") pursuant to which the Company's products, including PEACE NATURALS™ branded products, will be distributed through Sigma's extensive national retail pharmacy network including Amcal+ and Guardian Pharmacies.
- On 20 December 2019, the Company incorporated CBD Joint Venture Pty. Ltd. in anticipation of the execution of the agreement with A&S Branding Pty. Ltd. (see below). The Company holds a 50% indirect equity interest in the joint venture company.
- On 23 December 2019, the Company announced that it had formed a joint venture with A&S Branding Pty. Ltd. ("A&S Branding"), a company established by Alison Goodger and Simon O'Connor, the founders of Sukin Natural Skincare, for the development of CBD based products, including skincare products, for Australia and New Zealand. The 50:50 joint venture provides for a two-year exclusive period for CBD product development, sales and distribution and leverages Cronos Australia's expertise in medicinal cannabis and CBD, and A&S Branding's expertise in branding, product development and marketing.

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 9 January 2020, the Company announced the arrival in Australia of its first shipment of PEACE NATURALS™ branded medicinal cannabis products from its largest shareholder, Cronos Group in Canada.
- On 23 January 2020, the Company incorporated Medical Clinic Holdings Pty. Ltd. in anticipation of the execution of the agreement with the shareholders of Cannadoc Health Pty. Ltd. (see below and Note 23). The Group holds a 51% equity interest in Cannadoc Health Pty. Ltd. via its ownership of Medical Clinic Holdings 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 the prescription of cannabinoid-based therapies, for an initial cost of \$300,000. In addition to the initial payment, the founders of Cannadoc (the "Founders") may also be entitled to receive two further payments on the first and second anniversaries of completion. The payments (if any) will equal 51% of five times the future EBITDA of Cannadoc, with \$300,000 to be deducted from the first payment. In addition to the above payments, the Founders have received a total of one million Performance Rights (the "Rights") over ordinary shares in CAL. The Rights have a vesting date of 1 September 2023 and will vest if certain conditions are met as at the vesting date, including the relevant Founder still being employed by Cannadoc and agreed growth targets having been met. If any of the vesting conditions are not met by the vesting date, the Rights will lapse. CAL will also make available to Cannadoc a secured loan facility of up to \$1 million on commercial terms, which may be used for working capital purposes and to further expand the business. In addition to the loan facility, the Group has contributed \$102,000 in equity to Cannadoc, with the Founders contributing a total of \$98,000.
- On 7 February 2020, the Company's Chief Operating Officer, Mr. Peter Righetti, resigned as the Company's Chief Operating Officer. Mr. Righetti will remain on the Board as a Director.
- On 17 February 2020, the Company entered into a Heads of Agreement over office premises located at Suite 8, Level 3, 299 Toorak Road, South Yarra, Victoria. The lease, which is expected to commence in April 2020 and has a term of five years, has an initial gross rental of approximately \$100,000 per annum.

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

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Business strategy, future developments and prospects

The Company aims to create value for its shareholders through the expansion of its medicinal cannabis business and the creation of a range of cannabinoid-based brands and products for sale into the Australian and target export markets, having secured the necessary Australian licences to operate.

In addition to distributing the PEACE NATURALS™ brand, which is produced by Peace Naturals Project Inc. (a subsidiary of Cronos Group) and is currently sold in Canada and Germany, the Company plans to outsource the manufacture and distribution of its own range of cannabinoid-based branded products for sale in Australia and target export markets (subject to legislative reform in those markets and CAL obtaining any required approvals and licences).

CAL believes it has the following key attributes that position it well to accelerate its growth strategy:

- **All licences** have been received from relevant Australian authorities that are needed for the Company to import, export and research cannabis.
- **Route to revenue** through the importation and sale of medicinal cannabis products sourced under the supply agreements, including the PEACE NATURALS™ branded products that the Company has brought to Australia, while a range of proprietary cannabinoid-based brands and products are expected to be developed by CAL for launch. Following the acquisition of a controlling interest in Cannadoc Health Pty. Ltd., the Company will also look to generate immediate revenues from the medical clinic business currently operated by that company.
- **“Asset light” model**, that leverages an outsourced cultivation and manufacturing model, giving the Company the flexibility and agility in a rapidly evolving market to focus on products, brands, distribution and intellectual property.
- **A focus on the development of a range of brands and products, particularly CBD-based products**, in partnership with appropriate creative and design agencies, which is aligned with demand for such products in global markets. These development activities are expected to be undertaken in conjunction with the Company’s joint venture partner, A&S Branding Pty. Ltd., via its interest in CBD Joint Venture Pty. Ltd.
- **Access to Cronos Group’s intellectual property**, via licences granted by Cronos Group in respect of processes, trademarks and designs. Additionally, the Company can access know-how from Cronos Group relating to marketing, licensing, design, production and manufacturing and seek the in-person assistance of Cronos Group personnel.
- **Supply and manufacture agreements** in place with a number of specialist providers globally to potentially supply and/or manufacture the CBD-based products under the brands that CAL is creating.
- **Commercial, execution-focused Board and management team** capable of delivering on the Company’s phased growth strategy. CAL’s leadership team has experience in the global cannabis industry, as well as in high growth enterprises, marketing and regulation and has an established business development team based in Asia to exploit opportunities in that market.

Legal matters

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

Loss per share

The basic and diluted loss per share for the half-year ended 31 December 2019 was 3.4 cents (2018: 56.6 cents).

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, relating to the “rounding off” of amounts in the Directors’ Report. Amounts in the Directors’ Report have been rounded off in accordance with that Instrument to the nearest dollar.

DIRECTORS' REPORT *(continued)*

SHARE OPTIONS

Unissued shares under option

As at 31 December 2019, the Company had a total of 3,026,400 ordinary shares under option in addition to 120,000 performance rights (refer Note 19 for details).

Shares issued as a result of the exercise of options

During the half-year ended 31 December 2019, no ordinary shares were issued as a result of the exercise of any options.

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.

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



SHANE F. TANNER
Chairman

Melbourne, 21 February 2020



RODNEY D. COCKS
Director

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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 2019 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 'khus'.

KPMG

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

Gordon Sangster

Partner

Melbourne

21 February 2020

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	Consolidated	
		31 Dec. 2019 \$	31 Dec. 2018 \$
Other income	4	38,487	57,205
Expenses			
Accounting, tax and audit fees		(102,577)	(199,898)
Administration expenses		(312,424)	(145,503)
Finance costs		(99,466)	(30,302)
Legal and regulatory expenses		(52,956)	(105,662)
Personnel expenses		(1,076,324)	(717,705)
Share-based payments expense		(169,825)	-
Travel and accommodation		(82,127)	(26,303)
Loss before income tax		(1,857,212)	(1,168,168)
Income tax benefit/(expense)		-	-
Loss for the half-year	5	(1,857,212)	(1,168,168)
Basic and diluted loss per share (cents per share)	6	(3.4)	(56.6)

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

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	Consolidated	
		31 Dec. 2019 \$	30 June 2019 \$
Assets			
Current Assets			
Cash and cash equivalents	8	17,091,617	159,679
Trade and other receivables	9	140,036	39,447
Inventories	10	8,225	-
Other assets	11	66,608	1,373,527
Total Current Assets		17,306,486	1,572,653
Non-Current Assets			
Property, plant and equipment	12	66,803	76,402
Intangible assets	13	200,000	200,000
Total Non-Current Assets		266,803	276,402
Total Assets		17,573,289	1,849,055
Liabilities			
Current Liabilities			
Trade and other payables	14	304,650	2,436,354
Interest-bearing liabilities	15	-	513,923
Chattel mortgage liabilities	16	18,493	17,337
Employee benefit provisions	17	14,930	2,968
Total Current Liabilities		338,073	2,970,582
Non-Current Liabilities			
Interest-bearing liabilities	18	1,696,767	1,606,027
Chattel mortgage liabilities	16	54,530	64,639
Total Non-Current Liabilities		1,751,297	1,670,666
Total Liabilities		2,089,370	4,641,248
Net Assets/(Liabilities)		15,483,919	(2,792,193)
Shareholders' Equity			
Share capital	19	20,018,163	54,655
Reserves	20	169,816	-
Accumulated losses	21	(4,704,060)	(2,846,848)
Total Shareholders' Equity		15,483,919	(2,792,193)

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 2019

	Share capital \$	Reserves \$	Accumulated losses \$	Totals \$
Balance at 1 July 2018	12	-	67,453	67,465
Loss for the half-year	-	-	(1,168,168)	(1,168,168)
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive income/(loss)	-	-	(1,168,168)	(1,168,168)
<i>Transactions with owners</i>				
Net assets acquired on restructure	54,643	-	-	54,643
Total transactions with owners	54,643	-	-	54,643
Balance at 31 December 2018	54,655	-	(1,100,715)	(1,046,060)
Balance at 1 July 2019	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
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
Balance at 31 December 2019	20,018,163	169,816	(4,704,060)	15,483,919

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	Consolidated	
		31 Dec. 2019 \$	31 Dec. 2018 \$
Cash flows used in operating activities			
Receipts from customers		-	-
Payments made to suppliers and employees		(2,951,905)	(824,092)
Interest paid		(19,512)	-
Interest received		8,526	-
Net cash flows used in operating activities		(2,962,891)	(824,092)
Cash flows used in investing activities			
Purchases of plant and equipment	12	(1,636)	(7,179)
Purchases of assets under construction		-	(122,116)
Net assets assumed on restructure		-	73,322
Net cash flows used in investing activities		(1,636)	(55,973)
Cash flows from financing activities			
Proceeds from the issue of shares	19	20,000,000	-
Proceeds from convertible loans	19	3,500,000	-
Payments of transaction costs related to the issue of shares		(3,092,824)	-
Loans from/(to) related parties		(500,000)	957,502
Chattel mortgage repayments	16	(10,711)	(8,575)
Net cash flows from financing activities		19,896,465	948,927
Net increase in cash and cash equivalents held		16,931,938	68,862
Cash and cash equivalents at the beginning of the half-year		159,679	58,702
Cash and cash equivalents at the end of the half-year	8	17,091,617	127,564

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

1. Corporate information

The financial statements of Cronos Australia Limited ("CAL" and the "Company") for the half-year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors of CAL. 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 eight subsidiaries, are referred to in these financial statements as the "Group".

The Company operates in the medicinal cannabis market in Australia and is developing a range of brands and products for sale in Australia and other target markets in Asia, having secured all the necessary Australian licences to operate – including import and export licences. CAL'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 2019 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 financial report for the year ended 30 June 2019 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 2019.

AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* became effective for the first time during the year ended 30 June 2019. The application of the new Accounting Standards did not have a material impact on the Group.

AASB 16 *Leases* became effective for the Group from 1 July 2019. As the Group has no significant operating leases as at balance date, the introduction of AASB 16 had no material impact on the Group's financial statements as at balance date. The impact of the Group entering into a lease in respect of the office premises in South Yarra, as described in Note 25, will be assessed in future periods.

3. Critical accounting estimates and judgments

(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.

Research and development tax incentive

The Company's research and development activities are eligible for tax incentives under the Australian Federal Government's research and development tax incentive scheme (the "Scheme"). A refundable tax offset currently equal to 43.5% of qualifying expenditure is available to eligible companies with an annual aggregate turnover of less than \$20 million. The Group measures the estimated tax incentive receivable as at balance date by applying the appropriate allocation methodology to the current year expenses incurred. Any under or over accrual of the receivable is recognised in the statement of comprehensive income/(loss) in the year in which the payment is received.

Licences

Determining whether the indefinite life licences described in Note 13 are impaired is a matter of judgement. The Company undertakes a full assessment of impairment of indefinite life 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.

(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 its research and development expenses when specific milestones are met and when the Group is able to demonstrate that future economic benefits are probable.

4. Other income

	Consolidated	
	31 Dec. 2019	31 Dec. 2018
	\$	\$
Interest income	38,487	-
Gain on recognition of licences	-	57,205
Total other income	38,487	57,205

5. Loss before income tax

	Consolidated	
	31 Dec. 2019	31 Dec. 2018
	\$	\$
Loss before income tax includes:		
Depreciation of property, plant and equipment (Note 12)	(11,235)	(12,706)
Personnel expenses	(1,076,324)	(717,705)

Note: Personnel 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 statement of comprehensive income/(loss).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

6. Loss per share

The following reflects the income and share data used in the calculations of basic and diluted loss per share:

	Consolidated	
	31 Dec. 2019 \$	31 Dec. 2018 \$
Loss for the half-year attributable to the owners of the Company	(1,857,212)	(1,168,168)
Weighted average number of shares used in calculating loss per share	54,654,891	2,065,217

Note: The outstanding options are not considered dilutive for the purposes of calculating the loss per share.

7. Dividends and distributions

No dividends have been paid since the Company was incorporated on 27 September 2018, 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.

8. Cash and cash equivalents

	Consolidated	
	31 Dec. 2019 \$	30 June 2019 \$
Cash on short term deposit	16,000,000	-
Cash at bank	1,091,365	159,427
Cash on hand	252	252
Total cash and cash equivalents	17,091,617	159,679

9. Trade and other receivables

	Consolidated	
	31 Dec. 2019 \$	30 June 2019 \$
Net GST receivable	110,075	39,447
Accrued interest	29,961	-
Total trade and other receivables	140,036	39,447

10. Inventories

	Consolidated	
	31 Dec. 2019 \$	30 June 2019 \$
Finished goods	8,122	-
Raw materials	103	-
Total inventories	8,225	-

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11. Other assets

	Consolidated	
	31 Dec. 2019 \$	30 June 2019 \$
Prepayments	60,608	36,130
Security deposits	6,000	6,000
Deferred IPO expenses	-	1,331,397
Total other assets	66,608	1,373,527

12. Property, plant and equipment

	Consolidated	
	31 Dec. 2019 \$	30 June 2019 \$
Motor vehicles, at cost	103,024	103,024
Less: accumulated depreciation	(40,927)	(32,001)
Net motor vehicles	62,097	71,023
Computer equipment, at cost	11,734	10,098
Less: accumulated depreciation	(7,085)	(4,790)
Net computer equipment	4,649	5,308
Office equipment, at cost	105	105
Less: accumulated depreciation	(48)	(34)
Net office equipment	57	71
Total net property, plant and equipment	66,803	76,402
Reconciliation of property, plant and equipment		
Opening gross carrying amount	113,227	105,577
Add: additions purchased during the period	1,636	7,179
Add: assets acquired on restructure	-	471
Closing gross carrying amount	114,863	113,227
Opening accumulated depreciation	(36,825)	(9,099)
Add: depreciation expense charged	(11,235)	(27,420)
Add: accumulated depreciation arising on restructure	-	(306)
Closing accumulated depreciation	(48,060)	(36,825)
Total net property, plant and equipment	66,803	76,402

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Property, plant and equipment (cont.)

Asset category	Opening net carrying amount \$	Additions during half-year \$	Depreciation expense \$	Closing net carrying amount \$
Motor vehicles	71,023	-	(8,926)	62,097
Computer equipment	5,308	1,636	(2,295)	4,649
Office equipment	71	-	(14)	57
Totals	76,402	1,636	(11,235)	66,803

13. Intangible assets

	Consolidated	
	31 Dec. 2019 \$	30 June 2019 \$
Licences	200,000	200,000
Total intangible assets	200,000	200,000

14. Trade and other payables

	Consolidated	
	31 Dec. 2019 \$	30 June 2019 \$
Accrued expenses	112,940	50,000
Payroll-related payables (excluding annual leave)	105,498	877,390
Trade payables	86,212	529,486
IPO-related payables	-	979,478
Total trade and other payables	304,650	2,436,354

15. Interest-bearing liabilities (current)

	Consolidated	
	31 Dec. 2019 \$	30 June 2019 \$
Balance at the beginning of the period	513,923	-
Funds advanced under unsecured loan	-	500,000
Interest accrued on unsecured loan	5,589	13,923
Repayment of unsecured loan	(519,512)	-
Balance at the end of the period	-	513,923

16. Chattel mortgage liabilities

	Consolidated	
	31 Dec. 2019 \$	30 June 2019 \$
Balance at the beginning of the period	81,976	99,313
Add: interest charged	1,758	3,941
Less: mortgage payments made	(10,711)	(21,278)
Balance at the end of the period	73,023	81,976
(a) Reconciliation of chattel mortgage liabilities		
Current liability	18,493	17,337
Non-current liability	54,530	64,639
Total chattel mortgage liabilities	73,023	81,976

(b) Reconciliation of future payments

	Future minimum payments		Interest		P.V. of minimum lease payments	
	Dec. 2019	June 2019	Dec. 2019	June 2019	Dec. 2019	June 2019
Less than one year	21,278	20,515	2,785	3,178	18,493	17,337
One to five years	55,101	66,503	571	1,864	54,530	64,639
Total payments	76,379	87,018	3,356	5,042	73,023	81,976

17. Employee benefit provisions

	Consolidated	
	31 Dec. 2019 \$	30 June 2019 \$
Annual leave	14,930	2,968
Total employee benefit provisions	14,930	2,968

18. Interest-bearing liabilities (non-current)

	Consolidated	
	31 Dec. 2019 \$	30 June 2019 \$
Balance at the beginning of the period	1,606,027	-
Funds advanced under unsecured loan	-	1,500,000
Interest accrued on unsecured loan	90,740	106,027
Balance at the end of the period	1,696,767	1,606,027

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NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Share capital

	Consolidated	
	31 Dec. 2019 \$	30 June 2019 \$
Ordinary shares	20,018,163	54,655
Total share capital	20,018,163	54,655

(a) Ordinary shares issued and outstanding

	Number	\$
Balance at 1 July 2019	4,000,000	54,655
Issue of ordinary shares prior to IPO (not for cash)	76,000,000	-
Issue of ordinary shares on IPO at 50 cents per share (for cash)	40,000,000	20,000,000
Issue of ordinary shares on conversion of unsecured loans	8,750,000	3,500,000
Less: transaction costs related to IPO	-	(3,536,492)
Balance at 31 December 2019	128,750,000	20,018,163

(b) Reconciliation of options granted

	31 Dec. 2019	30 June 2019
Balance at the beginning of the period	-	-
Options granted during the period to Underwriters of IPO	2,000,000	-
Options granted during the period to Executives	1,026,400	-
Balance at the end of the period	3,026,400	-

(c) Option terms

Date granted	Quantity	Exercise price (cents)	Vesting date	Expiry date	Fair market value (cents)
7 November 2019	156,800	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	329,100	67.0	7 November 2021	7 November 2023	14.71
7 November 2019	540,500	83.0	7 November 2022	7 November 2023	12.80
Totals	3,026,400				

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

(d) Reconciliation of performance rights granted

	31 Dec. 2019	30 June 2019
Balance at the beginning of the period	-	-
Performance rights granted during the period to Executives	120,000	-
Balance at the end of the period	120,000	-

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

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20. Reserves

	Consolidated	
	31 Dec. 2019 \$	30 June 2019 \$
Balance at the beginning of the period	-	-
Movement in reserves during the period	169,816	-
Balance at the end of the period	169,816	-
(a) Share-based payments reserve		
Balance at the beginning of the period	-	-
Movement in reserve during the period	169,825	-
Balance at the end of the period	169,825	-
(b) Foreign currency translation reserve		
Balance at the beginning of the period	-	-
Movement in reserve during the period	(9)	-
Balance at the end of the period	(9)	-

21. Accumulated losses

	Consolidated	
	31 Dec. 2019 \$	30 June 2019 \$
Balance at the beginning of the period	(2,846,848)	67,453
Add: loss attributable to owners of Cronos Australia Limited	(1,857,212)	(2,914,301)
Balance at the end of the period	(4,704,060)	(2,846,848)

22. Commitments and contingencies

- As at 31 December 2019, the Group had entered into an operating lease relating to the following premises:

Location	Landlord	Use	Date of expiry of lease	Minimum payment (\$)
Level 2, 287 Collins Street Melbourne, Victoria 3000 Australia	Work Club Australia Pty. Ltd.	Office	31 March 2020	18,000
Total				18,000

- The Company, via its wholly-owned subsidiary Cronos Australia Group Pty. Ltd., has financed via chattel mortgages the purchase of two commercial vehicles used in the Company's business. The combined monthly payments due under the respective mortgages is \$1,785. As at 31 December 2019, a total of 14 further monthly payments were payable, in addition to a final payment of \$51,318, being 50% of the amount financed in respect of the vehicles.

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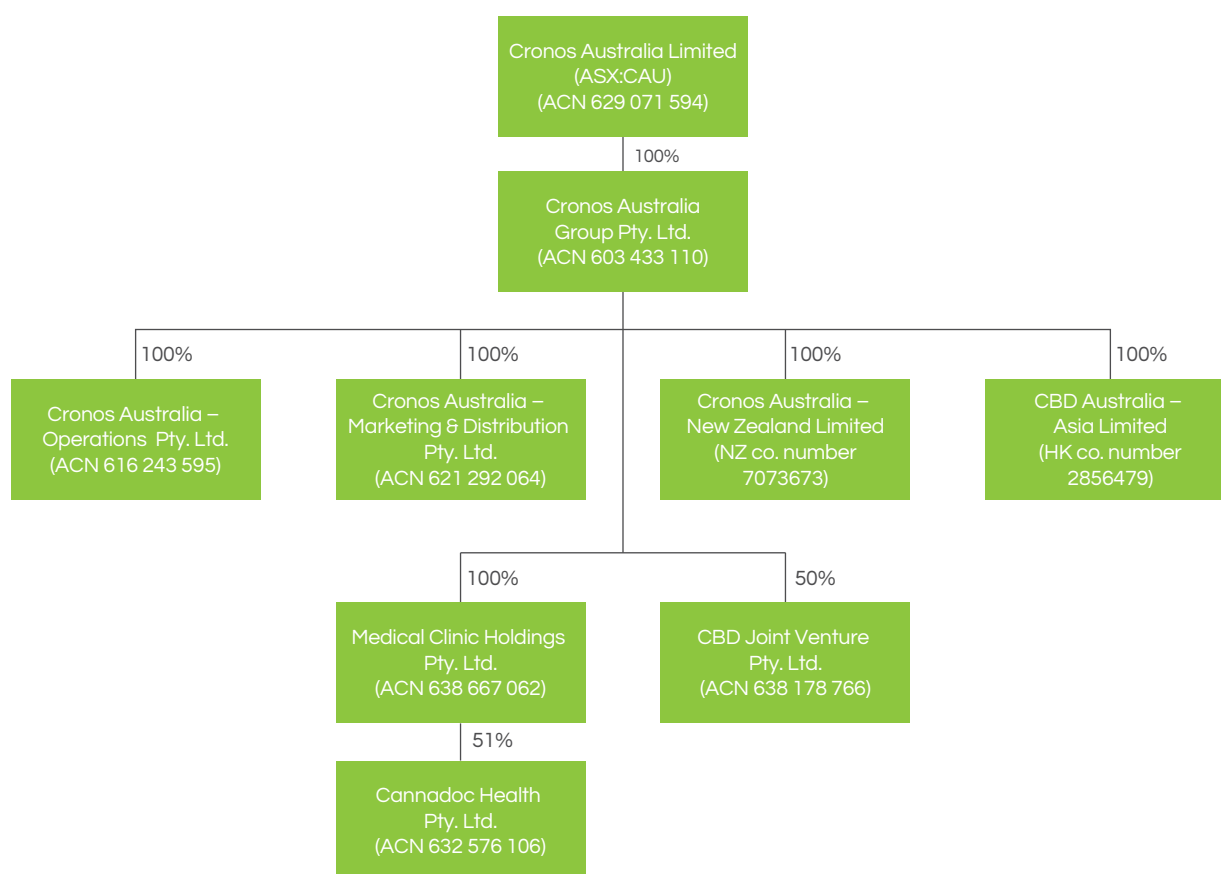
NOTES TO THE FINANCIAL STATEMENTS *(continued)*

22. Commitments and contingencies (cont.)

- 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.
- 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 may be obliged to pay the Founders of Cannadoc two payments on the first and second anniversaries of completion. The payments (if any) will equal 51% of five times the future EBITDA of Cannadoc, with \$300,000 to be deducted from the first payment. CAL will also 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.

23. Group structure

The following diagram is a depiction of the Group structure as at the date of this Report:



Name of Group company	Incorporation details (date and place)
Cronos Australia Group Pty. Ltd.	18 December 2014; Victoria, Australia
Cronos Australia – Operations Pty. Ltd.	2 December 2016; Victoria, Australia
Cronos Australia – Marketing & Distribution Pty. Ltd.	24 August 2017; Victoria, Australia
Cronos Australia – New Zealand Limited	12 October 2018; Taranaki, New Zealand
CBD Australia – Asia Limited	25 July 2019; Hong Kong
Medical Clinic Holdings Pty. Ltd.	23 January 2020; Victoria, Australia
Cannadoc Health Pty. Ltd.	28 March 2019; Victoria, Australia
CBD Joint Venture Pty. Ltd.	20 December 2019; Victoria, Australia

24. Segment information

(a) Reportable segments

The Group has identified one reportable business segment based on the products to be produced and sold and/or the services provided, being the manufacture and sale of products related to medicinal cannabis, as this represents the source of the Group's major risks and has the greatest effect on the rates of return. As at the date of this Report, the Group has identified one geographic segment, being Australia, based on the jurisdiction where the Company's headquarters 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) Segment locations

The principal geographic segment is Australia, with the Company's headquarters being located in Melbourne in the State of Victoria.

(c) Segment accounting policies

Segment information is prepared in conformity with the accounting policies of the entity and Accounting Standard *IFRS 8 (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.

(d) Major customers

As at 31 December 2019, the Group has no customers to which it provides products and from whom the Group generated revenues representing more than 10% of the total consolidated revenue from operations.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

25. Subsequent events

- On 9 January 2020, the Company announced the arrival in Australia of its first shipment of PEACE NATURALSTM™ branded medicinal cannabis products from its largest shareholder, Cronos Group in Canada.
- On 23 January 2020, the Company incorporated Medical Clinic Holdings Pty. Ltd. in anticipation of the execution of the agreement with the shareholders of Cannadoc Health Pty. Ltd. (see below). The Group holds a 51% equity interest in 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 the prescription of cannabinoid-based therapies, for an initial cost of \$300,000. In addition to the initial payment, the founders of Cannadoc (the "Founders") may also be entitled to receive two further payments on the first and second anniversaries of completion. The payments (if any) will equal 51% of five times the future EBITDA of Cannadoc, with \$300,000 to be deducted from the first payment. In addition to the above payments, the Founders have received a total of one million Performance Rights (the "Rights") over ordinary shares in CAL. The Rights have a vesting date of 1 September 2023 and will vest if certain conditions are met as at the vesting date, including the relevant Founder still being employed by Cannadoc and agreed growth targets having been met. If any of the vesting conditions are not met by the vesting date, the Rights will lapse. CAL will also make available to Cannadoc a secured loan facility of up to \$1 million on commercial terms, which may be used for working capital purposes and to further expand the business. In addition to the loan facility, the Group has contributed \$102,000 in equity to Cannadoc, with the Founders contributing a total of \$98,000.
- On 7 February 2020, the Company's Chief Operating Officer, Mr. Peter Righetti, resigned as the Company's Chief Operating Officer. Mr. Righetti will remain on the Board as a Director.
- On 17 February 2020, the Company entered into a Heads of Agreement over office premises located at Suite 8, Level 3, 299 Toorak Road, South Yarra, Victoria. The lease, which is expected to commence in April 2020 and has a term of five years, has an initial gross rental of approximately \$100,000 per annum.

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 26, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 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

Melbourne, 21 February 2020



RODNEY D. COCKS
Director

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INDEPENDENT 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 is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2019 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 2019
- 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 25 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.

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 is free from material misstatement, whether due to fraud or error.



Auditor's responsibility 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. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 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*. As auditor of Cronos Australia Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'KPMG', positioned above the printed name 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to read 'Gordon Sangster', positioned above the printed name 'Gordon Sangster'.

Gordon Sangster

Partner

Melbourne

21 February 2020

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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)

Peter J. Righetti

(Executive Director)

Company Secretary

Lior Harel

Registered Office

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Australian Business Number

59 629 071 594

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Banker

Australia and New Zealand Banking Group Limited

833 Collins Street
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Auditor

KPMG

Chartered Accountants
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