

## 2020 PRELIMINARY FINANCIAL RESULTS

Cann Global (ASX: CGB) (“company” or “Group”), a global medicinal cannabis, hemp seed and wellness corporation, is pleased to announce its results for the 12 months ended 30 June 2020 (FY20). Accompanying this release is the Appendix 4E and Preliminary Financial Report for FY20.

### CANN GLOBAL FY2020 RESULTS: HIGHLIGHTS

- Revenue for FY20 was \$1,805k<sup>1</sup>, a 275% increase on the prior year (FY19: \$481k) due to the expansion into plant-based food products with the acquisition of T12 Holdings as well as strong organic sales growth.
- The food division was the primary driver of revenue generation, delivering \$1,630k for FY20, an increase of 232% on the prior year (FY19: \$481k)
- Cann Global Thailand Pty Ltd (55% owned) achieved a first-year profit of \$143,250
- The Group delivered a Gross Profit of \$470k compared to a loss of \$82k in the prior year
- Expenses (excluding finance costs) were reduced 20% during the year to \$6,660k (FY19: \$8,364k), despite a significant increase in research investment expenses during FY20
- The Group reported a total loss of \$8,050k, 13% better than the previous year (FY19: \$9,234k)
- As at 30 June 2020, the Company had a healthy \$7.4 million in cash reserves which has been further increased following the company’s July rights issue
- Product developments during the year included Chia oil soft-gel capsules, a new petfood range and significant progress towards bringing a suite of cannabinoid formulations developed by venture partner CannTab Therapeutics to Australia and Asia.
- Cann Global continues to seek appropriate regulatory approvals to facilitate distribution of new products globally and supports research initiatives in medicinal cannabis in what remains an emerging market and a significant opportunity.

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<sup>1</sup> K represents ‘000’s

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## EXECUTIVE SUMMARY

**Commenting on the FY20 results, Cann Global Executive Chairperson, Pnina Feldman said:** “We are pleased to report a record revenue result of \$1,805k for the year, demonstrating the resilience of Cann Global during the current uncertain environment. The Company has remained largely unimpacted by COVID-19 as a result of measures implemented to overcome various operational challenges, including those associated with shipping and legislative delays.

“In a major milestone for the business, this last year we are proud to have added plant-based food business T12 to our Group which is delivering solid revenue growth as a result of the establishment of new distribution channels and growing product lines. We are also pleased to report a first year profit for Cann Global Thailand in which we own a 55% interest.

“The company also continued to progress new product initiatives during the year across our divisions, and we anticipate new innovations including the Pharmocann skincare range, soft-gel chia capsules and a pet food range to launch during the first half of FY21.

“We continue to pursue routes to market in China and expansion in Asia in general, and clinical trials of Cannabis formulations to treat MS and other autoimmune diseases, and we will provide further updates to the market as these are progressed.

“As expected, the underlying loss reflects the operating cost base for the business as Cann Global continues to innovate with new products, strengthen its distribution channels and invest for growth opportunities.”

## BUSINESS INNOVATION DRIVES STRONG REVENUE GROWTH MOMENTUM

Sales revenue for the year including all contracted sales was \$1,805k, up 275% over the prior year (FY19: \$481k). This increase was due primarily to the acquisition of T12 in August 2019 and higher sales overall driven by a focused retail and wholesale sales strategy.

As a result of the growth in revenue, cost of goods sold has increased 133% to \$1,312k (FY19: \$562k). Pleasingly, the growth in revenue outweighs the increase in the production and manufacturing costs and the Group delivered a Gross Profit of \$470k up 680% compared to a loss in the prior year (FY19: \$81k).

Research expenses increased this financial year with \$2,130k invested in Medical Cannabis research (FY19: \$408k). Research results to date are very encouraging with trials focused on developing a product that may assist people suffering from MS and other autoimmune diseases.

Total expenses for the year were \$6,660k ex finance costs, a reduction of 20% (FY19: \$8,364).

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Finance costs have increased to \$2,009k (FY19: \$912k) due to the increased amount of funds raised during the period.

Net loss for the year is (\$8,050k), an improvement of 13% over the previous period (FY19: \$9,234k).

The balance sheet remains strong with cash reserves of \$7,417k up 43% on the prior year (FY19: \$5,184k) and total current assets of \$8,771k. This was predominantly due to the capital raising that took place in July 2019. The recent rights issue post balance date has further increased cash reserves by over \$2,200k, ensuring ongoing liquidity to drive further investment in new and existing ventures, further funds are being raised under the shortfall offer which is currently open.

This increased cash reserves, together with increased inventory to meet ongoing demand for Cann Global's products, drove an increase in total assets up 53% to \$16,547k.

Total equity increased significantly from \$2,887k as at 30 June 2019 to \$9,758k as at 30 June 2020.

## SIGNIFICANT PROGRESS IN PRODUCT DEVELOPMENT AND ENHANCED DISTRIBUTION CHANNELS

- Increased T12 marketing activities to increase brand and range awareness, and launches new products and a pet food range
- T12 expands distribution channels with supply agreements with Costco Australia and Epcoc Vietnam
- Regulatory changes in Thailand and Vietnam have opened new market opportunities
- Cann Global Thailand established plans to focus on development of auto-flowering raw hemp seeds and signs supply agreement with Naga Organics LLC (USA) valued at USD 750,000
- 200MT of hemp seed secured for processing, exceeding prior year yields
- Canadian partners Canntab have received their Health Canada processing and sales license, allowing commercial quantities to be distributed to the Australian and international markets
- Technion concluded successful in vivo and in vitro trials of Cannabis formulations to treat MS patients and began the application process for patents

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**Commenting on operating performance and strategic developments, Chief Operating Officer Ms Marion Lesaffre said:** “The company continued to deliver on its strategic priorities to efficiently manufacture its high-quality products, to expand the product range to leverage new markets, to strengthen its distribution channels and to facilitate the distribution of its product range globally. The company also continued supporting research into the medicinal benefits of Cannabis products.

“The strong growth in revenue this year is testament to the progression of our strategy and the many initiatives management is executing on across our global markets.”

Marion Lesaffre was appointed Chief Operating Officer this year following almost 10 years working with the Company and has had an instrumental role in the strategic direction of the business. Ms Lesaffre is responsible for working with the Company’s Managing Director, Sholom Feldman in implementing the strategic direction of the Company, and as COO is reviewing the operational processes to maximise growth and the appropriate path to profitability.

During the course of the financial year, management also undertook a review of the group sales and marketing strategy resulting in the appointment of a Director of Sales and Marketing.

In response to COVID-19, the company conducted an assessment to determine the risk that coronavirus posed in the workplace and subsequently implemented necessary controls to reduce the risk posed.

As a global business, the Company has experienced some challenges associated with the current environment but this has had minimal impact on operations. Managing workplace, health and safety risks is an ongoing process that will continue to be a priority over time.

## OVERVIEW OF CANN GLOBAL DIVISIONS

### 1. FOOD DIVISION (T12)

In July 2019 the Company acquired a 100% interest in T12 Holdings Pty Ltd. T12 is the operating company which owns Organic Markets Direct (OMD), a major wholesaler of health foods that include Hemp Seed products, Chia Seeds, Green Leaf Stevia, Cacao and other well-known health foods.

T12 also owns and operates Australian & International brands EM Super Foods, Australian Grown Naturals (AGN) and Black Bag. These brands have assisted significantly in the distribution and production of Cann Global’s suite of nutritional hemp products, in addition to the Company’s existing Vitahemp brand.

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31 AUGUST 2020



Throughout the financial year the Group, through its Food Division business T12 continued to strengthen its distribution channels and introduce new products.

Following CostCo Australia's initial order of VitaHemp hemp seed oil capsules in August 2019, Cann Global has expanded its product range made available through CostCo to include Organic Hemp Protein powder. T12 also entered into a supply agreement with Midlands Tasmania for raw hemp seeds.

An exclusive distribution agreement was signed with EPCO Food Co in September last year facilitating distribution of raw and packaged foods, including chia seeds and more recently hemp seed food products to the Vietnamese market. The export of hemp seed food products was delayed until the passing of the bill in June 2020 providing Australian hemp exporters with Government certification to export into international markets requiring a phytosanitary certificate such as Vietnam. Due to high demand for the initial product range the order has since been extended to include Nutraceutical products.

The Export Control Amendment (Certificate of Narcotics Exports) Bill 2020 passed both houses on 17 June 2020. The Bill serves to broaden the framework under which the Australian government certifies agricultural exports by permitting phytosanitary certification of legitimate exports of narcotic products. This change now allows Australian exporters to access international markets such as South-East Asia and China. Before the passing of this bill narcotic goods including hemp foods and medical Cannabis were excluded from the definition of goods in the Acts and were not eligible for Australian government certification to satisfy the importing requirements of many overseas countries, including Vietnam.

The company also developed a number of new products including Chia oil soft gel capsules and significant investment also was made into new product markets including hemp based pet-foods.

Over the past 12 months, management have invested considerable time and resources into new strategies to enhance and refresh the sales, marketing and operational systems within T12 which is expected to continue to yield results throughout the current financial year .

More than \$477,000 of T12 inventory has been stockpiled to support in securing customer long-term contracts.

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31 AUGUST 2020



## 2. ASIAN HEMP OPERATIONS

In its first month of operation, Cann Global Thailand (CGT) a recently incorporated 55% owned subsidiary, has pleasingly generated a net profit of \$143k which has served to highlight the profit generating capability of this revenue for service and capital light business model. This was underpinned by an agreement with AA Bio Co Ltd to provide extraction services to Thai cultivators.

Cann Global's launch into South-East Asia through its 55% owned subsidiaries Cann Global Asia (CGA) and newly incorporated Cann Global Thailand (CGT) continues despite challenges presented by COVID-19 and border closures. Following the execution of the first five customer agreements, the first tranche of revenue was received in the fourth quarter of FY20.

CGT also recently signed a supply agreement with Naga Organics LLC (USA) valued at USD 750,000 whereby the company will be supplying five million feminised auto-flowering CBD hemp seeds. These purchase orders represent a milestone for the Company's commercial seed operation. CGT is specialising in the development and sale of auto-flowering CBD hemp seeds. The Company believes that a large niche market for auto-flowering seeds will develop in Asia where the warmer growing conditions allow for the outdoor cultivation of CBD hemp in the off season.

As announced to the market on 15 June 2020, due to matters arising from the COVID-19 pandemic, cultivation and hemp seed trial projects under the agreement between Cann Global Asia Pty Ltd (CGA) and SUN in Laos were put on hold. This gave rise to SUN filing an invitation to mediate an economic dispute against Cann Global Asia by trying to claim a breach of terms of the agreement. CGA is following appropriate lawful procedures to defend any claim by SUN, and CGB itself does not anticipate any liability exposures in this matter.

CGB's lawyers have confirmed that CGB is clearly not a party to any of the agreements with SUN, CGB has no liability in this matter and is not a party to the dispute, therefore CGB will not be responsible for the performance of CGA, and in any event the Board is confident that CGA will be able to successfully defend the claims.

## 3. MEDICAL CANNABIS DIVISION (CANNTAB AND TECHNION)

Cann Global entered into a 50/50 Joint Venture with Canntab Therapeutics in January 2018 to bring their suite of hard pill cannabinoid formulations to Australia and Asia. These tablets have a distinct advantage over competitors' products as they represent a uniform dosage tablet produced to pharmaceutical grade standards and are already being distributed in Canada with success.

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## 31 AUGUST 2020



The Company looks forward to releasing the product into the Australian market for the first time, once appropriate Australian government approvals have been granted. Medcan Australia is managing the regulatory processes, distribution pathways and logistics under the facilitation agreement it has with Cann Global.

The company is continuing its discussion with industry partners to develop protocols for randomized clinical trials (RCT) and Cannabinoid Medicine Observational Studies (CMOS) in Australia for the Canntab products and the Cannabis strained identified in the research being undertaken by Dr Dedi Meiri at the Technion in Israel.

#### 4. SKIN-CARE (PHARMOCANN)

Cann Global has a 50/50 partnership agreement with one of Israel's leading Cannabis companies Pharmocann, to produce and sell Pharmocann's unique advanced cannabis-based treatment formulations, dermatological and cosmetic beauty products.

Cann Global, in discussion with Medcan Australia, and manufacturing Australian partners are continuing to make preparations for the production and manufacture of the new skin-care range which will be marketed under the Cann Global label for sale in Australia and for export to Asia and International markets.

Following market research phase 1 and 2, Cann Global is formalising its brand strategy and position alongside Pharmocann, as well as its go to market plans for its range of plant-based skin care beauty products. A pilot phase to analyse demand is expected to launch this quarter.

Preliminary preparations to produce and manufacture the full range of Cannabis and Hemp skin-care range under the JV are still underway. The Company believes that these new Australian made and manufactured skin-care products will be welcomed by Australian and Asian consumers due to the current high demand around the world for these types of products.

#### 5. MINING DIVISION

The company is progressing with renewal applications and the preparation of further programs together with the Queensland Department of Natural Resources to ensure the company maintains its bauxite assets in good standing.

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31 AUGUST 2020



## OTHER INITIATIVES

The Company signed an exclusive agreement to commercialise the IP rights to Olivia's Choice medical cannabis formulas in December 2019, details of which were announced at the time. This agreement is between the company and John Easterling, a non-executive director of the Company, and as such is subject to shareholder approval.

Cann Global continues to work towards seeking appropriate regulatory approvals and permits required to produce these formulas in Australia and make it available to patients through the Special Access Scheme, Medical Cannabis program, in order to progress with this agreement.

Due to delays arising from the global pandemic, progress towards the production and distribution of medicinal cannabis in South Africa through the joint venture with Koegas Medicinal Herbs has been put on hold. At an appropriate time, the Company will resume efforts to establish its presence in this highly strategic location, and leverage what is considered to be a huge emerging market in this region.

Cann Global continues its discussions with industry partners to pursue distribution channels opportunities in China and will be sending different samples for testing to continue developing our export strategies. Exporting offers the Group the prospect of new markets, more sales, better profits and a greater spread of customers.

## OUTLOOK

Cann Global operates in the healthcare, medical and wellbeing sectors which continue to experience growth, notwithstanding the challenges in the current environment. The Board is pleased with the continued growth and progress made across the Company's various divisions and continued exponential growth of revenues.

Cann Global's business plan remains flexible to take advantage of and to adjust and keep pace with the constant changes occurring within the global legislative environment in the Cannabis industry. The near-term focus for the business is to drive sales of its food division products with a focus on export marketing strategies, facilitate the import of the Canntab and other medical cannabis products, and the expansion of our sales and operations in Asia, together with a focus on operational efficiency supporting managements' efforts to drive the business towards profitability.

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

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31 AUGUST 2020



## ABOUT CANN GLOBAL

Cann Global Limited (ASX:CGB) is a driving force in the hemp and medical Cannabis industries. Our strength comes from our team's core competencies and expertise, and our solid and strategic partnerships with experts in Australia, USA, Israel, Asia, Africa and Canada. We are working under the relevant legislation to ensure that the future in Medical Cannabis and Natural Foods will allow medical practitioners, patients, and consumers to gain access to the right information, as well as the safest, most effective and sustainable products.

## AUTHORITY AND CONTACT DETAILS

This announcement has been authorised for release by Sholom D Feldman, Managing Director. For further information please contact Sholom Feldman, Managing Director, on +61 (0)2 8379 1832, or via email [sfeldman@cannglobal.com.au](mailto:sfeldman@cannglobal.com.au)

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## ASX Announcement

# Appendix 4E and unaudited Preliminary Financial Report for the year ended 30 June 2020

Release date: 31 August 2020

In accordance with the ASX Listing Rules, Cann Global Limited (**ASX: CGB**) encloses for release to the market:

- Appendix 4E, and
- Unaudited Preliminary 2020 Financial Report.

For further information, contact:

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Cann Global Limited | ABN 18 124 873 507

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# Appendix 4E (continued)

## 1. Company details

Name of entity: Cann Global Limited

ABN: 18 124 873 507

Reporting period: For the year ended 30 June 2020

Previous period: For the year ended 30 June 2019

## 2. Results for announcement to the market

	2020	2019		Change	Change
	\$'000	\$'000		\$	%
Revenues from ordinary activities	1,805	481	up	1,324	275
Loss from ordinary activities after tax attributable to the members of Cann Global Limited	(8,012)	(6,435)	up	(1,577)	25
Net loss for the year attributable to the members of Cann Global Limited	(8,012)	(6,435)	up	(1,577)	25

### Dividends

No dividends have been paid or proposed in respect of the 2020 financial year (2019: nil).

## 3. Consolidated statement of Comprehensive Income with accompanying notes to the statement

The Appendix 4E should be read in conjunction with the unaudited Preliminary Financial Report for the year ended 30 June 2020, specifically:

- Consolidated Statement of Comprehensive Income
- Notes to the financial statements

## 4. Consolidated statement of financial position together with accompanying notes to the statement

The Appendix 4E should be read in conjunction with the attached unaudited preliminary Financial Report for the year ended 30 June 2020, specifically:

- Consolidated Balance Sheet
- Notes to the financial statements

## 5. Consolidated statement of cash flows with accompanying notes to the statement

The Appendix 4E should be read in conjunction with the attached unaudited Preliminary Annual Report for the year ended 30 June 2020, specifically:

- Consolidated Statement of Cash Flows
- Notes to the financial statements

## 6. Consolidated statement of changes in equity

The Appendix 4E should be read in conjunction with the attached Preliminary Annual Report for the year ended 30 June 2020, specifically:

- Consolidated statement of Changes in Equity
- Notes to the financial statements

## Appendix 4E (continued)

### 7. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary share	0.35	0.26

### 8. Entities over which control has been gained during the period

During the year ended 30 June 2020, Cann Global Limited gained control over the following entities:

- Hemp Hulling Co (Qld) Pty Ltd: 55%
- T12 Holdings Pty Ltd: 100%
- Cann Global Asia Pty Ltd: 55%, newly incorporated before 30 June 2020
- Cann Global Thailand Pty Ltd: 55%, newly incorporated on 30 June 2020

Refer to note 26 in the attached preliminary annual report for details on the acquisitions.

Detail of joint ventures	Reporting entity's percentage holding		Contribution to profit after tax	
	30 June 2020 %	30 June 2019 %	30 June 2020 \$'000	30 June 2019 \$'000
Canntab Therapeutics Australia	50%	50%	-	-

### 9. Independent auditor's review

The financial statements are in the process of being audited. An unmodified opinion is expected to be issued and an Emphasis of Matter paragraph on Exploration and Evaluation asset is expected.

### 10. Attachments

Additional Appendix 4E requirements can be found in the attached Preliminary Financial Report.



# 20 FINANCIAL 20 REPORT

- 1** CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
- 2** CONSOLIDATED STATEMENT OF FINANCIAL POSITION
- 3** CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
- 4** CONSOLIDATED STATEMENT OF CASH FLOWS
- 5** NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

Consolidated	Note	2020	2019
		\$	\$
Revenue from sales	7	1,781,723	480,647
<b>Operating revenue</b>		<b>1,781,723</b>	<b>480,647</b>
Cost of goods sold		(1,311,860)	(562,218)
<b>Gross Profit/(Loss)</b>		<b>469,863</b>	<b>(81,571)</b>
R&D Refund	7	23,281	-
<b>Total other income</b>		<b>23,281</b>	<b>-</b>
Administrative and corporate expenses	8	(1,673,403)	(1,708,525)
Sales and marketing		(207,319)	(226,420)
Depreciation		(45,564)	(22,530)
Amortisation		(33,574)	(39,550)
Foreign currency exchange gain/(loss) realised		7,313	(24,810)
Loss on equity settled liabilities		(399,345)	-
Legal expenses		(171,085)	(713,533)
Directors fees CGB		(684,000)	(714,000)
Directors fees MCL		(120,000)	(120,000)
Occupancy expenses	8	(112,905)	(267,871)
Exploration written off		-	(13,683)
Impairment of other receivables		79,258	(485,036)
Financial assets at FVTPL – net change in value		-	(2,902,853)
Research costs		(2,130,349)	(407,878)
Share of loss in equity-accounted investees – net of tax		-	(75,313)
Travelling expenses		(209,122)	(252,781)
Other expenses		(186,057)	(132,105)
Share based payments expense	11	(773,946)	(257,583)
<b>Total expenses</b>		<b>(6,660,098)</b>	<b>(8,364,471)</b>
Finance income	9	124,725	123,285
Finance costs	9	(2,008,579)	(911,615)
<b>Net finance costs</b>		<b>(1,883,854)</b>	<b>(788,330)</b>
<b>Loss before income tax</b>		<b>(8,050,808)</b>	<b>(9,234,372)</b>
Income tax expense	13	-	-
<b>Loss after tax from continuing operations</b>		<b>(8,050,808)</b>	<b>(9,234,372)</b>
Other comprehensive income, net of tax		-	-
<b>Total comprehensive loss</b>	29	<b>(8,050,808)</b>	<b>(9,234,372)</b>
Loss attributable to members of Cann Global Limited		(8,012,138)	(6,434,935)
<b>Total comprehensive income attributable to members of Cann Global Limited</b>		<b>(8,012,138)</b>	<b>(6,434,935)</b>
<b>Loss attributable to non-controlling interest</b>		<b>(38,670)</b>	<b>(2,799,437)</b>
<b>Total comprehensive income attributable to non-controlling interest</b>		<b>(38,670)</b>	<b>(2,799,437)</b>
<b>Basic loss per share (cents per share)</b>	10	<b>(0.26)</b>	<b>(0.57)</b>
<b>Diluted loss per share (cents per share)</b>	10	<b>(0.26)</b>	<b>(0.57)</b>

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

# Consolidated Statement of Financial Position

As at 30 June 2020

Consolidated	Note	2020 \$	2019 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	14	7,417,095	5,183,769
Prepayments		154,591	103,513
Trade and other receivables	15	709,632	936,057
Inventories	16	489,475	168,864
<b>TOTAL CURRENT ASSETS</b>		<b>8,770,793</b>	<b>6,392,203</b>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation	17	2,451,028	2,238,019
Property, plant and equipment	18	486,458	73,403
Right-of-use assets	19	138,416	-
Intangible assets	20	4,501,160	1,919,311
Investments		200,000	-
Equity-accounted investees		2	210,975
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,777,064</b>	<b>4,441,708</b>
<b>TOTAL ASSETS</b>		<b>16,547,857</b>	<b>10,833,911</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	24	2,067,980	1,249,247
Current tax liability		292,666	292,666
Lease liabilities		77,184	-
Other financial liabilities	23	4,290,747	6,405,001
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,728,577</b>	<b>7,946,914</b>
<b>NON CURRENT LIABILITIES</b>			
Lease liabilities		61,232	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>61,232</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>6,789,809</b>	<b>7,946,914</b>
<b>NET ASSETS</b>		<b>9,758,048</b>	<b>2,886,997</b>
<b>EQUITY</b>			
Share capital	21	84,159,575	29,600,842
Share based payments reserve	22	6,027,318	5,253,372
Acquisition of NCI reserve		(42,498,259)	-
Accumulated losses	29	(37,870,544)	(29,858,406)
<b>TOTAL</b>		<b>9,818,090</b>	<b>4,995,808</b>
Non-controlling interest	27	(60,042)	(2,108,811)
<b>TOTAL EQUITY</b>		<b>9,758,048</b>	<b>2,886,997</b>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

Consolidated	Note	ISSUED CAPITAL \$	ACCUMULATED LOSSES \$	SHARE BASED PAYMENTS RESERVE \$	ACQUISITION OF NON-CONTROLLING INTERESTS RESERVE \$	NON-CONTROLLING INTEREST (NCI) \$	TOTAL EQUITY \$
<b>Balance at 1 July 2018</b>		29,600,842	(23,617,200)	4,701,599	-	864,148	11,549,389
Loss for the year		-	(6,434,935)	-	-	(2,799,437)	(9,234,372)
Transfer from share-based payments reserve to accumulated losses		-	20,207	(20,207)	-	-	-
Share and option-based payments	11	-	-	257,583	-	-	257,583
Share based payment related to options issued in respect of the issue of convertible securities		-	-	314,397	-	-	314,397
Transfer from accumulated losses to non-controlling interest		-	173,522	-	-	(173,522)	-
<b>BALANCE AT 30 JUNE 2019</b>		<b>29,600,842</b>	<b>(29,858,406)</b>	<b>5,253,372</b>	<b>-</b>	<b>(2,108,811)</b>	<b>2,886,997</b>
Consolidated	Note	ISSUED CAPITAL \$	ACCUMULATED LOSSES \$	SHARE BASED PAYMENTS RESERVE \$	ACQUISITION OF NON-CONTROLLING INTERESTS RESERVE \$	NON-CONTROLLING INTEREST (NCI) \$	TOTAL EQUITY \$
<b>Balance at 1 July 2019</b>		29,600,842	(29,858,406)	5,253,372	-	(2,108,811)	2,886,997
Loss for the year		-	(8,012,138)	-	-	(38,670)	(8,050,808)
Share and option-based payments	11	-	-	773,946	-	-	773,946
Acquisition of additional 45% interest in MCL		40,410,820	-	-	(42,498,259)	2,087,439	-
Shares issued during the year		14,147,913	-	-	-	-	14,147,913
<b>BALANCE AT 30 JUNE 2020</b>		<b>84,159,575</b>	<b>(37,870,544)</b>	<b>6,027,318</b>	<b>(42,498,259)</b>	<b>(60,042)</b>	<b>9,758,048</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.



# Consolidated Statement of Cash Flows

For the year ended 30 June 2020

Consolidated	Note	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,803,296	291,777
Payments to suppliers and employees		(6,727,564)	(4,284,646)
Interest received		124,725	123,285
R&D Grant		23,281	-
Interest paid		-	(1,505)
<b>Net cash outflow from operating activities</b>	<b>28a</b>	<b>(4,776,262)</b>	<b>(3,871,089)</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(16,834)	-
Payment for intangibles		(14,750)	(25,600)
Payment for exploration assets		(213,009)	(374,256)
<b>Net cash outflow from investing activities</b>		<b>(244,593)</b>	<b>(399,856)</b>
<b>Cash flows from financing activities</b>			
Loan provided by/(to) related entity – Australian Gemstone Mining Pty Ltd		39,641	(28,123)
Loan provided to other entity – Medcan Australia Trust Pty Ltd		-	(405,342)
Loan provided to associated entity – Hemp Hulling Co. (QLD) Pty Ltd		-	(34,452)
Loan provided to other entities		-	(92,233)
Loan provided to related entity – Plateau Bauxite Limited		-	(6,134)
Loan repaid (to)/provided by related party - MCL Director		(482,908)	219,499
Loan repaid (to)/provided by related party – CGB Director		(115,037)	115,037
Loan provided by other entity		-	150,000
Loan repaid by Volcan Australia Corporation Pty Ltd		79,258	-
Proceeds from convertible securities		2,833,200	1,100,000
Proceeds from share capital issued		6,618,560	-
Loans repaid to seed capital		(1,758,000)	-
Proceeds from seed capital loans		-	2,027,145
<b>Net cash inflow from financing activities</b>		<b>7,214,714</b>	<b>3,045,397</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,193,859</b>	<b>(1,225,548)</b>
Cash and cash equivalents at the beginning of the year		5,183,769	6,409,317
Cash acquired from Hemp Hulling Co and T12 Acquisition		39,467	-
<b>Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b>7,417,095</b>	<b>5,183,769</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

## Note 1. Basis of preparation

### a Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

#### i Investments

The methods used to measure fair values are discussed further in note 6.

#### ii Other non-derivative financial liabilities

The methods used to measure fair values are discussed further in note 6.

### b Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group.

### c Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

### d Key estimates and judgements

#### Impairment

The Group assesses impairment at the end of each reporting year by evaluation of conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using the higher of fair value less costs to sell and value-in-use calculations, which incorporate various key assumptions.

#### Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

## Note 2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

### a Basis of consolidation

#### i Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair value of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises as identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of:

(a) fair value of consideration transferred (b) the recognised amount of any non-controlling interest in the acquiree; and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition date fair values of identifiable net assets.

#### ii Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has a right to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

#### iii Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

#### iv Interests in equity-accounted investees

The Group's interest in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

#### v Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### b Foreign currency

#### i Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency exchange are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign- currency differences are generally recognised in profit or loss.

## ii Foreign operations

The asset and liabilities of foreign operations are translated in \$A at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into \$A at the exchange rates at the dates of the transactions.

## c Financial instruments

### i Non-derivative financial assets

#### Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

#### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

#### Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

### ii Non-derivative financial liabilities

The Group initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classifies the non-derivative financial liabilities into trade and other payables and other financial liabilities categories. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost.

Other financial liabilities comprise trade and other payables, loans and convertible securities.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

## d Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

## e Property, plant and equipment

i Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

ii Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

iii Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit and loss over the estimated

useful lives of each component. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

. mining equipment	10 years
. plant and equipment	10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## f Exploration and evaluation expenditure

Exploration and evaluation expenditure, including the costs of acquiring the licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore an area are recognised in the statement of profit or loss and other comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the

recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are finalised, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

## g Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

## h Other intangible assets

Acquired intangible assets

Seedbank and plant genetics acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values.

Subsequent measurement

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing.

Amortisation of seedbank and plant genetics and the intellectual property (website) is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in the profit and loss.

The following useful lives are applied:

- Seedbank and plant genetics 10 years
- Intellectual property – website 2 years

## i Impairment

i Non-derivative financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

## ii Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

## j Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first in first out principle. In the case of manufactured inventories, cost includes an appropriate share production overhead based on normal operating capacity.

## k Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost,

which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

## l Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

## **m Revenue**

Revenue is recognized at the fair value of consideration received or receivable. Revenue is recognised at the point in time that sales or service performance has been completed.

### Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

### License fee revenue

License fee revenue is recognised when the right to receive payment is established.

### Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

## **n Research and development**

Expenditure on research activities is recognised in profit and loss as incurred.

## **o Finance income and finance costs**

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense and other costs of borrowings. All finance costs are recognised in profit or loss using the effective interest method.

## **p Income tax**

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Cann Global Limited.

## **q Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.



# Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

## r Share-based payments

Equity-settled share-based payments are provided to certain vendors and suppliers in exchange for the acquisition of businesses or rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date of the businesses acquired or services received if reasonably measurable. Otherwise, fair value is measured at the quoted market price of the Company's ordinary shares on grant date, adjusted where applicable to take into account the terms and conditions upon which the shares were granted.

## s Going concern basis of accounting

Notwithstanding the loss for the year of \$8,050,808, negative cash flows from operations of \$4,776,262 and historical financial performance, and net current liabilities of \$2,042,216, the financial report has been prepared on a going concern basis. This assessment is based on a cash at bank balance at balance date of \$7,417,095, additional cash of \$2.2mil from a capital raising subsequent to year-end, conversion to shares of convertible securities, and the directors' understanding of expected net cash outflows in the coming financial year.

## Note 3. New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognized lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group has adopted this standard from 1 July 2019. The Group applied the modified retrospective approach under Paragraph C8(b)(ii).

### Right-of-use assets

The Group has operating lease contracts for property, which are recognised on the balance sheet at commencement of the lease, with the exception of short-term leases not exceeding 12 months. The Group applied practical expedients and the exemption to short-term leases available in the accounting standard.

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2020

## Impact of adoption of AASB 16

During the year ended 30 June 2020, the Group recognised a right-of-use asset of \$138,416 and a lease liability of \$138,416. The impact of AASB 16 on retained earnings was \$Nil.

The Group applied an incremental borrowing rate of 4.5%.

The implementation of AASB 16 resulted in no change to leasing expense or profit before tax.

## **Note 4. Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### Investments

Investments are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the market value of the ASX publicly listed share price.

### Other non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. In respect of the liability component of convertible notes, the market rate of interest is determined with reference to similar liabilities that do not have a conversion option.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

## Note 5. Financial risk management

### a. Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- o liquidity risk; and
- o market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### b. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, trade and other receivables, trade and other payables and other financial liabilities.

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency fluctuation risk and liquidity risk.

#### Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result in changes in market interest rates, arises mainly from bank deposits accounts.

#### Foreign currency risk

The Group was marginally exposed to fluctuations in foreign currencies during the reporting period.

#### Credit risk

Neither the Group or the Company have any material credit or other risk exposure to any single receivable or group of receivables or payables under financial instruments entered into by the Group.

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash reserves or unutilised borrowings are maintained.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments:

## 30 June 2020 – Contractual cash flows

	Carrying amount \$	Total \$	Less than 12 months \$	1-2 Years \$	2 to 5 years \$	More than 5 years \$
Non derivative financial liabilities						
Obsidian	3,903,889	4,203,889	4,203,889	-	-	-
L1 Capital Global	85,200	85,200	85,200	-	-	-
Loan - A Kavasilas	211,113	211,113	211,113	-	-	-
Loan – other	90,545	90,545	90,545	-	-	-

## 30 June 2019 – Contractual cash flows

	Carrying amount \$	Total \$	Less than 12 months \$	1-2 Years \$	2 to 5 years \$	More than 5 years \$
Non derivative financial liabilities						
L1 Capital Global	1,804,035	2,076,000	2,076,000	-	-	-
Seed capital loans	3,638,575	3,638,575	3,638,575	-	-	-
Loan - A Kavasilas	694,021	694,021	694,021	-	-	-
Loan – M Gutnick	115,037	115,037	115,037	-	-	-
Loan – other	153,333	153,333	153,333	-	-	-

### Price risk

The Group's anticipated value of the South Johnstone Bauxite project is affected by the price of bauxite and shipping. Any rise or fall of the price of bauxite or shipping costs may affect the project's value accordingly. Similarly for the various market prices of cannabis products produced by the Company.

### Market risk

Market risk is the risk that changes in market prices will affect the Group, for example changes in interest rates, and changes in share price for investments at FVTPL.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

## Note 6. Operating segments

### a. Basis for segmentation

The Group has three reportable segments; hemp and medical cannabis products, mining exploration and evaluation and corporate. The corporate segment includes all of our initiatives in corporate growth activities and provides administrative, technical and financial support.

### b. Information about reportable segments

Information related to each reportable segment is set out below.

Consolidated – 2020	Mining Exploration and Evaluation	Cannabis	Corporate	Total
<b>Revenue</b>				
Segment revenues	-	1,805,004	-	1,805,004
Less: Intersegment revenues	-	-	-	-
<b>Total revenue</b>				
		<b>1,805,004</b>		<b>1,805,004</b>
Interest income	-	-	124,725	124,725
Depreciation	(4,603)	(40,961)	-	(45,564)
Amortisation	-	(33,574)		(33,574)
Impairment of receivables			79,258	79,258
Finance costs	-	-	(2,008,579)	(2,008,579)
Other costs		(3,798,649)	(4,173,429)	(7,972,078)
<b>Loss before income tax expense</b>	<b>(4,603)</b>	<b>(2,068,180)</b>	<b>(5,978,025)</b>	<b>(8,050,808)</b>
Income tax expense	-	-	-	-
<b>Loss after income tax expense</b>	<b>(4,603)</b>	<b>(2,068,180)</b>	<b>(5,978,025)</b>	<b>(8,050,808)</b>
Capital Expenditures	214,727	16,834	-	231,561
<b>Total assets</b>	<b>2,471,882</b>	<b>6,497,774</b>	<b>7,578,201</b>	<b>16,547,857</b>
<b>Total liabilities</b>	<b>-</b>	<b>797,740</b>	<b>5,992,069</b>	<b>6,789,809</b>

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

## Note 6. Operating segments (continued)

Consolidated – 2019	Mining Exploration and Evaluation	Cannabis	Corporate	Total
<b>Revenue</b>				
Segment revenues	-	480,647	-	480,647
Less: Intersegment revenues	-	-	-	-
<b>Total revenue</b>	-	<b>480,647</b>	-	<b>480,647</b>
<b>Interest income</b>				
Interest income	-	-	123,285	123,285
<b>Depreciation</b>				
Depreciation	(13,038)	(13,241)	-	(26,279)
<b>Amortisation</b>				
Amortisation	-	(35,800)	-	(35,800)
<b>Impairment of receivables</b>				
Impairment of receivables	-	(478,902)	(6,134)	(485,036)
<b>Finance costs</b>				
Finance costs	-	-	(911,615)	(911,615)
<b>Other costs</b>				
Other costs	(13,683)	(4,969,601)	(3,396,290)	(8,379,574)
<b>Loss before income tax expense</b>	<b>(26,721)</b>	<b>(5,016,897)</b>	<b>(4,190,754)</b>	<b>(9,234,372)</b>
<b>Income tax expense</b>				
Income tax expense	-	-	-	-
<b>Loss after income tax expense</b>	<b>(26,721)</b>	<b>(5,016,897)</b>	<b>(4,190,754)</b>	<b>(9,234,372)</b>
<b>Capital expenditures</b>				
Capital expenditures	374,259	25,600	-	399,859
<b>Total assets</b>	<b>2,260,682</b>	<b>3,389,458</b>	<b>5,183,771</b>	<b>10,833,911</b>
<b>Total liabilities</b>	<b>-</b>	<b>1,101,724</b>	<b>6,845,190</b>	<b>7,946,914</b>

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# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

## Note 7. Revenue and other income

	2020 \$	2019 \$
Revenue from sale of goods	1,630,532	480,647
Revenue from services	151,191	-
<b>Other income</b>	-	-
Interest income	124,725	123,285
Research & Development Grant for FY18	23,281	-
	<b>1,929,729</b>	<b>603,932</b>

## Note 8. Expenses

Consolidated	2020 \$	2019 \$
<b>Administrative &amp; Corporate expenses</b>		
Salaries and consulting fees CGB	(576,390)	(532,007)
Salaries and consulting fees T12	(577,398)	(165,925)
Shareholders' services	(141,296)	(559,525)
Other administrative expenses	(378,319)	(451,068)
	<b>(1,673,403)</b>	<b>(1,708,525)</b>
<b>Occupancy expenses</b>		
Warehouse T12/Vitahemp	(107,202)	(41,304)
Headquarter offices CGB	(5,703)	(226,567)
	<b>(112,905)</b>	<b>(267,871)</b>

## Note 9. Finance costs

	2020 \$	2019 \$
Interest income on cash at bank	124,725	123,285
<b>Finance income</b>	<b>124,725</b>	<b>123,285</b>
Financial liabilities measured at amortised cost – interest expense	(2,008,579)	(911,615)
<b>Finance costs</b>	<b>(2,008,579)</b>	<b>(911,615)</b>
<b>Net finance costs</b>	<b>(1,883,854)</b>	<b>(788,330)</b>

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

## Note 10. Earnings per share

	2020	2019
<b>Basic Earnings per Share</b>		
a. Basic loss per share (cents)	(0.26)	(0.57)
Loss attributable to ordinary shareholders (\$)	(8,050,808)	(9,234,372)
Earnings used to calculate basic EPS (\$)	(8,050,808)	(9,234,372)
b. Issued ordinary shares at 1 July	1,612,435,425	1,606,852,092
Effect of shares issued during the year	1,530,967,451	4,830,593
Weighted average number of ordinary shares at 30 June	<b>3,143,402,876</b>	<b>1,611,682,685</b>
<b>Diluted Earnings per Share</b>		
a. Diluted loss per share (cents)	(0.26)	(0.57)
Loss attributable to ordinary shareholders (\$)	(8,050,808)	(9,234,372)
Earnings used to calculate diluted EPS (\$)	(8,050,808)	(9,234,372)
b. Weighted average number of ordinary shares (basic)	<b>3,143,402,876</b>	<b>1,611,682,685</b>
Weighted average number of ordinary shares (diluted) at 30 June	<b>3,143,402,876</b>	<b>1,611,682,685</b>

As at 30 June 2020, 56,140,000 options (2019: NIL) and 50,000,000 performance shares (2019: 50,000,000) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the year.

## Note 11. Share based payment arrangement

### Description of the share based payment arrangements.

The following share based payment arrangements exist as at 30 June 2020.

#### Ordinary shares granted

On 19 July 2019 the Company issued 5,405,405 shares to Sebastian and Samuel Edwards as consideration for T12 management fees. The share price at the grant date was \$0.035 per share, resulting in consideration for consulting services of \$189,189.

On 19 July 2019, the Company issued 2,250,000 shares to Medcan Australia as consideration for facilitation services. The share price at grant date was \$0.035 per share, resulting in consideration for facilitation services of \$78,750.

On 15 November 2019, the Company issued 10,250,295 shares to consultants as consideration for consulting services. The share price grant date was \$0.025, resulting in consideration for consulting services of \$256,257.

On 26 November 2019, the Company issued 3,330,000 shares to Medcan Australia as consideration for facilitation services. The share price at the grant date was \$0.025 per share, resulting in consideration for facilitation services of \$83,250.

On 5 February 2020, the Company issued 1,956,054 shares to Neil Sweeny as consideration for consulting fees. The share price at the grant date was \$0.015 per share, resulting in consideration for consulting services of \$30,000.

On 8 April 2020, the Company issued 13,512,779 shares to Medcan Australia as consideration for facilitation services. The share price at the grant date was \$0.01 per share, resulting in consideration for facilitation services of \$136,500.



# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

The following share based payment arrangements exist as at 30 June 2019.

## Ordinary shares granted

On 18 July 2018, the Company issued 1,333,333 ordinary shares as consideration for consulting services. The share price at the grant date was \$0.037 per share, resulting in consideration for consulting services of \$49,333.

On 28 August 2018, the Company issued 2,870,000 ordinary shares to Craig Cochran and 1,380,000 to Gareth Ball as consideration for Medcan management fees. The share price at the grant date was \$0.037 per share, resulting in consideration for consulting services of \$208,250.

## Note 12. Key Management Personnel Disclosure

a. Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	Position
Pnina Feldman	Executive Chairperson
Sholom Feldman	Executive Director
John Easterling	Non-Executive Director
David Austin	Non-Executive Director
Jonathan Cohen	Non-Executive Director
Marion Lesaffre	Chief Operating Officer

b. The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

Consolidated	2020 \$	2019 \$
Short-term employee benefits	879,000	714,000
Post-employment benefits	-	-
Long-term benefits	-	-
Share-based payments	-	-
	<b>879,000</b>	<b>714,000</b>

### Short term employee benefits

These amounts include fees and benefits paid to non-executive directors as well as salary, paid leave benefits, fringe benefits and cash bonuses awarded to the executive Chairperson, executive directors and other KMP.

### Post-employment benefits

These amounts are the current-year's costs of providing for superannuation contributions under the Australian Government's superannuation guarantee scheme.

### Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

### Share based payment expense

These amounts represent the expense related to the participation of specified executives in equity-settled benefit schemes as measured by the fair value of the shares granted on grant date.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

## Note 13. Income tax

	2020 \$	2019 \$
<b>Major components of income tax expense</b>		
<b>a. Income tax benefit</b>		
Loss before income tax	(8,050,808)	(9,234,372)
Prima facie tax benefit on the loss from ordinary activities before income tax at 27.5% (2018: 27.5%) differs from the income tax provided in the financial statements as follows:	(2,213,973)	(2,539,452)
Tax benefit at 27.5%		
Add/(Less) tax effect		
- Non-deductible expenses	807,274	1,543,587
- Exploration expenditure capitalised	(59,050)	(102,921)
- Deferred tax asset not brought to account	1,465,749	1,098,786
Income tax expense attributable to operating loss	-	-

### b. Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following item:

Add/(Less) tax effect		
- Tax losses – income at 27.5%	7,130,606	5,664,856
- Tax losses – capital at 27.5%	135,076	135,076

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

## Note 14. Cash and cash equivalent

Consolidated	2020 \$	2019 \$
<b>CURRENT</b>		
Cash on hand	100	100
Cash at bank	7,416,995	5,183,669
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>7,417,095</b>	<b>5,183,769</b>

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

## Note 15. Trade and other receivables

Consolidated	2020 \$	2019 \$
<b>CURRENT</b>		
Trade receivables	554,968	337,717
Other receivables	154,664	354,833
Loans to related parties	-	151,274
Loan to other party	-	92,233
	<b>709,632</b>	<b>936,057</b>

## Note 16. Inventories

Consolidated	2020 \$	2019 \$
<b>CURRENT</b>		
Seeds and crops in progress – at cost	12,675	75,659
Finished goods – at cost	476,800	93,205
	<b>489,475</b>	<b>168,864</b>

## Note 17. Exploration and evaluation

Consolidated	2020 \$	2019 \$
<b>NON-CURRENT</b>		
EPM 18463		
Balance as at 30 June	2,238,019	1,863,760
Mining permits, tenement acquisition and administration and geologist expenses	213,009	374,259
Impairment of exploration assets	-	-
<b>Balance as at 30 June</b>	<b>2,451,028</b>	<b>2,238,019</b>

The Exploration and Evaluation asset of \$2,451,028, relates to the South Johnstone Project, Queensland, mining tenement EPM 18463. This mining tenement was set to expire on 25 May 2020. CGB have lodged the renewal application for the mining tenement with the Queensland Government's, Department of Natural Resources, Mines and Energy (DNRME). The status of the tenement is therefore Granted (Renewal lodged). CGB have lodged the renewal application on time prior to expiry date and are now waiting for the DNRME's decision. CGB is yet to be advised whether the renewal application will be approved. If the renewal is unsuccessful then in that event the capitalised Exploration and Evaluation asset cost of \$2,451,028 will be fully impaired. CGB has no reason to believe the renewal will be unsuccessful.

## Note 18. Plant and equipment

Consolidated	2020 \$	2019 \$
<b>NON-CURRENT</b>		
Mining Equipment		
At cost	195,426	195,426
Accumulated depreciation	(187,366)	(182,764)
<b>TOTAL</b>	<b>8,060</b>	<b>12,662</b>
Plant and Equipment		
At cost	564,659	76,519
Accumulated depreciation	(86,261)	(15,778)
<b>TOTAL</b>	<b>478,398</b>	<b>60,741</b>
<b>TOTAL WRITTEN DOWN AMOUNT</b>	<b>486,458</b>	<b>73,403</b>

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

## Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant and Equipment \$	Mining Equipment \$	Total \$
<b>Carrying amount year ended 30 June 2018</b>	70,232	25,701	95,933
Additions	-	-	-
Depreciation expense	(9,491)	(13,039)	(22,530)
<b>Carrying amount year ended 30 June 2019</b>	<b>60,741</b>	<b>12,662</b>	<b>73,403</b>
Additions	16,834	-	16,834
Acquisition of Hemp Hulling Co.	441,785	-	441,785
Depreciation expense	(40,962)	(4,602)	(45,564)
<b>Carrying amount year ended 30 June 2020</b>	<b>478,398</b>	<b>8,060</b>	<b>486,458</b>

## Note 19. Right-of-use assets

Consolidated	2020 \$	2019 \$
<b>NON-CURRENT</b>		
Land and buildings - right-of-use	138,416	-
Less: Accumulated depreciation	-	-
<b>Balance as at 30 June</b>	<b>138,416</b>	<b>-</b>

Additions to the right-of-use assets during the year were \$138,416.

The Group leases land and buildings for its factory under agreements of two years. On renewal, the terms of the leases are renegotiated.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

## Note 20. Intangible assets

Consolidated	2020 \$	2019 \$
Seedbank and plant genetics	230,000	230,000
Accumulated amortisation	(69,000)	(46,000)
Goodwill	4,322,016	1,726,261
Intellectual property – website at cost	44,100	25,600
Accumulated amortisation	(27,206)	(16,550)
Trademark	1,250	-
<b>Total intangible assets</b>	<b>4,501,160</b>	<b>1,919,311</b>

Consolidated	Intellectual property Website \$	Seedbank and plant genetics \$	Goodwill \$	Trademark \$	Total \$
<b>Carrying amount year ended 30 June 2018</b>	-	<b>207,000</b>	<b>1,726,261</b>	-	<b>1,933,261</b>
Additions	25,600	-	-	-	25,600
Accumulated amortisation	(16,550)	(23,000)	-	-	(39,550)
<b>Carrying amount year ended 30 June 2019</b>	<b>9,050</b>	<b>184,000</b>	<b>1,726,261</b>	-	<b>1,919,311</b>
Additions	13,500	-	2,595,755	1,250	2,610,505
Acquisition of T12 Holdings Pty Ltd	4,918	-	-	-	4,918
Accumulated amortisation	(10,574)	(23,000)	-	-	(33,574)
<b>Carrying amount year ended 30 June 2020</b>	<b>16,894</b>	<b>161,000</b>	<b>4,322,016</b>	<b>1,250</b>	<b>4,501,160</b>

### Impairment testing

Goodwill acquired through a business combination has been allocated to the cannabis cash-generating unit. The Group determines whether goodwill is impaired at least on an annual basis. The recoverable amount of goodwill is based on the Directors' estimate of fair value of the cash generating unit to which it relates less costs to sell. In determining fair value, Medical Cannabis Ltd group including its new subsidiary Hemp Hulling Co (QLD) Pty Ltd and T12 Holdings Pty Ltd are considered to be separate cash generating units. The measure used in assessing fair value is based on the Directors' estimate of value in use calculated from forecast future cash flows Medical Cannabis Ltd. The resulting fair value is compared to the carrying value for the cash generating unit and in the event that the carrying value exceeds the recoverable amount, an impairment loss is recognised. No reasonable change in assumptions would result in the recoverable amount of the cash generating unit being materially less than the carrying value.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

## Note 21. Share Capital

### a. Shares on issue

	2020 \$	2019 \$
Share capital on issue		
3,389,989,043 (2019: 1,612,435,425) fully paid ordinary shares (no par value)	83,409,575	28,850,842
50,000,000 (2019: 50,000,000) performance shares (no par value)	750,000	750,000
	<b>84,159,575</b>	<b>29,600,842</b>

	2020 No	2020 \$	2019 No	2019 \$
<b>Ordinary shares</b>				
At the beginning of reporting period	<b>1,612,435,425</b>	<b>28,850,842</b>	<b>1,606,852,092</b>	<b>28,850,842</b>
Share based payments	36,704,533	-	5,583,333	-
Capital raising	170,000,000	5,950,000	-	-
Acquisition MCL 45%	1,154,250,000	40,398,750	-	-
Acquisition HHC 30%	40,540,541	1,418,919	-	-
Acquisition T12 100%	21,621,621	756,757	-	-
Investment in Cann Global South Africa	10,000,000	200,000	-	-
Collateral shares - L1 Capital	35,000,000	-	-	-
Share placement	59,000,000	668,560	-	-
Conversion of convertible securities into ordinary shares – L1 Capital	142,218,947	2,390,145	-	-
Collateral shares – Obsidian	25,000,000	-	-	-
Conversion of seed loans into ordinary shares	76,932,262	2,692,629	-	-
Conversion of loan into ordinary shares	6,285,714	176,000	-	-
Less: Cost of capital raising	-	(93,028)	-	-
<b>At reporting date</b>	<b>3,389,989,043</b>	<b>83,409,574</b>	<b>1,612,435,425</b>	<b>28,850,842</b>
<b>Performance shares</b>				
At the beginning of reporting period	50,000,000	750,000	50,000,000	750,000
At reporting date	50,000,000	750,000	50,000,000	750,000
<b>TOTAL</b>	<b>3,439,989,043</b>	<b>84,159,574</b>	<b>1,662,435,425</b>	<b>29,600,842</b>

### Terms and Conditions of Issued Capital

#### Ordinary Shares

Ordinary shares have the right to receive dividends as declared by the board and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle the holder to one vote either in person or by proxy at a meeting of the Company.

#### Performance Shares

Performance shares do not have the right to receive dividends as declared by the board and, in the event of winding up the Company, do not participate in the proceeds from the sale of any surplus assets. Performance shares do not entitle the holder to a vote either in person or by proxy at a meeting of the Company.

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

## Note 21. Share Capital (Continued)

### b. Options on issue

The following reconciles the outstanding share options at the beginning and year end of the financial year:

Description	2020 No	2019 No
At the beginning of reporting period	31,140,000	2,846,046
Granted during the financial year	25,000,000	31,140,000
Forfeited during the financial year	-	-
Exercised during the financial year	-	-
Expired during the financial year	-	(2,846,046)
<b>Balance at the end of the financial year</b>	<b>56,140,000</b>	<b>31,140,000</b>
<b>Exercisable at the end of the financial year</b>	<b>56,140,000</b>	<b>31,140,000</b>

## Note 22. Share based payment reserve

The share-based payments reserve records items recognised as expenses on share-based payments.

	2020 \$	2019 \$
<b>Balance as at 1 July</b>	<b>5,253,372</b>	<b>4,701,599</b>
Equity settled share based payment – consulting fees – shares	773,946	257,583
Equity settled share based payment – options issued in respect of the issue of convertible securities	-	314,397
Transfer to accumulated losses for expired options	-	(20,207)
<b>Balance as at 30 June</b>	<b>6,027,318</b>	<b>5,253,372</b>

## Note 23. Other financial liabilities

	2020 \$	2019 \$
<b>CURRENT</b>		
Loan - Seed capital loans – unsecured (i), (Note 28c)	-	3,638,575
Loan from MCL Director – unsecured (Note 28c)	211,113	694,021
Loan from related party – Director – unsecured (Note 28c)	-	115,037
Loan from other party – unsecured (Note 28c)	90,545	153,333
Convertible securities - L1 Capital pursuant to the financing agreement – secured (ii), (Note 28c)	85,200	1,804,035
Convertible securities - Obsidian pursuant to the financing agreement – secured (iii), (Note 28c)	3,903,889	-
	<b>4,290,747</b>	<b>6,405,001</b>

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

- (i) The seed capital loans were converted to CGB shares at a discount of 20% to the CGB 5-day VWAP at conversion date or settled in cash with a 20% premium to the loan principal.
- (ii) As per the amended agreement dated 4 April 2019, the L1 Capital convertible securities have a face value of \$1.20, inclusive of a \$0.20 premium, and a maturity date of 15 November 2019. The convertible securities can be converted to CGB shares at the amount of 85% of the average daily volume weighted average price (VWAP) of CGB shares during the five actual trading days prior to the conversion notice date or otherwise settled in cash at the face value upon maturity. Total options issued as a result of the agreement were 31,140,000. These options have an exercise price of \$0.05 and an expiry date of 2 September 2022.
- (iii) As per the agreement dated 9 March 2020, the Obsidian convertible securities have a face value of \$1.15, inclusive of a \$0.10 premium, and a maturity date of 9 November 2020. The convertible securities can be converted to CGB shares at the amount of 85% of the average daily volume weighted average price (VWAP) of CGB shares during the five actual trading days prior to the conversion notice date or otherwise settled in cash at the face value upon maturity. Total options issued as a result of the agreement were 25,000,000. These options have an exercise price of \$0.025 and an expiry date of 9 March 2023.

## Note 24. Trade and other payables

	2020 \$	2019 \$
<b>CURRENT</b>		
<b>UNSECURED LIABILITIES</b>		
Other creditors	3,025	-
Unearned revenue	65,000	-
Trade payables	1,959,065	1,184,662
Accrued expenses	40,890	64,585
	<b>2,067,980</b>	<b>1,249,247</b>



# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

## Note 25. Controlled entities

	Country of incorporation	Percentage owned (%)	
		2020	2019
<b>Controlled entities consolidated</b>			
<b>Parent entity:</b>			
Cann Global Limited	Australia		
<b>Subsidiaries of Cann Global Limited</b>			
South Johnstone Bauxite Pty Ltd	Australia	100%	100%
Volcan Queensland Bauxite Pty Ltd	Australia	100%	100%
Rosie's Gold Pty Ltd (Deregistered by ASIC on 14/03/2020)	Australia	-	100%
New England Bauxite Pty Ltd (Deregistered by ASIC on 01.07.2018)	Australia	-	-
Medical Cannabis Limited	Australia	100%	55%
Medical Cannabis Research Group Pty Ltd	Australia	100%	55%
Vitahemp Pty Ltd	Australia	95%	52%
Vitaseeds Pty Ltd	Australia	100%	55%
Vitacann Pty Ltd	Australia	100%	100%
T12 Holdings Pty Ltd	Australia	100%	-
Hemp Hulling Co (QLD) Pty Ltd	Australia	55%	25%
Cann Global Asia Pty Ltd	Australia	55%	-
Cann Global Thailand Pty Ltd	Australia	55%	-
Medical Cannabis (Cambodia) Co., Ltd	Cambodia	51%	51%

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

## Note 26. Business combinations

### Acquisition of Hemp Hulling Co (QLD) Pty Ltd – additional 30% interest

Effective 1 July 2019 Cann Global Limited acquired an additional 30% interest of the ordinary shares of Hemp Hulling Co (QLD) Pty Ltd (HHC), to bring the interest to 55%, to continue to develop its operations in the medicinal cannabis and hemp food industry. The acquired business contributed revenues of \$29,874 and loss after tax of \$100,634 to the consolidated entity for the period from 1 July 2019 to 30 June 2020.

DETAILS AS FOLLOWS:	FAIR VALUE \$
Cash and cash equivalents	3,837
Receivables	6,631
Inventory	2,025
Plant and equipment	441,785
Investments	10,805
Trade and other payables	(300,872)
Loans	(165,781)
Net liabilities acquired	(1,570)
Net liabilities acquired – 55%	(864)
Goodwill	1,630,755
Acquisition-date fair value of the total consideration transferred	1,629,891
Representing:	
Cann Global Limited consideration shares	1,418,919
Investment in HHC – current value	210,972
<b>Total</b>	<b>1,629,891</b>

### Acquisition of T12 Pty Ltd – 100% interest

Effective 1 July 2019 Cann Global Limited, acquired 100% of the ordinary shares of T12 Pty Ltd to continue to develop its operations in the medicinal cannabis and hemp food industry. The acquired business contributed revenues of \$1,600,404 and loss after tax of \$144,458 to the consolidated entity for the period from 1 July 2019 to 30 June 2020.

DETAILS AS FOLLOWS:	FAIR VALUE \$
Cash and cash equivalents	35,630
Receivables	86,382
Inventory	120,529
Loans	61,769
Intangibles	4,918
Trade and other payables	(426,800)
Loans	(90,671)
Net liabilities acquired	(208,243)
Goodwill	965,000
<b>Acquisition-date fair value of the total consideration transferred</b>	<b>756,757</b>
Representing:	
<b>Cann Global Limited consideration shares</b>	<b>756,757</b>

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

## Note 27. Non-controlling interest

	2020 \$	2019 \$
<b>Non-controlling interest in equity – Balance as at 1 July</b>	<b>(2,108,811)</b>	<b>864,148</b>
Non-controlling interest in share capital raising – Medical Cannabis Ltd capital	2,087,439	-
Transfer from accumulated losses to non-controlling interest	-	(173,522)
Loss attributable to non-controlling interest	(38,670)	(2,799,437)
<b>Balance as at 30 June</b>	<b>(60,042)</b>	<b>(2,108,811)</b>

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# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

## Note 28. Cash flow information

	2020 \$	2019 \$
<b>a. Reconciliation of cash flows from operating activities</b>		
<b>Loss for the year</b>	<b>(8,050,808)</b>	<b>(9,234,372)</b>
<b>Non-cash flows in loss</b>		
Share of loss of equity-accounted investee - net of tax	-	75,313
Depreciation and amortisation	79,138	62,080
Security deposit	(500)	-
Share based payments expense	773,946	257,583
Impairment of receivables	(79,258)	485,036
Loss on financial assets at FVTPL	-	2,902,853
Finance cost	2,008,575	901,861
Loss on equity settled liabilities	399,345	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Decrease in other receivables	-	15,000
Increase in trade debtors	(156,098)	(236,935)
Increase in prepayments	(146,729)	(97,177)
Decrease)/(increase) in GST receivable	238,105	(59,963)
(Increase)/decrease in inventory	(198,057)	395,131
Increase in trade payables, accruals and other creditors	291,079	662,501
Increase in unearned revenue	65,000	-
<b>Net cash from operating activities</b>	<b>(4,776,262)</b>	<b>(3,871,089)</b>
<b>b. Non-cash investing and financing activities</b>		
Conversion of convertible notes and loans into ordinary shares	5,258,775	-
Consideration for finance costs and consulting services by shares issued – refer note 10	773,946	257,583

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

## Note 28. Cash Flow Information (continued)

c. Changes in liabilities arising from financing activities	Seed capital loans \$	Andrew Kavalas \$	L1 Capital \$	Meyer Gutnick \$	Other loan \$	Obsidian \$	Total \$
<b>Balance at 30 June 2018</b>	<b>1,206,000</b>	<b>474,522</b>	<b>525,335</b>	-	-	-	<b>2,205,857</b>
<b>Net cash provided by financing activities:</b>							
Seed capital loans advanced	2,027,145	-	-	-	-	-	2,027,145
Convertible securities issued	-	-	1,100,000	-	-	-	1,100,000
Other loans advanced	-	219,499	-	115,037	150,000	-	484,536
<b>Other changes:</b>							
Increase in face value to \$1.20	-	-	346,000	-	-	-	346,000
Finance cost to be amortised to June 2020	-	-	(660,398)	-	-	-	(660,398)
Finance cost recognised	405,430	-	493,098	-	3,333	-	901,861
<b>Balance at 30 June 2019</b>	<b>3,638,575</b>	<b>694,021</b>	<b>1,804,035</b>	<b>115,037</b>	<b>153,333</b>	-	<b>6,405,001</b>
<b>Cash movements:</b>							
Convertible securities issued	-	-	2,833,200	-	-	-	2,833,200
Loans repaid	(1,758,000)	(482,908)	-	(115,037)	-	-	(2,355,945)
Other loan advanced	-	-	-	-	90,545	-	90,545
<b>Other changes:</b>							
Assignment to Obsidian	-	-	(3,772,000)	-	-	3,772,000	-
Finance cost recognised	762,055	-	1,091,968	-	22,667	131,889	2,008,579
Loss on equity settled liability	-	-	399,345	-	-	-	399,345
Conversion to shares	(2,692,630)	-	(2,390,145)	-	(176,000)	-	(5,258,775)
Other	50,000	-	118,797	-	-	-	168,797
<b>Balance at 30 June 2020</b>	<b>-</b>	<b>211,113</b>	<b>85,200</b>	<b>-</b>	<b>90,545</b>	<b>3,903,889</b>	<b>4,290,747</b>

## Note 29. Accumulated losses

	2020 \$	2019 \$
<b>Balance as at 1 July</b>	<b>(29,858,406)</b>	<b>(23,617,200)</b>
Loss for the year	(8,050,808)	(9,234,372)
Transfer from share based payments reserve for expired and forfeited options	-	20,207
Transfer from accumulated losses to non- controlling interest in operating loss	-	173,522
Non-controlling interest in operating loss	38,670	2,799,437
<b>Balance as at 30 June</b>	<b>(37,870,544)</b>	<b>(29,858,406)</b>

# Notes to the Consolidated Financial Statements (continued)

For the year ended 30 June 2020

## Note 30. Subsequent events


On the 3 July 2020, the company announced a rights issue to raise up to \$4,237,486 at .005 per share and with a free attaching option exercisable at 1.2c per share prior to 31 January 2022. On 28 July 2020, the company announced that it had raised \$2,200,748 under the rights issue. On 21 August 2020, the Company lodged a prospectus for the shortfall of the rights issue, and on the 28 August the Company announced that it had issued 153,676,366 shares under the shortfall offer for a total consideration of \$768,381.

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