CRONOS AUSTRALIA

2022 Annual Report

For the year ended 30 June 2022

Cronos Australia Limited

ABN 59 629 071 594

Important Disclaimer

Nothing contained in this Annual Report should be construed as inducement by Cronos Australia Limited and its affiliates to use its, or any other, Medicinal Cannabis products, or to seek medical treatment that includes medicinal cannabis therapy. Medicinal Cannabis products are unregistered drugs in Australia. Medicinal Cannabis products are not effective for everyone. If you believe that Medicinal Cannabis products may be an appropriate treatment option for you, please discuss this with a suitably qualified medical advisor. How a Medicinal Cannabis product affects a person and is metabolised is contingent on many things including: physical condition, size, weight, age and health, dosage, other medications being taken, as well as tolerance. Medicinal Cannabis as a medical therapy in Australia is regulated by the Therapeutic Goods Administration and further details about Medicinal Cannabis can be found on its website.

This Annual Report was approved for release on 27 October 2022.

Cronos Australia Limited
2022 Annual Report

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Cronos Australia Limited
ABN 59 629 071 594
ASX: CAU

Founding Member
Founding Board Member

Letter from Acting Chair and Chief Executive Officer

Reflecting on a record year and our many significant achievements

In reflecting on the year that has passed since our last letter to shareholders, we can confidently look back with great pride on the many significant achievements that have been made by Cronos Australia during that time. At a macro level, the merger with CDA Health Pty. Ltd., which was successfully completed in December 2021, was accompanied by a number of Board changes and a large increase in both the size and scale of the combined group's operations. As a result, the Group now employs more than 100 staff located across Australia and comprises 24 separate companies with physical presences in seven separate locations, providing the Group with a truly national distribution capability and the ability to service patients coast to coast across our vast country.

Revenues from the sale of medicinal cannabis products and the provision of medical consultation services increased from $20 million in 2021 to nearly $67 million in 2022, with the Company's net profit after tax increasing from less than $2 million to more than $6 million during the same period. These results have delivered a robust year-end balance sheet with $16.1 million of cash at bank and, apart from standard operating leases, no debt. Cronos Australia is the first, and so far the only, ASX-listed company operating in the medicinal cannabis sector to declare a profit.

In another first for the ASX medicinal cannabis sector, Cronos Australia is the first company to declare a dividend. In recognition of the outstanding financial results achieved by the Company during FY2022, and to reward its more than 2,200 shareholders in a very tangible way, the Company was very pleased to declare its maiden, fully franked dividend of one cent per share which was paid to shareholders on 11 October 2022. A Dividend Reinvestment Plan was also introduced by the Company to provide shareholders with the opportunity to acquire further shares in Cronos Australia at a discount to the prevailing market price.

News of the Company's 2022 financial results and declaration of the fully franked dividend has been extremely well received by shareholders, investors and the market alike, with the Company's share price increasing from 35 cents immediately prior to the announcements made on 29 August 2022 to a subsequent high of $1.05, representing an increase of 200% in only two months. At the high of $1.05 per share, the Company's market capitalisation exceeds $582 million, as compared to a figure of only $26 million shortly before the completion of the merger with CDA Health less than a year ago.

As explained in the Prospectus that the Company lodged as part of the merger with CDA Health, the Board of Cronos Australia was confident that, in addition to a material increase in both the size and scale of its operations, the merger would provide a route to early profitability for the integrated Company. At the time, the Board believed that the prominent position already held by CDA in the Australian medicinal cannabis industry, when added to the Company's existing operations and strategic opportunities, would deliver synergistic benefits where the combined value would exceed the sum of its parts.

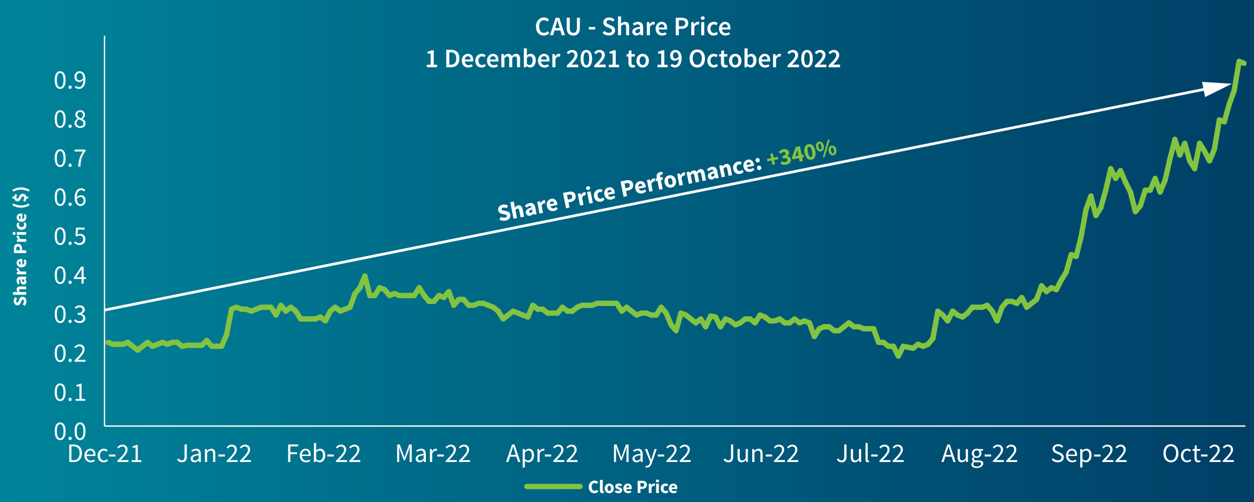
Given that the market capitalisation of the Company on ASX immediately prior to the merger of $26 million has since increased to in excess of $582 million, the decision of the Company at that time to actively pursue the merger with CDA Health at a cost of less than $61 million has clearly proven to be a correct one.

Central to the Company's market-leading position and financial success is its CanView marketplace. Established in June 2020, the CanView platform is a free-to-use, proprietary ecosystem that facilitates the compliant prescription, sale, supply and dispensing of medicinal cannabis products for patients, prescribers, pharmacists and suppliers. The platform has a deep competitive moat around the business model which now services more than 3,000 pharmacies (representing more than 50% of the total number nationally), nearly 800 prescribers, approximately 30 suppliers and more than 7,300 patients. The platform, which has become the industry standard, is both AI-enable and scalable with both low CAPEX and OPEX and has seen CanView become the clear leader in the sale and distribution of medicinal cannabis in Australia. We are also confident that the ongoing improvements to the platform that are currently being rolled out to all stakeholders as part of "CanView 2.0" will only cement and protect the Company's dominant position.

Supporting CanView in the field is our Medical Science Liaison (MSL) team that covers every Australian State and Territory. The MSL team, which currently numbers ten, engages with prescribers and pharmacists to provide education on confident prescribing and dispensing, and assistance with onboarding onto CanView. Additionally, the team runs in-person and online events to further prescriber and pharmacist knowledge. We expect the MSL team to increase in number by up to 50% during FY2023.

To meet the growing demand for the products sold through CanView, the Company has significantly expanded its warehouse and distribution facilities since the merger. On the Gold Coast, the Company's distribution centre has been greatly enlarged and now distributes a wide range of products to customers in Queensland, most of New South Wales, the ACT and Northern Territory. In order to service those customers who reside in the remaining States and Territories, the Company has established an even larger distribution center in Melbourne which was commissioned on 12 October this year. The Company is confident that both of these state-of-the-art facilities will enable it to meet the needs of its growing nationwide customer base for the foreseeable future, including the potential provision of finished product packing and other related services at its Melbourne Distribution Centre.

The Company has also focused time and resources since the merger on the continued development and expansion of its two medicinal cannabis clinic businesses, CDA Clinics and Cannadoc. During the COVID-19 pandemic, patient uptake and acceptance of telehealth as a mode of medical consultation increased significantly. As a result, the clinic businesses are now providing the bulk of patient consultations via telehealth, decreasing the reliance on physical clinic locations and expanding treatment access for patients nationally. In addition to helping its thousands of patients with access to medicinal cannabis treatment, these clinic businesses provide the Group with insight into good prescribing practice and related data which is valuable to other aspects of the Company's operations.



We are confident that the ongoing improvements to the platform as part of "CanView 2.0" will only cement and protect the Company's dominant position.

The Company's current success and future growth is dependent on addressing the increasing demand for medicinal cannabis products generally. Pleasingly, the number of patients in Australia actively using medicinal cannabis continues to increase with the total now numbering well in excess of 100,000 and growing, as compared to less than 5,000 only two years ago. As this number continues to grow, the Company is confident that it is well placed to leverage its market-leading position, and strong, debt-free balance sheet, to significantly increase revenues and profits in the 2023 financial year and beyond. By collaborating closely with its suppliers and working hard to further promote the benefits of the CanView platform to its growing number of users, we expect that the number of units that the Group sells should continue to increase, with the one millionth product sold through CanView likely to leave the warehouse before the end of November 2022, a significant milestone for the Group.

Looking forward, the Company continues to evolve, adopting a continuous improvement approach leveraging its downstream, asset-light strategy and focusing on its platform to deliver further benefits and features to the thousands of users of CanView. The "network effect" on the platform is evident and increases daily as more users join and use the platform. As part of this work, elements of the Company's pre-merger operations which may now be described as non-core are being critically reviewed. Such elements include the Group's consumer business in Asia and its interest in the CBD Joint Venture which, in time, may be rationalised to enable valuable management time and resources to be more targeted towards the larger, more profitable parts of the Company's operations where it is confident that further shareholder value can be created.

Once again, we would like to thank our dedicated Board, management and employees for their continued hard work, enthusiasm and resolve during what has been an extremely busy but, at the same time, exciting year for the Company. We recognise the important impact you have each and everyday on the lives of the patients you serve and the prescribers, pharmacies and suppliers you support.

As we build on the successes achieved by the Company in FY2022, look forward to executing against our strategic priorities with a clear vision to continue the expansion of our operations and delivering further value for our shareholders in FY2023 and beyond.

DR. MARCIA A.M. WALKER
Acting Chair

RODNEY D. COCKS CSM
Chief Executive Officer

2022 performance highlights
Significant year-on-year growth across all key metrics

FINANCIAL METRICS

Gross revenue

$67.0 million

208%

Cash balance

$16.1 million

673%

Gross profit

$25.4 million

282%

Net tangible asssets

$18.9 million

397%

Net profit after tax

$6.0 million

324%

Share price

$1.05

855%

Net operating cash flows

$13.5 million

1,164%

Market capitalisation

$582 million

4,013%

Notes: All statement of income numbers cover the year ended 30 June 2022, as compared to the year ended 30 June 2021
All statement of financial position balances are as at 30 June 2022, as compared to 30 June 2021
Share price and market capitalisation compare figures at 30 June 2021 with those at 19 October 2022

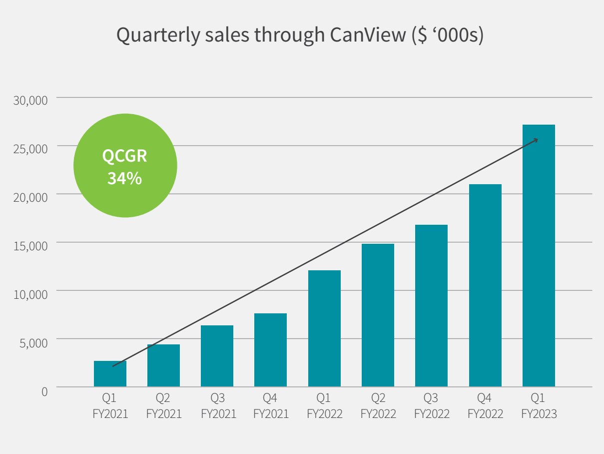
NON-FINANCIAL METRICS

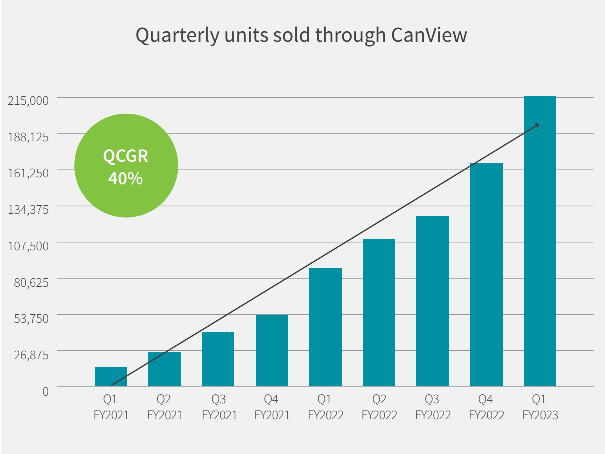
Units sold through CanView	486,093	270%
Patients registered on CanView	6,953	112%
Unique SKUs sold on CanView	169	58%
Suppliers using CanView	24	60%
Pharmacy accounts on CanView	2,808	45%
Number of Group employees	104	32%
Doctor accounts on CanView	721	62%
Number of shareholders	2,239	110%

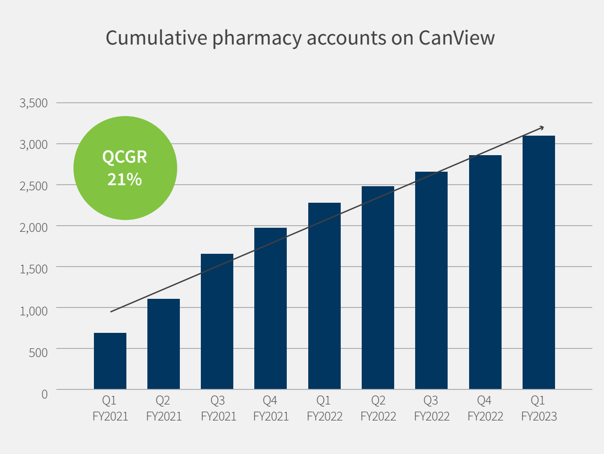
Notes: All non-financial totals cover the year ended 30 June 2022, as compared to the year ended 30 June 2021
All non-financial balances are as at 30 June 2022, as compared to 30 June 2021
Numbers of employees cover both Cronos Australia and CDA Health as at 30 June 2022 and 30 June 2021
Numbers of Cronos Australia shareholders compare figures at 30 June 2021 with those at 30 September 2022

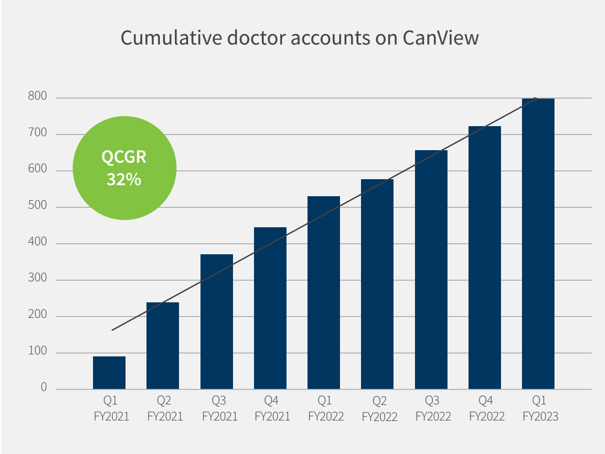
CanView goes from strength to strength

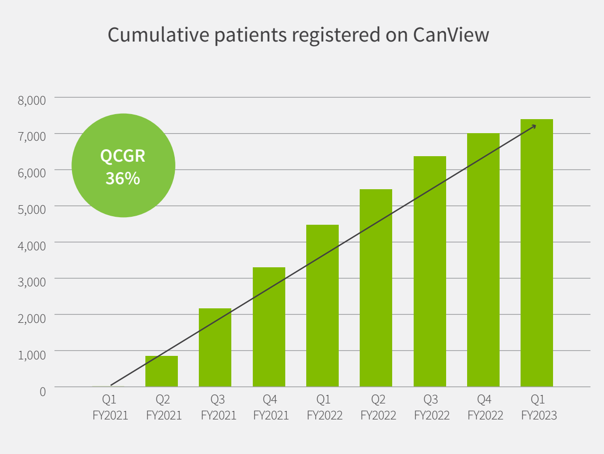
Sustained and continuing growth for all nine quarters since launch

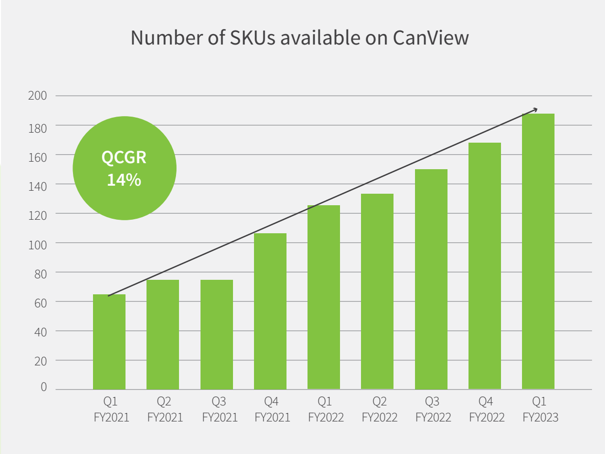












The clear leader in Australian medicinal cannabis

Cronos Australia holds the dominant position across almost all financial metrics

FINANCIAL METRICS	RANK (note)	FINANCIAL METRICS	RANK (note)
Gross revenue **$67.0 million**	#1	EBITDA **$10.5 million**	#1
Gross profit **$25.4 million**	#1	Net profit after tax **$6.0 million**	#1
Net operating cash flows **$13.5 million**	#1	Cash balance **$16.1 million**	#3
Dividend payout (per share) **$0.01**	#1	Market capitalisation **$582 million**	#1

Notes: Metrics ranked as compared to the following 18 ASX-listed cannabis companies (described by ASX code), based on their published financial statements for the year ended 30 June 2022, or comparable date, where appropriate: IHL, CAN, EOF, BOT, LGP, EMD, CPH, MXC, ECS, AGH, MDC, AC8, ZLD, BOD, EPN, EXL, CGB, HHI

Market capitalisation calculated based on the Company's share price of $1.05 on 19 October 2022

A chronology of consistent growth

Building significant growth and momentum in less than three years since IPO

September 2018	Cronos Australia Limited ("CAL") incorporated
March 2019	CDA Health Pty. Ltd. ("CDA") incorporated
November 2019	CAL raises $20 million in Initial Public Offering and lists on ASX
February 2020	CAL acquires controlling interest in Cannadoc Health Pty. Ltd.
June 2020	CDA launches CanView medicinal cannabis marketplace
June 2020	CAL market capitalisation on ASX of **$10.0 million**
July 2020	CAL launches Adaya range of medicinal cannabis products
December 2020	CAL launches the first of three consumer brands in Asia
June 2021	CAL market capitalisation on ASX of **$13.5 million**
September 2021	CAL announces merger with CDA
November 2021	CAL issues Prospectus for shares as part of merger with CDA
December 2021	CAL acquires 100% of the issued capital of CDA for $60.7 million
February 2022	CDA opens expanded Gold Coast Distribution Centre
June 2022	CAL market capitalisation on ASX of **$137.7 million**
August 2022	CAL announces 2022 revenues of $67 million and NPAT of $6 million
August 2022	CAL declares maiden fully franked dividend of one cent per share
August 2022	CanView achieves total units sold since launch of 750,000 units
October 2022	CAL commissions Melbourne Distribution Centre
October 2022	CAL market capitalisation on ASX of **$582.6 million**

The highly secure, state-of-the-art Melbourne Distribution Centre can support a significant uplift in medicinal cannabis sales volume through our market leading CanView platform. It also puts product closer to pharmacies and patients while underpinning business continuity contingency planning.

Most suppliers trust CanView

Nearly 30 companies have in excess of 190 products listed on CanView

SatiVite
aruma labs
MEDIBIS
SUNCO GREEN
Gamma Biomedical
Cymra Life Sciences
GREENLAB
BEACON MEDICAL
Cannim
Cannatrek
ANTG
CDA HEALTH
BLOOM
MEDCAN AUSTRALIA
kind medical
Phytoca
mgc pharma
bod australia
TASMANIAN BOTANICS
Adaya
PHARMACANN
little green pharma
TILRAY
HEYDAY
BHC

Merger with CDA Health Pty. Ltd.

Where the combined value exceeds the sum of its parts

CHRONOLOGY OF EVENTS

On 14 September 2021, Cronos Australia Limited ("Cronos Australia" and the "Company") announced that it had executed a Merger Implementation Agreement ("MIA") to acquire 100% of the issued share capital of Queensland-based medicinal cannabis company CDA Health Pty. Ltd. ("CDA") ("Merger"), subject to customary conditions including both Cronos Australia and CDA obtaining the required shareholder approvals.

On 19 November 2021, Cronos Australia released a Prospectus for an offer of ordinary shares in the Company to the shareholders of CDA in consideration for the sale of their CDA shares to the Company, as contemplated by the MIA. The Prospectus was lodged with the Australian Securities and Investments Commission and dispatched to all CDA shareholders along with a Notice of Meeting in respect of a meeting to seek certain approvals of the CDA shareholders which was subsequently held on 14 December 2021.

On 15 December 2021, the Company held its 2021 Annual General Meeting of shareholders at which a total of 20 resolutions were considered by the Cronos Australia shareholders, including a total of 16 resolutions which related specifically to the merger between the Company and CDA. All 20 resolutions were passed at the Meeting on a poll.

On 16 December 2021, Cronos Australia confirmed that the Merger between the Company and CDA had been completed following the successful satisfaction of all conditions precedent. As a result, the resignations of four of the Directors of Cronos Australia (Daniel Abrahams, Jason Adler, Anna Burke AO and Michael Gorenstein) from the Board and the appointments of four new Directors (Guy Headley, Dr. Benjamin Jansen, Kurt Schmidt and Dr. Marcia Walker) to the Board took effect with the completion of the Merger. Shane Tanner continued to serve as the independent non-executive Chairman of Cronos Australia. Rodney Cocks continued as Chief Executive Officer and a Director of Cronos Australia and, likewise, Tom Howitt continued as Chief Financial Officer and Company Secretary of the Company.

As part of the transaction, all CDA shareholders were offered 21.534 Cronos Australia shares for every 1 CDA share held by them two business days before the date of completion. As a result, the Company issued of a total of 403,552,399 ordinary shares and paid $5 million in cash to the shareholders of CDA in consideration for the purchase of 100% of the outstanding shares in CDA. At a deemed price of $0.138 per Cronos Australia share, the total purchase price paid by the Company to acquire CDA was $60.7 million. Immediately following completion, CDA became a wholly-owned subsidiary of Cronos Australia and the former shareholders of CDA collectively owned approximately 73.6% of the issued capital of Cronos Australia (on an undiluted basis).

In addition to the above shares, as part of the Merger, Cronos Australia also issued a total of 15,176,065 ordinary shares to Cronos Global Holdings Inc. upon the conversion of the outstanding loan and certain IP licence royalties owed to Cronos Group by a subsidiary of Cronos Australia, which had a face value of $2,094,297 and which was fully repaid. A further 1,086,957 ordinary shares were also issued to Cornwalls Capital Australia Pty. Ltd. in part payment of certain corporate advisory fees in connection with the Merger.

As a result of the above share issues, a total of 548,565,421 Cronos Australia shares were on issue immediately after the Merger. Of this total, 407,052,727 shares, representing 74.2% of the total, were subject to voluntary escrow for a period of 12 months ending on 16 December 2022.

Finally, as disclosed in the above Prospectus, a total of 8,608,696 performance rights and 22,500,000 options were granted to Directors, executives and employees of both Cronos Australia and CDA as part of the Merger, comprising a total of 95 such individuals.

THE RATIONALE FOR THE MERGER

The Company was confident that the Merger with CDA would provide it with a material increase in both the size and scale of its operations and a route to early profitability for the integrated group. The Board believed that the prominent position already held by CDA in the Australian medicinal cannabis industry, when added to the Company's existing operations and strategic opportunities, would deliver synergistic benefits for the integrated group where the combined value would exceed the sum of its parts. Given that the market capitalisation of the Company on ASX immediately prior to the Merger of $26 million has since increased to in excess of $582 million, the rationale of the Company at that time has proven to be correct.

During the brief ten-month period since the Merger was completed, the Company has achieved many important milestones, as detailed elsewhere in this Annual Report. Gross revenues from the sale of medicinal cannabis products have increased from $20 million in 2021 to nearly $67 million in 2022, with net profit after tax increasing from less than $2 million to more than $6 million during the same period. In recognition of these results, and to reward its more than 2,200 shareholders, in August 2022 the Company declared its maiden fully franked dividend of one cent per share, becoming the first and only medicinal cannabis company in Australia to declare a dividend.

The significant achievements of the Group since the Merger have also been recognised by the Market, with the number of shareholders in the Company increasing from 1,100 in September 2021 to more than 2,200 at the date of this Annual Report. Also during that period, the Company's share price has increased more than sixfold from $0.17 per share to a high of $1.05 per share on 19 October 2022.

Looking forward, the Company is focusing its energies on the further development and expansion of its CanView medicinal cannabis marketplace, starting with the release of the much-anticipated CanView 2.0 upgrades, a number of which have now been successfully rolled out. These improvements, coupled with further education of prescribers and increasing patient demand, should deliver further growth and shareholder value in FY2023.

During the brief ten-month period since the Merger was completed, the Company has achieved many important milestones, as detailed elsewhere in this Annual Report. Gross revenues from the sale of medicinal cannabis products have increased from $20 million in 2021 to nearly $67 million in 2022, with net profit after tax increasing from less than $2 million to more than $6 million during the same period.

Burleigh Heads Cannabis' CanView marketplace

Australia's leading platform for all medicinal cannabis stakeholders

INTRODUCTION TO CANVIEW

Prior to the Company's merger with CDA Health Pty. Ltd. ("CDA") in December 2021, CDA operated a successful business distributing medicinal cannabis products to customers located across Australia. The cornerstone of that business, Burleigh Heads Cannabis Pty. Ltd. ("BHC"), which is now wholly-owned by Cronos Australia, operates a unique online marketplace called Burleigh Heads Cannabis' CanView ("CanView") which was launched in June 2020.

In creating the CanView platform between 2017 and 2020, CDA sought the insight and views of its growing number of pharmacy customers to fully appreciate and understand the ways in which these customers procured medical cannabis to, in turn, service their customers. BHC carefully selected a number of specialist third party experts and systems to help it develop the foundations of the CanView platform and to thoroughly integrate the company's proprietary processes and operating procedures. A third-party software company was engaged by CDA via a license agreement to assist it to develop the second generation "CanView 2.0" platform and to incorporate some of required integrations and provide some of the exciting new functionality.

The resulting CanView platform was designed to specifically solve the pain points experienced by the pharmacies due to the complex and fragmented nature of the medicinal cannabis supply chain operating at the time. These pain points included a general lack of price transparency, the pharmacies' need to order different products from a number of different suppliers and having to pay shipping fees from various different locations.

Now in its second major iteration, the original version of the CanView platform was developed to streamline the regular ordering and distribution of a rapidly growing range of medicinal cannabis products to the more than 3,000 pharmacies who use the platform. Now, just over two years later, the platform provides many benefits and efficiencies for its growing number of users and brings together all of the various stakeholders in the Australian medicinal cannabis industry, being patients, prescribers/doctors, pharmacies and suppliers, to create a unique distribution ecosystem servicing the entire industry across the country.

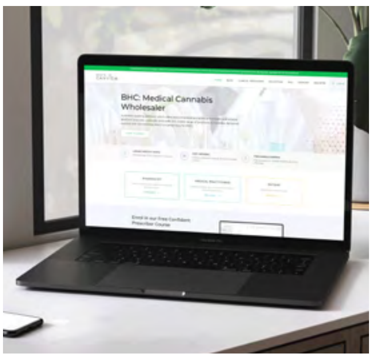
HOW BIG IS CANVIEW NOW?

Since it was launched in June 2020, CanView has grown to become the dominant medicinal cannabis marketplace in Australia, facilitating the prescription and supply of more than 850,000 medicinal cannabis products in less than 36 months. At the current rate, the Company anticipates that the one millionth product will leave the Company's warehouse before the end of November 2022.

As detailed in the various graphs on page 8 of this Annual Report, the CanView platform has achieved significant and continuous growth across all key performance metrics in each of the nine completed financial quarters since the platform was launched.

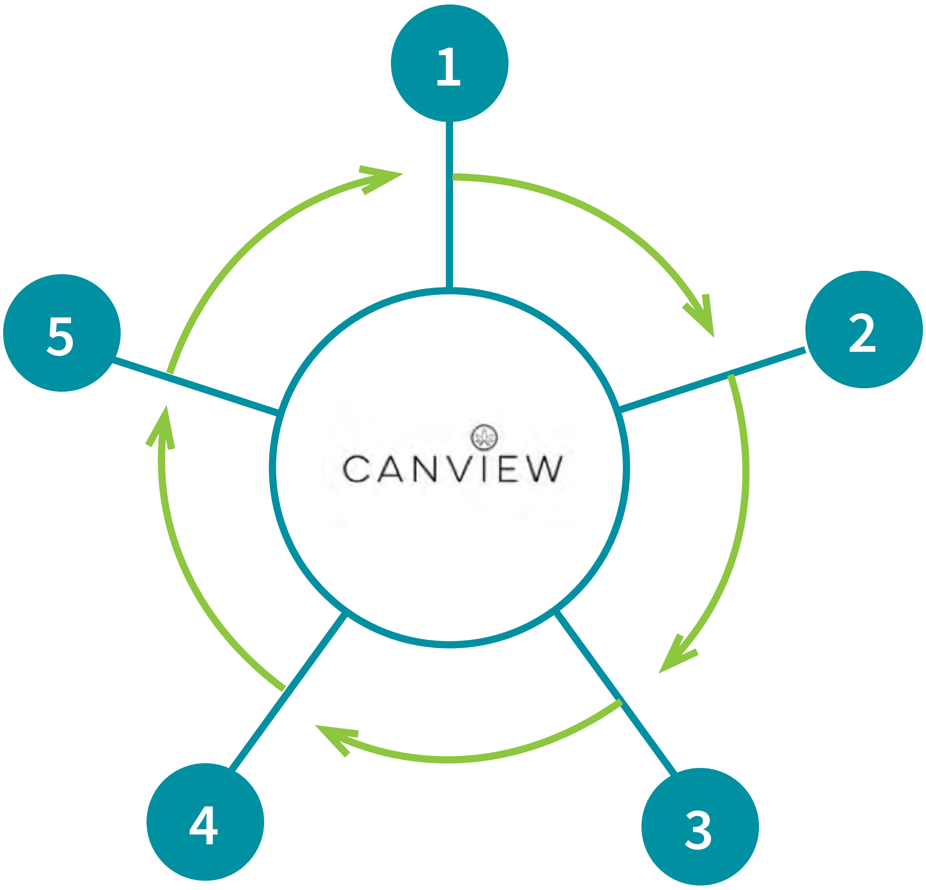
As at 30 September 2022, the following metrics have been achieved:

- Quarterly sales through CanView (September quarter): $26.9 million
- Quarterly units sold through CanView (September quarter): 214,241
- Cumulative pharmacy accounts on CanView (at 30 September 2022): 3,038
- Cumulative doctor accounts on CanView (at 30 September 2022): 797
- Cumulative patients registered on CanView (at 30 September 2022): 7,337
- Cumulative products SKUs available on CanView (at 30 September 2022): 189



HOW DOES CANVIEW WORK?

CanView is a platform ecosystem which facilitates each of the steps involved in the highly-regulated prescription and supply of medicinal cannabis products in Australia. The operation of the platform, which is depicted in the diagram below, covers the five discrete steps involved, starting with a patient seeking a consultation with a doctor, right through to the patient receiving his or her products and managing the treatment outcomes from taking the medication.



1 **Referred Patient**
Patient consults with a Prescriber via CanView in person or via Telehealth

2 **CanView Registered Doctor**
Doctor sends prescription, via CanView to any of CanView's 3,000+ pharmacies

3 **CanView Registered Pharmacy**
Pharmacy orders prescribed product via CanView platform

4 **CanView Distribution**
CanView platform facilitates delivery of medicinal cannabis **product** to pharmacy/patient

5 **Medicinal Cannabis Product**
Treatment commences and patient books follow up consultation via CanView

WHAT PRODUCTS ARE AVAILABLE ON CANVIEW?

As at the end of September 2022, a total of 189 different medicinal cannabis products were available on CanView, via prescription under the TGA-regulated Special Access Scheme. These products, which come from nearly 30 recognised suppliers from Australia and around the world, represent the majority of all medicinal cannabis products currently available and sold in Australia. The logos of a number of these suppliers are included on page 13 of this Annual Report.

Prior to new suppliers being admitted to the CanView platform, the Company undertakes a rigorous process to select and onboard them. A number of factors are considered in this process, including the supplier's ability to ensure consistency and continuity of supply of their products, strict product quality standards and the provision of dedicated resources to assist doctors and patients ordering and prescribing their products.

WHO USES CANVIEW?

CanView is a platform ecosystem which offers its users an advanced experience by solving the complex nature of medicinal cannabis access and supply. Each of the four distinct user groups utilises the AI-enable software to save time, be better informed as to the products they can select and purchase, operate with a greater degree of compliance oversight and provide and/or receive access to the most efficient medicinal cannabis supply chain available.

There are four distinct user groups on the newly-introduced CanView 2.0 platform. The four groups and the main benefits that CanView 2.0 provides to each of them, have been set out below:

1. Pharmacists - delivering innovative dispensing

- Integrates seamlessly with dispensing software to improve and streamline processes and reduce double handling
- Receives prescriptions and TGA approvals direct from CanView prescribing doctors through the platform as well as quick repeat ordering from patients
- Simplifies ordering with auto-matching functionality for products and dosage forms based on TGA approvals
- Improves visibility of stock levels enabling pharmacists to view available products before dispensing and ordering

2. Healthcare professionals - integrating prescribing

- Integrates seamlessly with practice management software to improve and streamline prescribing processes
- Generates and manages prescriptions directly through CanView
- Enables viewing of up-to-date stock levels during consultations to ensure that prescribed products are currently available
- Retains TGA approval documentation in one place and seamlessly sends approvals direct to pharmacies alongside electronic prescriptions
- Monitors and provides data for simplified six-monthly reporting to TGA

3. Patients - prescription delivery tracking and record-keeping

- Enables fast and easy tracking and checking of prescription delivery
- Provides notifications of new prescriptions and product deliveries through the mobile app and via SMS
- Facilitates the easy ordering of repeats directly from the pharmacy through the mobile app

4. Suppliers - increasing sales and managing demand

- Generates material increases in sales volume due to the "network effect" of the growing numbers of users on CanView
- Provides real-time sales data relating to products sold through CanView to better manage invoicing and cash flow
- Provides detailed information in real-time of inventory levels to more efficiently manage the manufacturing, ordering and shipping of products
- Monitors and provides data for simplified six-monthly reporting to TGA

WHAT'S NEXT FOR CANVIEW?

The numerous improvements that are being integrated in CanView 2.0 are being progressively rolled out in six distinct stages, some of which are already complete. The current status of the six separate stages of the rollout are summarised below:

- **Stage One:** Distribution (DELIVERED)
- **Stage Two:** Pharmacy (DELIVERED)
- **Stage Three:** Prescriber and patient mobile app (PILOT PROGRAM)
- **Stage Four:** Supplier (IN PROGRESS)
- **Stage Five:** Prescriber marketplace and patient onboarding
- **Stage Six:** Patient treatment tracker

Stage One, which provides a number of order fulfilment upgrades, process improvements and other efficiencies, was deployed internally within the Group in May 2022. The distribution team continues to benefit from the upgraded platform enhancements, significantly increasing the speed and accuracy of order processing enabling rapid scalability.

Stage Two, being the upgraded pharmacy ordering platform, was successfully launched to market in September 2022. All 3,000+ pharmacy accounts on CanView have now successfully transitioned to the new software. This well-planned cut over took place seamlessly, with no interruption to regular operations. Post introduction, the Company received minimal support requests relating to the use of the new platform, highlighting the success of the transition and the importance of the in-depth user testing and pilot program process provided by the Company. In addition to demonstrating the new user interface and seamless ordering flow design, the process also shows that the other features are fit for purpose.

Following the successful rollout described above, the Company will also offer all pharmacies a further benefit of "one touch" integration with CanView and their pharmacy dispensing software which will significantly improve efficiencies and accuracy for pharmacies ordering products on the platform resulting in greater compliance and time savings.

The Company has also now completed the **Stage Three** (prescriber and patient app) element of the platform which will soon enter the rollout phase following the completion of the current pilot program. The Company's national MSL team, which has recently begun recruiting Medical practitioners on to the platform, is now leveraging their existing relationships by meeting with clinical groups as well as individual doctors to offer CanView as the "all in one" education, prescribing and compliance tool for use in clinical settings.

It is anticipated that **Stage Four** (supplier), **Stage Five** (prescriber marketplace and patient onboarding) and **Stage Six** (patient treatment tracker) will be completed and rolled out later in the 2023 financial year.

Directors and Executives

A proven execution focussed team with deep experience, delivering shareholder value

DIRECTORS - INDEPENDENT NON-EXECUTIVE

Dr. Marcia A.M. Walker

Dr. Marcia Walker was appointed as an Independent Non-Executive Director of CAL on 16 December 2021 and as Acting Chair of the Board on 11 April 2022. Marcia brings significant experience in Medical Governance and formerly served on the board of the New Zealand Medical Association and as a member of the General Practitioner Council of the NZMA, a member of the Medicines Classifications Committee for the Ministry of Health NZ and acts as a Medical Examiner for the Royal New Zealand College of General Practitioners. Previously, she acted as a Medical Advisor to the Rua BioScience (formerly Hikurangi Hemp Company) and Treasurer for the New Zealand Resident Doctors Association. Marcia received a Bachelor of Medicine and a Bachelor of Surgery / Chirurgery from the University of Auckland and is a fellow of the Royal New Zealand College of General Practitioners. She also acts as the Medical Director of The Cosmetic Clinic New Zealand.

Jenelle L. Frewen

Jenelle Frewen was appointed as an Independent Non-Executive Director of CAL on 12 September 2022. Jenelle is an accomplished government strategist and adviser with more than two decades' experience spanning complex policy development and implementation in highly regulated industries. She has led several federal and state political campaigns, and advised a range of business clients on public affairs and regulatory policy. She has experience working at all three levels of government in Australia and in new areas of policy-making in technology, broadband and cyber safety. Jenelle also spent time in her early career working as a communications and media adviser in the private sector in Australia, and was a senior aide in municipal government in the United States. She is currently Principal Consultant with the Canberra-based advisory firm, Precision Public Affairs. Jenelle obtained a Bachelor of Economics and a Bachelor of Arts with Honours from Monash University and holds a post-graduate diploma in Governance and Public Policy.

Dr. Simone L. Scovell

Dr. Simone Scovell was appointed as an Independent Non-Executive Director of CAL on 12 September 2022. Simone is the Founder and CEO of TOTIUM, a multi-national B2B med-tech and health services company delivering healthcare solutions for some of the world's most iconic companies. She is a Specialist Occupational Physician and Fellow of Medicine within the Royal Australasian College of Physicians who brings a wealth of experience in Commercial, Clinical and Health Data Governance. Simone is currently a Nominee Representative on behalf of the Commonwealth Health Minister to sit as a Non-Executive Board Director for the Australian Institute of Health and Welfare. She is a Non-Executive Director for the Whiddon Group, a not-for-profit Aged Care provider where she Chairs both the ICT and Clinical Governance Committees. She is a former Director of the Royal Australasian College of Physicians (RACP) and a RACP Risk Director and is a Founding member of the RACP's Physician Health and Wellbeing Reference Group. Simone holds Degrees in Medicine, Surgery and Medical Science from the University of Sydney and is a Master of Occupational and Environmental Health (Monash). She was voted Doctor of the Year by her peers in 2005, her final year working as an in-house Hospital Resident in Cardiothoracic Surgery at St. Vincent's Hospital, Sydney.

DIRECTORS - NON-INDEPENDENT EXECUTIVE

Rodney D. Cocks CSM

Refer biography on page 21.

Guy R. Headley

Refer biography on page 21.

Note: Further details regarding the qualifications and positions of Dr. Walker can be found on page 32 of this Annual Report.

EXECUTIVES

Rodney D. Cocks CSM

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

Guy R. Headley

Guy Headley was appointed as an Executive Director and Chief Commercial Officer of CAL on 16 December 2021. Guy has operated in the Australian Medicinal Cannabis space since 2016. He is a founding director of CDA Health Pty. Ltd. and has acted as a director of Burleigh Heads Cannabis Pty. Ltd. over the last five years. He brings a wealth of knowledge regarding medicinal cannabis sales, distribution and compliance in the heavily regulated industry. Prior to working in the cannabis space, Guy spent more than 15 years in the construction and development sector overseeing the procurement and management of multimillion dollar projects across New Zealand, Australia and the UK. Guy is also a founding Director and Chairman of the Emerging Therapeutics Association of Australia.

Thomas G. Howitt

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

Raymond J. Deetlefs

Ray Deetlefs was appointed as acting Chief Operating Officer of CAL on 21 February 2022. Prior to joining Cronos Australia, Ray worked in senior executive and Board director roles across a multitude of industries in the telecommunication, education and health care sectors. With over two decades of experience backing him, Ray has displayed his extensive capabilities in leadership and management positions. Ray holds a Bachelor of Business from Southern Cross University and a Bachelor of Applied Science (IT) from University of New England.

Ryan J. Tattle

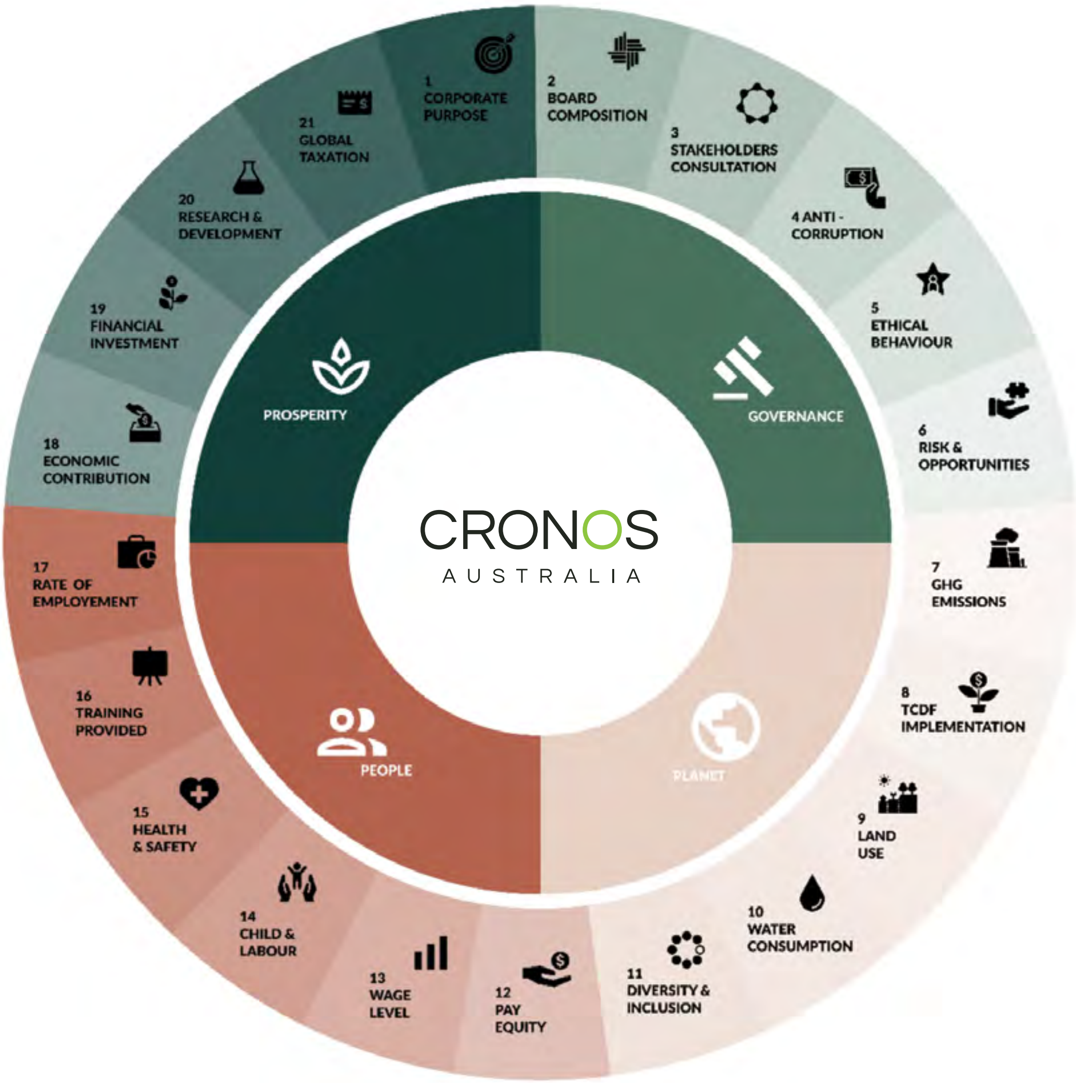
Ryan Tattle was appointed National Distribution Manager of CAL on 16 December 2021, having joined CDA in 2019. He has extensive knowledge of the medicinal cannabis industry with a focus on execution, backed by a passion for commercial strategy, distribution, and regulatory compliance. Ryan has played a key role in the growth of the Burleigh Heads Cannabis distribution operation, as well as being a driving force behind the creation, evolution and rollout of the CanView platform. Prior to joining CDA, Ryan gained extensive start-up experience in a range of industries, including an American medical focused product development company where he oversaw a global supply chain, clinical trials, and a national distribution network. He has previously developed and run an online multi-sided marketplace where he gained a deep understanding of the intricacies around platform and ecosystem strategy.

Note: Further details regarding the qualifications of Messrs. Cocks and Howitt can be found on pages 32 and 33 of this Annual Report.

Environmental, Social and Governance Statement
Committing to the highest standards of practice and disclosure

Cronos Australia Limited ("CAL" and the "Company") is committed to the principles of Environmental, Social and Governance ("ESG") reporting as the most effective means of creating long-term enterprise value and addressing the societal priorities enshrined in the United Nations' Sustainable Development Goals. During the 2022 financial year, the Company made a commitment to commence reporting on the ESG disclosures of the Stakeholder Capitalism Metrics ("SCM") of the World Economic Forum ("WEF").

The Company is in the process of making ESG disclosures in the form of a set of universal, comparable ESG metrics focused on the principles of governance, planet, people and prosperity that organisations can report on regardless of industry or region. Going forward, the Company will report against the 21 core metrics illustrated in the diagram below as prescribed by the WEF, which will be reviewed quarterly and updated periodically.



CAL will use this universal ESG framework to align its mainstream reporting on its performance against ESG indicators. By integrating ESG metrics into its governance, business strategy and performance management processes, the Company will diligently consider all pertinent risks and opportunities in operating its business. CAL will continue to look for opportunities to provide further transparency on the topics which are material to its business.

To more efficiently track its disclosure progress and demonstrate its sustainability performance against the WEF SCM framework, the Company is utilising a dedicated, online reporting platform which enables it to demonstrate its ongoing commitment to ESG by providing a dedicated solution to track, report and share its ESG disclosures on a regular basis.

GOVERNANCE

Governing purpose – setting purpose

The Company is committed to providing Australian patients with access to the highest quality medicinal cannabis products, as well as providing medical consultation services to its growing number of patients. As part of its vision, CAL seeks to position itself as a socially responsible leader in the Australian medicinal cannabis industry, selling and distributing a growing and diverse portfolio of cannabinoid products, including both THC and CBD.

CAL continually strives to adhere to the best industry standards and governance to create additional value for its shareholders and other stakeholders, including suppliers, pharmacies, prescribers and patients. This is underpinned by the Company's business model of innovative product and brand development. The Company is also a founding member of the Emerging Therapeutics Association of Australia, whose primary goal is to advance safe and affordable access to legal treatment pathways for Australian patients seeking plant-based and other emerging therapeutics.

As part of this process, the Company is guided by the following corporate values and commitments which are published on its website:

- **We're Good Humans**

  We highly value true integrity and honesty. We're transparent and respectful and we act with respect for each other. We exhibit true authenticity and humility.

- **We're Productive**

  We work hard in a productive and efficient way and are accountable to our commitments.

- **We Cultivate Innovation**

  We're curious, science-minded and research orientated. We display ingenuity and challenge the status quo. We don't just do things because that's how they've always been done.

- **We Strive for Excellence**

  We deliver excellence in products, clinical outcomes, patient care, customer service and everything we do. We are continuously striving to be better.

- **We Operate Ethically**

  We're compliant and ethical players in a highly regulated industry who don't take risks for short term gains. We are risk savvy and always mitigate large risks with creative but highly compliant solutions.

The corporate structure of the Cronos Australia Group, including its 23 subsidiaries, is illustrated in the diagram on page 34 of this Annual Report. The Group's operations cover various facets of the Australian medicinal cannabis industry and the Company has now cemented itself as a market leader in the Australian medicinal cannabis sector, operating the following businesses:

- Sale and distribution of medicinal cannabis products via its leading online marketplace, CanView. The CanView platform is a successful, free-to-use pharmacy, doctor and patient online portal, which sells and distributes more than 190 different medicinal cannabis products, together with a number of devices, across Australia from approximately 30 of the most well-known international and domestic suppliers. This platform provides efficient and compliant access to medicinal cannabis for patients and streamlines the process for prescribers, pharmacies and suppliers.
- Provision of medical clinic services via its CDA Clinics and Cannadoc businesses which operate a successful network of medicinal cannabis clinics and dispensing on the Gold Coast, Brisbane, and Sunshine Coast, in addition to nationwide telehealth services.

Quality of governing body – governance body composition

The Cronos Australia Board of Directors strongly believes in the benefits of an independent, diverse and socially inclusive Board. The capabilities and perspectives of Board members are important for making strategic and robust decisions. The Board skills matrix captures Board competencies related to governance, industry and operational experience, tenure, diversity, environmental and social topics, required of its members to operate effectively and efficiently.

This process highlights the strength and balance within the Company's governing body composition that goes beyond a single metric to ensure that it has gender equality, independence and social inclusion. The Board skills matrix is currently being further developed to include consideration of ESG specific competencies.

The functions and responsibilities of the Board of Directors are set out in its Board Charter and the Corporate Governance Statement on pages 58 to 67 of this Annual Report, where, on behalf of the shareholders of the Company, the Board provides overall strategic guidance and financial management and control for the Company through effective oversight of Management. The Board ensures that the activities of the Company comply with its Constitution, from which the Board derives its authority to act, and with all relevant legal and regulatory requirements.

The Company recognises that having a majority of independent directors on the Board is important to assure its shareholders that the Board is properly fulfilling its role and is diligent in holding senior Management accountable for its performance.

The Company's Board currently comprises five Directors of whom three, or 60%, are independent. In addition, three of the Directors, including the Acting Chair, are female, again representing 60% of the Board. The Company continuously reviews and updates its Board composition and Skills Matrix to improve and reflect best practice in the governance of its business and relevant competencies.

Stakeholder engagement – material issues impacting stakeholders

The Company is committed to providing clear and consistent communication, engagement and consultation with its various stakeholders. The Company has traditionally focused its efforts on the economic outcomes and results for its shareholders and has a variety of written policies and procedures regarding the disclosure of information that focus on the continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities.

These policies and procedures also include the arrangements that the Company has in place to promote communication with shareholders and encourage their effective participation at general meetings. CAL's Disclosure and Communication Policy (that can be found on the Company's website: www.cronosaustralia.com) describes the Company's commitment to transparent and timely communication.

CAL acknowledges the significance of addressing non-traditional and emerging economic, social and environmental issues arising not only from its customers and stakeholders but also the broader community and the Company remains committed to contribute positive value to this.

The Company is currently in the process of developing a detailed Stakeholder Engagement Plan with all of its stakeholders, both internally and externally, to identify issues material to its business. A material issue is an economic, environmental, or social issue which can have significant repercussions on the Company, whether positive or negative. Input for the development of the Plan will be sought from employees, local communities, shareholders, supply chain as well as Company Management.

Anti-corruption – anti-corruption practices

Corruption undermines stakeholder legitimacy, trust and reputation. CAL is committed to ensuring public confidence is maintained by ensuring its policies and procedures improve the broader operating environment and culture to prevent corruption.

The Company's anti-corruption commitments and expectations are outlined in its Code of Conduct that links anti-bribery, anti-corruption policies and its core value statements. The Code sets out the values, commitments, ethical standards and policies of the Company and outlines the standards of conduct, professionalism and the necessary practices expected of its business and people to maintain confidence in the Group's integrity and to take into account its legal obligations and the reasonable expectations of the Company's stakeholders.

The Code requires that, at all times, the Company's Directors and employees act with the utmost integrity, objectivity and in compliance with both the letter and the spirit of the law and the Company's policies. Importantly, this underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, suppliers, competitors, clients, customers and other stakeholders.

The Company's Board, Management and employees are dedicated to high ethical standards and recognise and support the Company's commitment to compliance with these standards to prevent any form of corruption and bribery.

While CAL does not yet formally train its staff on anti-corruption, its staff and contractors must follow the Company's Code of Conduct, a copy of which can be found on the Company's website. The Company is considering fit-for-purpose methods to train its employees, contractors and business partners on anti-corruption in the future.

Ethical behaviour – mechanisms to protect ethical behaviour

CAL is committed to the highest standards of ethical conduct in all its business activities through the mechanisms outlined below. In addition to the Code of Conduct, the Company has adopted a detailed Whistleblower Policy to encourage and support people to feel confident to speak up safely and securely, without fear of intimidation, disadvantage or reprisal, if they become aware of wrong-doing or illegal or improper conduct within the Company. A copy of the policy is available on the Company's website.

The Directors and Management of CAL are committed to conducting the Company's business ethically and in accordance with high standards of corporate governance in compliance with the *ASX Corporate Governance Principles and Recommendations (2019)*, as detailed in the Corporate Governance Statement on pages 58 to 67 of this Annual Report.

The Company's Board of directors is responsible for the overall administration of the Whistleblower Policy which applies to all Eligible Persons who wish to report Reportable Conduct regarding the Company's activities. This Policy does not deal with staff grievances, which do not constitute Reportable Conduct under the policy.

A reportable matter can be made to the Whistleblower Protection Officer (as appointed in the Whistleblower Policy), to the immediate senior manager, directors and auditor of the Company, any third-party external helpline or whistleblowing service provider like ASIC or APRA, or a registered tax agent or BAS agent who provides tax agent services or BAS services appointed by the Company (submitted to these parties through the respective party's website), the details of which have been made available to the various parties covered by this Policy. The contact details of the Whistleblower Protection Officer can be found in the policy. Reports can be made by email, telephone or in person, and in such other ways as the Company may choose from time to time.

Risk and opportunity oversight – risk framework and processes

Risk management is the culture, processes and structures that are directed towards taking advantage of potential opportunities whilst managing potential adverse effects. The CAL Board demonstrates a clear understanding and synthesis of corporate appetite, Board oversight and Management's enterprise risk management systems in relation to key emerging risks and opportunities. The Board has delegated to the Audit and Risk Committee responsibility for overseeing the effective operation of the Company's risk management framework and the periodic review of the Group's Risk Register which is managed by the Company's Chief Risk Officer.

In accordance with good business practice in the medicinal cannabis industry, the Group's Management actively and routinely employs a variety of risk management strategies which are broadly described in the Corporate Governance Statement under the heading *Principle 7: Recognise and manage risk* and maintains a Risk Register which is reviewed and updated periodically. CAU's Management is responsible for ensuring that effective risk management is being undertaken within the Company.

The Company's Audit and Risk Committee regularly monitors emerging risks and opportunities and reviews them periodically as part of the Company's overall Risk Management framework. Risks that are captured during this ongoing process are included in the Company's Risk Register. The Audit and Risk Committee currently meets three times a year during which it considers these key risks and recommends risk mitigants.

While risk and opportunity management has traditionally been focused on financial risks, the Company also recognises the significance of incorporating non-financial risks and opportunities management into its operations, specifically those related to economic, environmental and social issues. The Company does not believe that it has specific exposure to unusual economic, environmental or social sustainability risks beyond those that would apply to all ASX-listed companies. However, should such risks be identified in future, CAL will work to further include these ESG considerations in risk and opportunity management into its business processes, for regular review and analysis by senior Management and the Company's Audit and Risk Committee. The management of material emerging ESG risks and opportunities will then be subject to the oversight of the Board.

PLANET

Climate change

Greenhouse gas emissions

Although the Company does not believe its current operations have a significant environmental impact, it recognises the risk posed by climate change and the potential impact this may have on all businesses. CAL is currently assessing its approach to the Greenhouse Gas ("GHG") Protocol Corporate Accounting and Reporting Standard and its implications as it relates to its ongoing operations to then define an appropriate strategy for gathering and reporting its GHG emissions going forward.

The Company is confident that the nature of its digital solutions for its online CanView marketplace and nationwide telehealth services inherently results in a comparatively low carbon footprint. However, the Company recognises the role it can play in the growing opportunities surrounding the global efforts to reduce carbon emissions and the landmark Climate Change Bills which have now passed the Senate in Australia, ensuring Australia's emissions reduction target of 43% by 2030 and net zero emissions by 2050 will be enshrined in legislation.

The Directors will reassess the materiality of these emissions with respect to its two distribution centres and its network of medicinal cannabis clinics and dispensaries by investigating how to measure, monitor and report its Scope 1 and Scope 2 emissions, as well as its Scope 3 emissions across its supply chain, as stakeholders along the value chain are increasingly expected to assess the associated climate risk this generates for long-term value creation. Although these GHG emissions are outside the direct control of most stakeholders in the Company's value chain, it is in CAL's interest to assess its GHG emissions exposure, particularly in light of current and future mandatory disclosures regarding corporate climate-related risks and targets in line with the Paris Agreement.

TCFD implementation

While use of the Task Force on Climate-related Financial Disclosures ("TCFD") framework and compliance with its recommendations is currently voluntary in Australia, there is an increasing expectation from investors, governments, customers and the community that businesses should assess and disclose their climate-related risks.

As a result of ongoing and growing expectations of key stakeholders, the Company is investigating the early disclosure of climate risk in accordance with the recommendations of the TCFD framework as they relate to both physical risks and transition risks (and opportunities). Going forward, CAL will assess materiality as to what the implementation of the TCFD framework will mean for its current and future operations and strategy.

Nature loss – land use and ecological sensitivity

As the Company's operations are not located near any key biodiversity areas, this metric is not a material area and, therefore, the Company does not currently measure its impact on land use and key biodiversity areas. If this situation changes in the future, CAL will assess the relevant impact and transparently report on this in future ESG reports.

Freshwater availability – water consumption

Due to the nature of the Company's operations, water consumption (including full value chain) is considered immaterial at the current time. In the event that this situation changes in the future, CAL will assess the relevant impact and transparently report on this in future ESG reports.

PEOPLE

Dignity and equality

Diversity and inclusion

Cronos Australia values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. In April 2021, the Board reviewed and updated its Diversity Policy, which aims to promote and implement diversity strategies in its employment practices and which outlines its diversity objectives in relation to employees' experiences, perspectives, professional skills, gender, age, sexual orientation, ethnicity and cultural background.

Diversity is also promoted across all components of the Company's business practices, including through its education programs, selection programs for consultants, mentoring programs and community and corporate social responsibility initiatives. It includes requirements for the Board to establish measurable objectives for achieving diversity and for the Board to annually assess both the objectives and the progress that the Company has made in achieving them.

In accordance with the Company's Diversity Policy and ASX Corporate Governance principles, the Board has established various objectives in relation to gender diversity. While the Company has already achieved some of these objectives, the aim is to achieve the remaining objectives over the coming two to three years as relevant positions become vacant and appropriately qualified candidates can be recruited.

The objectives set by the Board in relation to gender diversity, and the actual results relating to employees, Executives and Directors of the Group as at 30 June 2022, are set out in the Corporate Governance Report on pages 58 to 67 of this Annual Report. Since the date of that Report, the gender diversity on the Board has changed such that the current Board comprises 60% women.

Responsibility for diversity has been included in the Charters for both the Board and the Nomination and Remuneration Committee. The Company anticipates it will be able to more closely achieve its diversity objectives above as it continues to expand its operations and attract more individuals into the organisation. Going forward, the Company will also monitor and report on other aspects of diversity, including ethnicity, age and cultural background.

Pay equality

Cronos Australia is committed to fair and responsible remuneration and recognises that pay equality is essential in bridging diversity gaps and driving long-term competitiveness. The Company reports on all aspects of the remuneration of Directors and Key Management in the Remuneration Report which can be found from pages 43 to 55 of this Annual Report.

All matters pertaining to the remuneration of the Company's Directors and employees are overseen and managed by the Nomination and Remuneration Committee, whose responsibilities and roles are set out in Cronos Australia's Nomination and Remuneration Committee Charter which is available on the Company's website.

All employee remuneration is evaluated on a regular basis using a set of agreed key performance indicators and taking into account the addition of statutory superannuation contributions. At this stage, Cronos Australia does not disclose the pay comparison for women/men or pay comparison for minor/major ethnic groups. Objectives on pay equality have not yet been explicitly set, however the Company facilitates equal employment opportunities based on relative ability, performance or potential.

Wage levels

Cronos Australia understands that fair compensation and benefits contribute to the economic well-being of its employees. The annual compensation and related information of all members of Key Management Personnel are disclosed in detail in the Company's Remuneration Report which can be found on pages 43 to 55 of this Annual Report.

Human rights – risk for incidents of child, forced or compulsory labour

Cronos Australia is unequivocally and irrevocably against all forms of modern slavery and strives to uphold the highest level of moral, ethical and legal standards to ensure that its operations and those through its value chain do not participate in any activity that infringes on human rights or modern slavery. The Company acknowledges that it must take ownership and proactively manage and mitigate these risks.

Currently, CAL does not have a policy to outline this as it operates in jurisdictions where the risks of modern slavery are considered to be low.

Health and well-being – health and safety

Cronos Australia is committed to ensuring the health and safety of its employees, consultants, contractors and visitors to its workplace and any other persons who the Company works with, as required by law. CAL's policy on Health and Safety is outlined in its Code of Conduct, a copy of which is available on the Company's website.

There were no reported fatalities, high consequence work-related injuries, or recordable work-related injuries during the year ended 30 June 2022.

The Company promotes employee well-being by participating in initiatives such as R U OK day, providing an Employee Assistance Program (free and confidential counselling) and focuses on the importance of work-life balance through the encouragement of regular annual leave breaks, in addition to the Christmas shut down of our clinics and shared service divisions.

Skills for the future – training provided

Cronos Australia values the importance of developing its people, especially given the dynamic industry in which the Company operates. To achieve long term sustainability and to assist with the retention of its staff, the Company undertakes regular and appropriate training and development programs and ensures that adequate arrangements are in place so that appropriate candidates can be recruited or trained up for a role.

The Company's total training expenditure for the year ended 30 June 2022 was $30,734, being an average of $295 per person.

PROSPERITY

Employment and wealth generation

Rate of employment

In December 2021, Cronos Australia completed a merger with CDA Health Pty. Ltd., significantly expanding the size and scale of the Group's operations and increasing the number of employees overall. As a result of the merger, Cronos Australia increased from 16 staff to 104 staff as at 30 June 2022.

During the year ended 30 June 2022, 114 new staff joined the Company, including those employed by CDA Health. Of those new staff:

- 84 identified as female and 30 identified as male; and
- 44 were between the age of 20 and 29, 43 were between the age of 30 and 39, 15 were between the age of 40 and 50 and 12 were over the age of 50.

During the year ended 30 June 2022, 26 employees ceased employment with the Company. Of the staff who exited the Company:

- 3 were male between the age of 20 and 29, 4 were between the age of 30 and 39, 1 was between the age of 40 and 50 and none were over the age of 50; and
- 9 were female between the age of 20 and 29, 3 were between the age of 30 and 39, 2 were between the age of 40 and 50 and 4 were over the age of 50.

Economic contribution

The Company's detailed audited financial statements for the above period are included on pages 68 to 106 of this Annual Report. Cronos Australia received no financial assistance from any government during the year ended 30 June 2022.

The direct economic value generated and distributed ("EVG&D") for the 2022 financial year is summarised below:

- Gross revenue: $67.0 million
- Cost of sales: $41.6 million
- Personnel expenses: $12.1 million
- Net cash from investing activities: $2.0 million

Financial investment contribution

Cronos Australia's disclosure of capital expenditures is outlined in its financial statements for the year ended 30 June 2022 which form part of this Annual Report.

On 29 August 2022, the Directors resolved to pay a maiden dividend of 1.0 cents per ordinary share franked as to 100%. The dividend was subsequently paid on 11 October 2022. This fully franked dividend is the first distribution of profits to shareholders since CAL was listed on the ASX in November 2019 and reflects the improved profitability and cash flow of the combined group since the Company merged with CDA Health Pty. Ltd. in December 2021. The Company has also introduced a Dividend Reinvestment Plan that is available to all shareholders who may wish to receive their dividend in the form of shares in the Company rather than cash. The Company does not offer share buybacks.

Innovation of better products and services – total R&D expenses

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

Community and social vitality – total tax paid

Cronos Australia's disclosure of total tax paid is included in *Note 9* to its financial statements for the year ended 30 June 2022 on pages 83 and 84 of this Annual Report.


CDACLINICS


CDA
CLINICS
PRIMARY TERPENES
CDACLINICS
SOLO II

Cronos Australia Limited

2022 Financial Report

CONTENTS PAGE

Directors' Report

The Directors of Cronos Australia Limited submit their Report for the year ended 30 June 2022.

DIRECTORS

The details of the Directors of Cronos Australia Limited ("CAL" and the "Company") who are in office as at the date of this Report are stated below, as are the dates on which they were appointed.

Directors in office as at the date of this Report

Dr. Marcia A.M. Walker

Position:	Independent Non-Executive Acting Chair
Qualifications:	BHB, MBChB, FRNZCGP
Other responsibilities:	Chair of Audit and Risk Committee Member of Nomination and Remuneration Committee
Other Directorships:	None

Dr. Marcia Walker was appointed Non-Executive Director of CAL on 16 December 2021 and as Acting Chair on 11 April 2022. Marcia brings significant experience in Medical Governance and formerly served on the board of the New Zealand Medical Association, and as a member of the General Practitioner Council of the NZMA, a member of the Medicines Classifications Committee for the Ministry of Health NZ and acts as a Medical Examiner for the Royal New Zealand College of General Practitioners. Previously, she acted as a Medical Advisor to the Rua BioScience (formerly Hikurangi Hemp Company) and Treasurer for the New Zealand Resident Doctors Association. Marcia received a Bachelor of Medicine and a Bachelor of Surgery / Chirurgery from the University of Auckland and is a fellow of the Royal New Zealand College of General Practitioners. She also acts as the Medical Director of The Cosmetic Clinic New Zealand.

Rodney D. Cocks CSM

Position:	Chief Executive Officer and Executive Director
Qualifications:	BCom (Melbourne), LLB (QUT), MBA (Wharton), MPA (Harvard), GAICD
Other responsibilities:	None
Other Directorships:	None

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

Guy R. Headley

Position: Chief Commercial Officer and Executive Director

Other responsibilities: None

Other Directorships: None

Guy Headley was appointed Executive Director and Chief Commercial Officer of CAL on 16 December 2021. Guy has operated in the Australian Medicinal Cannabis space since 2016. He is a founding director of CDA Health Pty. Ltd. and has acted as a director of Burleigh Heads Cannabis Pty. Ltd. over the last five years. He brings a wealth of knowledge regarding medicinal cannabis sales, distribution and compliance in the heavily regulated industry. Prior to working in the cannabis space, Guy spent more than 15 years in the construction and development sector overseeing the procurement and management of multimillion dollar projects across New Zealand, Australia and the United Kingdom. Guy is also a founding Director and Chairman of the Emerging Therapeutics Association of Australia.

Dr. Benjamin D.N. Jansen

Position: Chief Medical Officer and Executive Director

Qualifications: FRACGP, FRNZCUCP, FRNZCGP, MBChB, BHB, PGDipSpMed, PGDipCEM

Other responsibilities: None

Other Directorships: None

Dr. Ben Jansen was appointed Executive Director and Chief Medical Officer of CAL on 16 December 2021. As a founding Director of CDA Health Pty. Ltd. and Cannabis Doctors Australia Pty. Ltd., Ben had an early role in advancing and advocating access and education for medicinal cannabis patients in Australia and New Zealand, having been involved with the treatment of thousands of patients. He is a Fellow of the Royal Australian and Royal New Zealand College of General Practitioners and a Fellow of the Royal New Zealand college of Urgent Care Physicians. Ben received a Bachelors degree of Medicine, a Bachelors degree of Surgery, a Bachelors degree of Human Biology, and a Post Graduate Diploma in Community Emergency Medicine from the University of Auckland. He also received a Post Graduate Diploma in Sports Medicine from the University of Otago. Ben ceased to be Chief Medical Officer and a Director of the Company on 22 September 2022.

Company Secretary

Thomas G. Howitt

Position: Chief Financial Officer and Company Secretary

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

Other responsibilities: None

Other Directorships: None

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

FORMER DIRECTORS WHO SERVED DURING THE YEAR

The following individuals also served as Directors of the Company during the periods listed against their names:

- Daniel E. Abrahams (1 July 2021 to 16 December 2021)
- Jason M. Adler (1 July 2021 to 16 December 2021)
- Anna E. Burke AO (1 July 2021 to 16 December 2021)
- Michael R. Gorenstein (1 July 2021 to 16 December 2021)
- Kurt T. Schmidt (16 December 2021 to 28 March 2022)
- Shane F. Tanner (1 July 2021 to 11 April 2022)

INTERESTS IN THE SECURITIES OF THE COMPANY AND RELATED BODIES CORPORATE

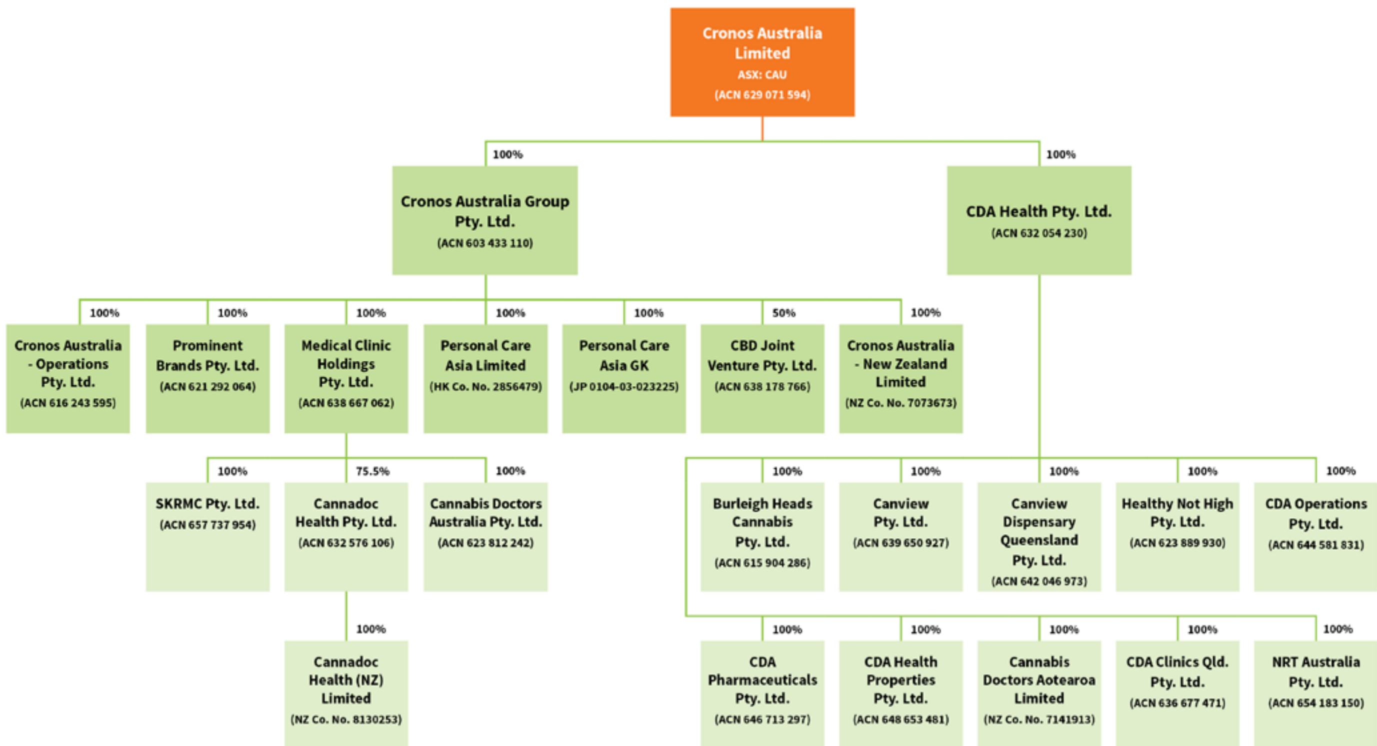
As at the date of this Report, the following Directors held beneficial interests in the securities of the Company:

Name of Director	Number and nature of beneficial interest in securities
Rodney D. Cocks CSM	20,333,333 ordinary shares (via NewSouthern Investment Holdings 1 Trust) 666,667 performance rights (via NewSouthern Investment Holdings 1 Trust) 4,500,000 options over ordinary shares (via NewSouthern Investment Holdings 1 Trust)
Guy R. Headley	129,618,817 ordinary shares (direct interest and via Jessimine C.K. Jansen) 1,333,334 performance rights (direct interest and via Jessimine C.K. Jansen) 9,000,000 options over ordinary shares (direct interest and via Jessimine C.K. Jansen)
Dr. Benjamin D.N. Jansen	130,223,903 ordinary shares (via Stanford Investment Trust) 333,333 ordinary shares (direct interest) 666,667 performance rights (direct interest) 4,500,000 options over ordinary shares (direct interest)

OPERATING AND FINANCIAL REVIEW

Corporate structure

Cronos Australia Limited is a public company limited by shares that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report incorporating the entities that it controlled during the year ended 30 June 2022 which are collectively referred to in this Report as the "Group". The structure of the Group at the date of this Report can be represented as follows:



Overview

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

Subsequent to the IPO, the Company created and sold a number of medicinal cannabis products and brands, including the Adaya range of medicinal cannabis products that was launched by the Company in Australia in early July 2020. In addition to the sale of these products, CAL owns 75.5% of Cannadoc Health Pty. Ltd., a business operating a medical practice specialising in the provision of cannabinoid-based therapies and treatments via face-to-face consultations, from its clinic in Melbourne, and via telehealth.

In December 2020, the Company's first range of premium hemp seed oil personal care consumer products, Bathing Shed, was launched in certain North Asian markets, as well as in Australia. During 2021, the FCTR and Saiph ranges of CBD-based products were also introduced and launched in Hong Kong and Japan. Following the Company's merger with CDA Health Pty. Ltd. ("CDA") in December 2021, as described below, the Company is conducting a strategic review into the future of its consumer business in Asia given that it no longer forms a core part of the Group's operations.

On 16 December 2021, the Company acquired 100% of the issued capital of CDA. Based on the Gold Coast in Queensland, CDA was founded in 2018 and has since cemented itself as a market leader in the Australian medicinal cannabis sector. CDA recorded significant growth over the last two financial years, while at the same time generating a profit in both the 2021 and 2022 financial years.

The CDA operations cover various facets of the Australian medicinal cannabis industry:

- **Nationwide sale and distribution of medicinal cannabis products – via BHC's CanView**

  CDA's wholly-owned subsidiary Burleigh Heads Cannabis Pty. Ltd. ("BHC") operates a successful online marketplace "CanView" which sells and distributes more than 160 different medicinal cannabis products, together with a number of devices, across Australia from nearly 30 of the most well-known international and domestic suppliers. CanView provides efficient and compliant access to medicinal cannabis for patients and streamlines the process for prescribers, pharmacies and suppliers.

- **Medicinal cannabis clinics and dispensing – via CDA Clinics**

  CDA, via its subsidiary Cannabis Doctors Australia Pty. Ltd. ("CDA Clinics"), operates a successful network of medicinal cannabis clinics located on the Gold Coast, Brisbane and Sunshine Coast, in addition to providing a range of nationwide telehealth services. Since launching in 2018, CDA Clinics has developed into one of the most well-established medicinal cannabis clinic brands in Australia and continues to see growth in the number of patients it serves.

Principal activities

The principal activity of the entities within the Group during the year ended 30 June 2022 was the sale and distribution of medicinal cannabis products and the operation of its medicinal cannabis clinic businesses.

Apart from the addition of the companies acquired as part of the merger with CDA Health Pty. Ltd. in December 2021, there were no significant changes in the Group's activities during the year under review.

Result

During the year ended 30 June 2022, the Company and its subsidiaries generated a consolidated profit after income tax of $6,012,509 (2021: $1,417,448). Details relating to the Company's financial results for the year under review are included below under the heading *Financial analysis.*

Dividends and distributions

No dividends have been paid since the Company was incorporated in September 2018. Subsequent to 30 June 2022, the Directors resolved to pay a maiden dividend of 1.0 cents per ordinary share franked as to 100%. This fully franked dividend is the first distribution of profits to shareholders since CAL was listed on the ASX in November 2019 and reflects the improved profitability and cash flow of the combined group since the Company merged with CDA Health Pty. Ltd. in December 2021. The Company has also introduced a Dividend Reinvestment Plan that will be offered to all shareholders who may wish to receive their dividend in the form of shares in the Company rather than cash.

OPERATING AND FINANCIAL REVIEW CONTINUED

Review of operations

Introduction

As mentioned above, the Company acquired 100% of the issued capital of CDA Health Pty. Ltd. ("CDA") via a merger with the company that was completed on 16 December 2021 ("Merger"). The information included in the attached financial statements for the year ended 30 June 2022 has been prepared in accordance with AASB 3 *Business combinations* ("AASB 3"), as the Merger resulted in the combined group being identified as a Business Combination under Australian Accounting Standards. The implications of this have been detailed in *Note 2(a)* of the accompanying financial statements. As a result, the following review of operations covers the activities of CDA for the period from 1 July 2021 up to the date of this Report and the activities of the pre-Merger Cronos Australia entities for the period from the date of the Merger (being 16 December 2021) up to the date of this Report.

Medicinal cannabis sales and distribution

- Burleigh Heads Cannabis Pty. Ltd. ("BHC"), one of the companies acquired by CAL as part of its merger with CDA, via its online marketplace platform CanView, delivered significant growth during the 2022 financial year, well exceeding the Group's internal forecasts. During that year, BHC sold more than 486,000 medicinal cannabis units, representing an increase of 270% as compared to previous corresponding period, of which 59,000 units were sold in June 2022 alone.

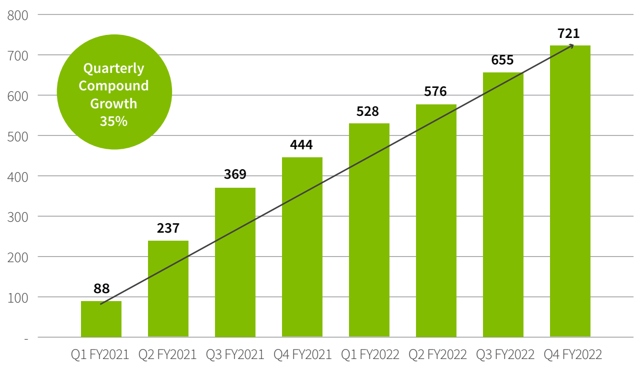
- BHC executed 13 new agreements with leading suppliers of medicinal cannabis products during the year, adding an additional 62 unique product SKUs to the CanView online platform. BHC, via CanView, now offers a portfolio of more than 160 discrete medicinal cannabis products for the treatment of patients via supply direct to approximately half of all pharmacies across Australia.

- A total of 875 new pharmacy purchasing accounts were established on CanView during the year, an increase of 45% year-on-year, bringing the total number to 2,808 registered accounts nationally. Pleasingly, the average monthly spend of pharmacy accounts through CanView is increasing as the Company's education courses and engagement programs help pharmacies to confidently dispense medicinal cannabis thereby providing dispensing services to a greater number of patients.

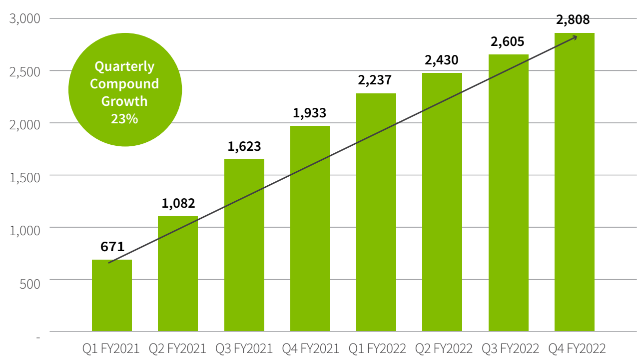
- A total of 277 new doctor accounts were established on CanView during the year, increasing the total number of doctors registered on the platform to 721 nationally. With the Group's focus to increase the number of doctors using CanView further, additional Medical Science Liaisons (healthcare consulting professionals providing medical and scientific information to other healthcare professionals), covering all states and territories in Australia, joined the Company during 2022. This team will continue to actively recruit and onboard prescribers to the CanView platform, providing education and support to further increase the Australian prescriber base. The platform's user-friendly design has been developed to ensure the prescribing journey is as simple as possible for the clinician which in turn will open the door to a larger number of prescribers who are considering using medicinal cannabis treatments in their practices.

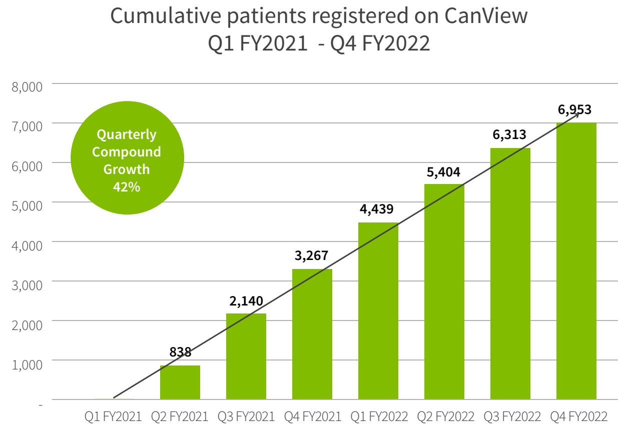
- BHC's CanView platform was launched on 11 June 2020. During the eight completed financial quarters since the launch of the platform, the growth achieved across all key performance metrics has been strong and the underlying numbers in all categories continue to increase, as illustrated in the graphs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

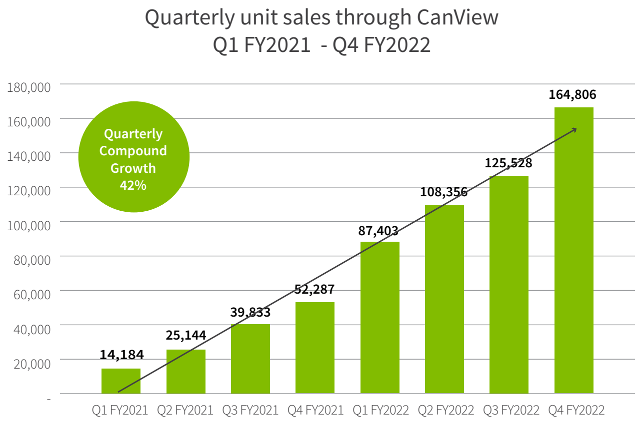
Cumulative prescriber accounts on CanView
Q1 FY2021 - Q4 FY2022



Cumulative pharmacy accounts on CanView
Q1 FY2021 - Q4 FY2022







- In order to manage the increasing volumes of sales, BHC expanded its premises on the Gold Coast to provide additional space for order processing and fulfilment, and recruited and trained additional staff to the distribution team following implementation of the company's strategy and in anticipation of further growth through 2022 and beyond.
- On 1 February 2022, the Group executed a lease over additional premises in inner-city Melbourne that are being converted into the Company's Melbourne Distribution Centre ("MDC"), a high-security distribution facility that will be used to warehouse and distribute medicinal cannabis products. Once complete, the MDC will provide the Company with a significant increase in its total warehouse capacity, provide redundancy in the event of a disaster and enable more efficient and timely distribution of products to customers in the southern states of Australia.
- In addition to delivering improved operational efficiencies, the expanded premises above, which could also cater for classes of drugs other than medicinal cannabis, will include high-security controlled drug vaults, the first of which in Queensland was completed and inspected in early February 2022 and which is now fully operational. It is anticipated that the MDC should be completed and become operational by the end of the first quarter of the 2023 financial year.
- Significant progress was also made during the year in the development of the new, upgraded "CanView 2.0" platform which has further integrated and streamlined the stakeholder usability for pharmacies, doctors and patients, while at the same time delivering a number of important operational efficiencies for the business. CanView 2.0 is being developed in conjunction with third party developers and will be rolled out in six separate stages, the first two of which are complete. It is anticipated that stages three, four, five and six will be progressively rolled out during the 2023 financial year.
- The new platform's considerable enhancements have provided improved compliance and usability functions, enabling Australian doctors to provide medicinal cannabis prescriptions to their patients via the platform with increased confidence due to enhanced information accuracy and the use of machine learning to better track products through the entire care journey between doctor, pharmacist and patient.

Clinics

- Despite issues caused by the COVID-19 pandemic, the CDA Clinics business acquired by the Company in December 2021 continued to provide consultation services and access to medicinal cannabis products during the year under review. These services were provided to a growing number of patients across Australia from CDA Clinics' three medicinal cannabis clinics located on the Gold Coast, Brisbane and Sunshine Coast, in addition to providing a range of nationwide telehealth services.
- Also during the year under review, the Company's Victorian-based medicinal cannabis clinic business, Cannadoc Health, continued to grow, despite restrictions imposed by the pandemic. During this time, patient consultations continued to be largely conducted via a telehealth format, which has been embraced by Cannadoc's growing number of patients, with additional doctors having been recruited to meet the needs of Cannadoc's patients.
- Following the Merger with CDA Health in December 2021, work continues to integrate the Group's two medicinal cannabis clinic businesses, so as to harmonise the various back-office systems and processes and create operational efficiencies and cost savings, while at the same time retaining the brand identities of the two businesses. Moreover, the two businesses will share anonymised clinical data to provide improved patient outcomes.

OPERATING AND FINANCIAL REVIEW CONTINUED

Consumer sales

- During the year, further work was undertaken to promote the Company's three consumer brands (Bathing Shed, FCTR and Saiph) in Australia, Japan and Hong Kong. Additional stockists for the brands were appointed and positive media coverage was received in leading publications in those markets. Notwithstanding this progress, following the Company's merger with CDA Health Pty. Ltd. in December 2021, the Company is conducting a strategic review into the future of its consumer business in Asia given that it no longer forms a core part of the Group's operations.
- In addition to the brands above, the Company sold and distributed a number of vapourisers from third party suppliers through its CanView marketplace platform.

Schedule 3 activities

- CDA is continuing work on further product development and is preparing a dossier for the registration of Schedule 3 "over-the-counter" products on the Australian Register of Therapeutic Goods.

Profit per share

The basic profit per share for the year ended 30 June 2022 was 1.25 cents (2021: 0.35 cents). The diluted profit per share for the year ended 30 June 2022 was 1.24 cents (2021: 0.35 cents).

Financial analysis

Statement of Comprehensive Income

During the year ended 30 June 2022, the Company generated a consolidated profit after income tax of $6,012,509 (2021: $1,417,448), an increase of 324% over the figure for the previous corresponding period. Included in the result were the revenues and expenses of the CDA Health operations for the full year ended 30 June 2022, together with those of the pre-Merger Cronos Australia operations for the period from 16 December 2021 to 30 June 2022.

Total revenues for the year of $66,991,732 comprised sales of medicinal cannabis products of $64,927,918 and clinic-related fees of $1,839,527, as well as $224,287 from the sales of non-medical, or consumer, products in both Australia and Asia. While all three revenue streams increased as compared to the previous corresponding year, the growth in sales of medicinal cannabis products was particularly strong, recording year-on-year growth of more than 220%.

The average gross margin from the sale of medicinal cannabis and consumer products across the portfolio of more than 160 products sold through CanView increased during the year to approximately 36%. Going forward, the Company has a number of levers it can use to maintain, or possibly improve, the average gross margin it achieves.

In line with the above growth, total personnel expenses increased by 272% (from $3,261,598 in 2021 to $12,134,959 in 2022) as the Group's total workforce across Australia was expanded to support its growing operations. The current year personnel expenses also included, for the first time, significant non-cash share-based payments expenses of $2,533,965 relating to the options and performance rights that were granted to Executives and employees of the Group as part of the merger with CDA Health. This non-cash expense is expected to fall materially during the financial year ending 30 June 2023. Overall, the Group's other expenses increased during the year under review as expected, in line with the Company's growth.

Statement of Financial Position

As at 30 June 2022, the Group's cash and cash equivalents had increased to $16,077,031 (2021: $2,079,307), driven largely by the significant growth in receipts from customers. As a result of the merger with CDA, an amount of $2,465,914, being the cash held by Cronos Australia at the date of the merger, was included in the closing cash balance at 30 June 2022.

The balance of inventories held by the Group at balance date was $5,029,952, up 62% on the figure from the previous year. As sales continue to grow and the new Melbourne Distribution Centre comes online in September 2022, it is anticipated that the balance of inventories held by the Group will continue to increase. Pleasingly, the inventory turn in 2021 of seven times increased to approximately ten times in 2022.

During the year, intangible assets increased by $7,001,361 due principally to an amount of $6,540,958 in goodwill being recognised in relation to the merger with CDA which completed on 16 December 2021 (refer *Note 29* of the attached financial statements). The closing balances of other non-current assets, including plant and equipment and right-of-use assets, increased as the Group's operations grew.

The closing balances of both trade receivables and payables increased in line with the Group's growth in operations and the sales of medicinal cannabis products, in particular. The Company has paid particular attention to the collection of debtors during the year under review, such that the cash receipts from customers in 2022 unusually exceeded the revenue generated during the year by $2,615,392.

Finally, the large decrease in reserves during the year was primarily due to the payment of $5,000,000 in cash to the former shareholders of CDA, as part of the consideration paid to acquire that company which has been reflected in the closing balance of the capital reserve, offset by the addition of the share-based payments expense of $2,533,965 which has been added to the share-based payments reserve, as described above.

Statement of Cash Flows

During the year ended 30 June 2022, receipts from customers were $69,607,124, an increase of 245% as compared to the figure for the previous corresponding period, driven by a significant increase in sales of medicinal cannabis products. As a result of the merger with CDA, an amount of $2,465,914 was received as an investing cashflow, being the cash held by Cronos Australia at the date of the Merger (16 December 2021).

Income tax of $540,534 was paid in respect of the profit generated by CDA during the year ended 30 June 2021. Going forward, given the profit generated by the Group in 2022, it is anticipated that the Company will have quarterly tax instalments to pay in coming years. As described in *Note 9* of the attached financial statements, the Company has recognised a deferred tax asset of $3,423,187 (in respect of tax losses totaling $11,410,622) as the Company believes that it is probable that it will generate future taxable profits against which the tax losses can be utilised.

Transaction costs of $1,185,535 were paid during the year in respect of the merger between the Company and CDA.

Business strategy, future developments and prospects

The Group has adopted an "asset light" business model in which it has outsourced the cultivation and manufacture of cannabinoid-based products to selected leading manufacturers and suppliers. Following the Company's Merger with CDA in December 2021, the Group's primary strategy focusses on the further expansion of its medicinal cannabis sales and distribution business via the CanView marketplace platform and the integration and growth of its two medicinal cannabis clinic businesses.

In addition to driving internal, organic growth, the Group continues to review and evaluate potential opportunities for the acquisition of complementary businesses and assets.

Material business risks

The Group operates in the medicinal cannabis industry. Given the relatively early stage of the medicinal cannabis industry in Australia as a whole, any investment in companies such as CAL should be considered relatively high-risk despite the Company's profitability. The Group is subject to a range of normal business risks including, but not limited to, its ability to recruit and retain high quality personnel in what is currently a tight labour market, government policies, regulations and legislative changes, the state of domestic and international securities markets generally, exchange rate fluctuations, inflationary pressures, global supply chain challenges and a range of other factors which remain outside the control of the Board and Management.

More specific material risks that are applicable to the industry and the Group include, but are not limited to:

- **Medicinal cannabis industry in Australia.** An investment in an industry in the relatively early stages of development, such as the Australian medicinal cannabis industry, should be considered speculative and involves risks, including obstacles or delays in the implementation of business plans, uncertainties over the ability to generate revenue and with the legislative regime generally. Given the evolving nature of the industry and the continuing developments in the relevant laws and regulations, there is a risk that a regulatory body could, in future, change the application of laws which may adversely impact the Group and its activities.

OPERATING AND FINANCIAL REVIEW CONTINUED

- **Regulatory.** The Group's ability to sell and distribute medicinal cannabis products in Australia is reliant on the renewal of licences that have been granted to it by Federal and certain State Government authorities. While the Group submits renewal applications by the required dates and is not aware of any reason why the relevant Government authorities would refuse to grant such renewals, the Company cannot guarantee that the licences will be renewed in future. Failure to comply with licence conditions may result in one or more of the Company's licences being suspended or revoked, which could prevent the Group from carrying out its activities.

- **Future revenue and profitability.** Future sales of products by the Group and its continued profitability are contingent on, amongst other things, its ability to maintain the required licences and permits, secure access to desirable new brands and products, enter into favourable supply and distribution arrangements, the increasing demand for medicinal cannabis products and broader market conditions generally. Consequently, the level of future sales of products by the Group cannot be accurately determined and CAL cannot provide any guarantee that sales will grow in future and, even if future sales are achieved, they may not necessarily result in the Group being profitable.

- **Supply.** As the Company's business involves the sale and distribution of more than 160 discrete products, the Group must maintain an uninterrupted supply of high-quality products from a variety of producers and suppliers whose production is susceptible to risks. In the case of producers, such risks include insects, disease, storm, fire, frost, flood, drought, water availability and salinity, pests and force majeure events, including the impacts of climate change generally. Any adverse outcomes in relation to these matters may affect the Group's ability to source suitable products in a timely fashion which, in turn, could adversely impact its activities, operations and financial performance.

- **Growth prospects and expansion plans.** CAL's prospects depend upon various factors, including brand and product acceptance, growing demand for medicinal cannabis products and establishing new accounts for its various stakeholders on the CanView platform, including prescribers, pharmacies, patients and suppliers. If CAL fails to execute on its strategic plans, its financial performance is likely to be affected. The Company's financial prospects are also dependent on there being sufficient demand for the various products it sells and a consistent supply of those products from its numerous suppliers. The Company's ability to achieve its growth strategy is also dependent on it being able to sell its products at an acceptable gross margin and its ability to attract and retain enough suitably qualified and experienced employees to manage its operations efficiently.

- **Competition.** The Australian medicinal cannabis market is becoming increasingly more competitive and is subject to rapid ongoing development. There can be no assurances that the competitive environment will not change adversely due to the actions of governments or competitors or changes in customer preferences. The actions of an existing competitor or the introduction of a new competitor in a given market may make it difficult for the Group to increase its revenue which, in turn, may have an adverse effect on its profitability. To the extent that the Group seeks to enter new markets outside of Australia, the competitive landscape is less clear and may pose further risks when launching additional products in those markets.

- **Technology.** The Company's business operations rely heavily on its CanView marketplace platform. While the Company ensures that it has appropriate security arrangements in place, there will always exist a degree of cyber security risk of hacking and data theft. Furthermore, as the Company relies to an extent on third parties to develop and improve the functionality of the CanView platform, there exist risks of delays, errors and cost overruns that could all impact the operations and profitability of the Company. Finally, the Company maintains the detailed medical records of thousands of patients which must be protected. Again, cyber security risks exist of potential theft or manipulation of this information.

- **Product failure.** In the event that any of the Group's products cause serious side effects, or are misused, abused or diverted, CAL may be exposed to increased compliance costs in carrying out trials or testing, or regulatory authorities may revoke approvals granted to the Company, impose more onerous standards or product labelling requirements or require it to conduct a product recall. In these circumstances, CAL could also be subject to regulatory action or be found liable for harm caused which could have an adverse effect on its business, results of operations, financial condition and reputation.

- **COVID-19 pandemic.** Many aspects of the global economy have been adversely impacted by the COVID-19 pandemic. While the Company is still actively pursuing its agreed strategic plan and objectives, the restrictions and uncertainty surrounding the pandemic in both Australia and overseas pose an ongoing potential risk to the Company's future activities, operations and financial performance.

- **IP Licence.** The Group has entered into an IP Licence with Cronos Group Inc. in respect of certain intellectual property rights and to provide access to certain trade secrets and know-how relating to medicinal cannabis. The IP Licence has an initial term of 10 years and will automatically extend for further one-year terms unless terminated by either party. Cronos Group may terminate the IP Licence under certain circumstances which may restrict the Company's ability to use the underlying IP, including various trademarks and, potentially, the "Cronos" name.

In accordance with good business practice in the medicinal cannabis industry, the Group's Management actively and routinely employs a variety of risk management strategies which are broadly described in the Corporate Governance Statement under the heading *Principle 7: Recognise and manage risk* and maintains a Risk Register which is reviewed and updated periodically.

The Board believes that the Group is not yet sufficiently large to warrant the appointment of an internal auditor.

Legal matters

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

Significant changes in the state of affairs

- On 14 September 2021, the Company executed a Merger Implementation Agreement to acquire 100% of the issued capital of CDA Health Pty. Ltd. ("CDA") ("Merger"), subject to conditions being fulfilled and shareholder approval.
- On 4 October 2021, the Group incorporated a wholly-owned subsidiary called NRT Australia Pty. Ltd.
- On 29 October 2021, the Company announced changes to the escrow arrangements relating to the Company's three largest shareholders which had originally been escrowed for 24 months from the date of the Company's IPO.
- On 12 November 2021, the Company released the notice and accompanying documents for its 2021 Annual General Meeting of shareholders, which contained a total of 20 resolutions, 16 of which related specifically to the Merger.
- On 19 November 2021, the Company released a Prospectus for the offer of ordinary shares in the Company to the former shareholders of CDA as part of the Merger.
- On 15 December 2021, the Company held its 2021 Annual General Meeting at which all 20 resolutions were passed.
- On 16 December 2021, the Company announced the successful completion of the Merger between the Company and CDA. As a result of the Merger, the following events occurred:
  - four of the Directors of Cronos Australia (Daniel Abrahams, Jason Adler, Anna Burke AO and Michael Gorenstein) resigned from the Board;
  - four new Directors (Guy Headley, Dr. Ben Jansen, Kurt Schmidt and Dr. Marcia Walker) were appointed to the Board;
  - the Company issued a total of 403,552,399 ordinary shares and paid $5 million in cash to the shareholders of CDA in consideration for the purchase of 100% of the shares in CDA;
  - the Company issued a total of 15,176,065 ordinary shares to Cronos Global Holdings Inc. upon the conversion of the outstanding loan and certain IP licence royalties owed to it which had a face value of $2,094,297 and which has now been fully repaid;
  - the Company issued a further 1,086,957 ordinary shares to Cornwalls Capital Australia Pty. Ltd. in part payment of corporate advisory fees in connection with the Merger; and
  - a total of 8,608,696 performance rights and 22,500,000 options were granted as part of the Merger to a total of 95 individuals including Directors, executives and employees of the combined Cronos Australia / CDA group.
- On 31 December 2021, a total of 2,000,000 options over the Company's ordinary shares which had been granted to the Underwriter of the Company's IPO on 7 November 2019 expired and lapsed, unexercised.
- On 31 December 2021, a total of 1,999,998 performance rights, which had vested on the date of the Merger, were converted into ordinary shares, along with 60,000 historic rights which had vested on the date of the Company's IPO in November 2019 and which were also converted into ordinary shares on that date.

OPERATING AND FINANCIAL REVIEW CONTINUED

- On 1 February 2022, the Group executed a lease over premises in inner-city Melbourne that will be used to warehouse and distribute medicinal cannabis products as part of the expansion and improvement of the Group's national sales and distribution operations.
- On 2 March 2022, the Group incorporated a wholly-owned subsidiary called SKRMC Pty. Ltd. (refer *Note 5*).
- On 28 March 2022, Kurt Schmidt resigned as a Director of the Company.
- On 11 April 2022, Shane Tanner resigned as Chairman of the Company.
- On 20 April 2022, the Group executed a lease over premises in Varsity Lakes, Queensland that are being used as the headquarters for the Group's Gold Coast operations.
- On 22 June 2022, it was announced that Dr. Ben Jansen would cease to be the Company's Chief Medical Officer effective from 22 September 2022.
- On 29 June 2022, a total of 369,623 performance rights which had been granted as part of the Merger to a total of 14 employees of the combined Cronos Australia / CDA group who had since resigned were forfeited.

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

Significant events after balance date

- On 4 July 2022, a total of 333,333 performance rights that were granted to a former Director of the Company on 16 December 2021 as part of the merger with CDA Health Pty. Ltd. ("Merger") were converted into ordinary shares, having vested on 16 June 2022.
- On 15 July 2022, a total of 1,380,906 performance rights that were granted to employees of the Group on 16 December 2021 as part of the Merger were converted into ordinary shares, having vested on 1 July 2022. On 29 July 2022, a further 162,256 such performance rights were also converted into ordinary shares.
- On 26 August 2022, the Directors resolved to pay a maiden dividend of 1.0 cents per ordinary share franked as to 100%. This fully franked dividend is the first distribution of profits to shareholders since CAL was listed on the ASX in November 2019 and reflects the improved profitability and cash flow of the combined group since the Company merged with CDA Health Pty. Ltd. in December 2021. The Company has also introduced a Dividend Reinvestment Plan that will be offered to all shareholders who may wish to receive their dividend in the form of shares in the Company rather than cash.

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

ENVIRONMENT AND REGULATION

The Group does not believe it is subject to any specific environmental regulations. The Board believes there are adequate systems in place to ensure the Group's compliance with relevant Federal, State and Local government environmental regulations and the Board is not aware of any breach of applicable environmental regulations by the Group. There were no significant changes in laws or regulations during the period from 1 July 2021 up to the date of this Report which have affected the business activities of the Group and the Board is not aware of any such changes in the near future.

SHARE OPTIONS AND PERFORMANCE RIGHTS

Unissued shares under option

- As at 30 June 2022, the Company had a total of 23,065,000 ordinary shares under option (refer *Note 27(a)*). No ordinary shares were issued as a result of the exercise of any options during the year ended 30 June 2022.
- On 16 December 2021, a total of 22,500,000 options were granted to members of the Executive Team as part of the merger with CDA Health Pty. Ltd. ("CDA") ("Merger") (refer *Note 27(b)* and *Note 33(f)*).
- On 31 December 2021, a total of 2,000,000 options which had been issued to the Underwriter of the Company's Initial Public Offering in November 2019 expired and lapsed, unexercised.

Performance rights

- As at 30 June 2022, the Company had a total of 6,239,075 performance rights on issue that were granted as part of the Merger (refer *Note 27(c)*). Of this total, 4,000,002 performance rights were granted to members of the Executive Team, while 2,239,073 performance rights were granted to other employees of the Company and CDA.
- On 31 December 2021, a total of 1,999,998 performance rights, which had vested on the date of the Merger, were converted into ordinary shares, along with 60,000 historic rights which had vested on the date of the Company's IPO in November 2019 and which were also converted into ordinary shares on that date.
- On 29 June 2022, a total of 369,623 performance rights which had been granted to certain employees of the combined Cronos Australia / CDA group as part of the Merger who had since resigned were forfeited.
- On 4 July 2022, a total of 333,333 performance rights that were granted to a former Director of the Company on 16 December 2021 as part of the Merger were converted into ordinary shares, having vested on 16 June 2022.
- On 15 July 2022, a total of 1,380,906 performance rights, which had vested on 1 July 2022, were converted into ordinary shares. A further 162,256 performance rights, which also vested on 1 July 2022, were converted into ordinary shares on 29 July 2022.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the year ended 30 June 2022, the Company paid premiums in respect of a contract insuring the Directors and Officers of the Company and related bodies corporate against liabilities that may be incurred in his or her capacity as a Director or Officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the insurance provided and the amount of the premiums paid.

The Company has agreed to indemnify the current and former Directors and Officers against all liabilities to other persons that may arise from their position as Directors or Officers of the Company and its subsidiaries, except in circumstances including where the individual concerned has committed an illegal act, wilful misconduct or dishonesty or where to do so would be generally prohibited by law.

REMUNERATION REPORT (AUDITED)

Introduction

This Remuneration Report outlines the Director and Executive remuneration arrangements of Cronos Australia Limited ("CAL" and the "Company") and its subsidiaries as at 30 June 2022 (collectively, the "Group") in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this Report, Key Management Personnel ("KMP") of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or not) of the parent company, and includes the executives in the Group, as set out below.

For the purposes of this Remuneration Report, the term "Executive" encompasses the Group's Chief Executive Officer, Chief Commercial Officer, Chief Medical Officer, Chief Financial Officer / Company Secretary and Chief Operating Officer. Each Director and Executive served in office for the periods detailed below during the year ended 30 June 2022.

Details of Key Management Personnel

Non-Executive Directors	Period in office during the year
Dr. Marcia A.M. Walker *(Non-Executive Acting Chair)*	16 December 2021 to 30 June 2022
Executives	
Rodney D. Cocks CSM *(Executive Director / Chief Executive Officer)*	1 July 2021 to 30 June 2022
Guy R. Headley *(Executive Director / Chief Commercial Officer)*	16 December 2021 to 30 June 2022
Dr. Benjamin D.N. Jansen *(Executive Director / Chief Medical Officer)*	16 December 2021 to 30 June 2022 *(refer note)*
Thomas G. Howitt *(Chief Financial Officer / Company Secretary)*	1 July 2021 to 30 June 2022
Jessimine C.K. Jansen *(Chief Operating Officer)*	16 December 2021 to 24 March 2022 *(refer note)*
Raymond J. Deetlefs *(Acting Chief Operating Officer)*	21 February 2022 to 30 June 2022 *(refer note)*

REMUNERATION REPORT (AUDITED) CONTINUED

Former directors who served during the year	
Daniel E. Abrahams *(Non-Executive Director)*	1 July 2021 to 16 December 2021
Jason M. Adler *(Non-Executive Director)*	1 July 2021 to 16 December 2021
Anna E. Burke AO *(Non-Executive Director)*	1 July 2021 to 16 December 2021
Michael R. Gorenstein *(Non-Executive Director)*	1 July 2021 to 16 December 2021
Kurt T. Schmidt *(Non-Executive Director)*	16 December 2021 to 28 March 2022
Shane F. Tanner *(Non-Executive Chairman)*	1 July 2021 to 11 April 2022

Notes:

1. *On 22 June 2022, it was announced that Dr. Ben Jansen would cease his role as Chief Medical Officer on 22 September 2022.*
2. *Jessimine Jansen commenced maternity leave on 25 March 2022. On 21 February 2022, Raymond Deetlefs was appointed as Acting Chief Operating Officer on a fixed term contract that is due to terminate on 14 April 2023.*

Details of securities in which Key Management Personnel have a beneficial interest as at balance date

Shares Member of KMP	Opening balance	Shares issued	Shares purchased	Shares sold	Closing balance
Rodney D. Cocks CSM	20,000,000	333,333	-	-	20,333,333
Guy R. Headley	-	127,132,105	-	-	127,132,105
Dr. Benjamin D.N. Jansen	-	130,223,903	-	-	130,223,903
Thomas G. Howitt	340,000	393,333	-	-	733,333
Jessimine C.K. Jansen	-	2,486,712	-	-	2,486,712
Totals	**20,340,000**	**260,569,386**	**-**	**-**	**280,909,386**

Options Member of KMP	Opening balance	Options granted	Options exercised	Closing balance	Vested at year end
Rodney D. Cocks CSM	-	4,500,000	-	4,500,000	1,500,000
Guy R. Headley	-	4,500,000	-	4,500,000	1,500,000
Dr. Benjamin D.N. Jansen	-	4,500,000	-	4,500,000	1,500,000
Thomas G. Howitt	565,000	4,500,000	-	5,065,000	1,767,500
Jessimine C.K. Jansen	-	4,500,000	-	4,500,000	1,500,000
Totals	**565,000**	**22,500,000**	**-**	**23,065,000**	**7,767,500**

Performance rights Member of KMP	Opening balance	Rights granted	Rights converted	Closing balance	Vested at year end
Rodney D. Cocks CSM	-	1,000,000	(333,333)	666,667	333,333
Guy R. Headley	-	1,000,000	(333,333)	666,667	333,333
Dr. Benjamin D.N. Jansen	-	1,000,000	(333,333)	666,667	333,333
Thomas G. Howitt	60,000	1,000,000	(393,333)	666,667	333,333
Jessimine C.K. Jansen	-	1,000,000	(333,333)	666,667	333,333
Totals	**60,000**	**5,000,000**	**(1,726,665)**	**3,333,335**	**1,666,665**

Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Board of Directors of the Company was established on 28 February 2019 and is, amongst other things, responsible for determining and reviewing the remuneration arrangements of the Directors, the Chief Executive Officer and the Executive Team.

During the year ended 30 June 2022, Anna Burke AO, Daniel Abrahams, Kurt Schmidt, Shane Tanner and Dr. Marcia Walker all served as members of the Committee during their time on the Board. All of these Committee members were independent directors during that time. As at the date of this Directors' Report, the Company is actively seeking to recruit additional Directors to join the Board and its two Committees.

The Nomination and Remuneration Committee was established to assess the appropriateness of the nature and amount of remuneration paid to Directors and Executives on a periodic basis by reference to relevant employment market conditions (as described further below), with the overall objective of ensuring maximum shareholder benefit from the retention and incentivisation of a high-quality Board and Executive Team.

Remuneration strategy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain appropriately-skilled Directors and Executives. The Company's remuneration strategy is approved each year by the Nomination and Remuneration Committee and the Company's Board.

To this end, the Company embodies the following principles in its remuneration framework:

- provide competitive rewards to attract high calibre Executives, being those individuals charged with the oversight and management of the Company's operations, whose names appear in the lists above as at balance date;
- wherever possible, link Executive rewards to the creation of shareholder value;
- ensure that a meaningful portion of an Executive's total remuneration package is "at risk"; and
- establish appropriate and demanding performance hurdles for variable Executive remuneration.

Remuneration structure

In accordance with best practice corporate governance, the structure of the remuneration paid to both Non-Executive Directors and Executives is both separate and distinct.

The key performance indicators applicable for Executives are quantifiable and the methods of measurement are defined and agreed in advance. Potential levels of remuneration are linked to each performance indicator based on the pretext that if the performance indicators, as defined, are met then the business will have more than likely achieved its key financial or strategic objectives. In addition to the various key performance indicators that are used to assess the performance of each Executive, the overall financial performance of the Company is also taken into consideration when determining both base levels of remuneration and short-term incentive payments that may be made to those individuals.

Non-Executive Director remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Company's Constitution and the Listing Rules of the Australian Securities Exchange specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a General Meeting of shareholders. An amount not exceeding the amount so determined is then divided between the Directors, as agreed. The most recent determination was made on 4 September 2019, when an aggregate remuneration amount not exceeding $400,000 per annum was approved. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst the Directors are reviewed annually.

Each Non-Executive Director receives a fee for serving as a Director of the Company. No additional fees are paid to any Director for serving on either of the two sub-committees of the Board. The fees paid to Non-Executive Directors may comprise a combination of cash and equity securities which would be granted under the Company's Equity Incentive Plan.

Executive remuneration

Objective

The Group aims to reward its Executives with a level and mix of remuneration which is commensurate with their respective positions and responsibilities within the Group and so as to:

- reward Executives for Group and individual performance against targets set by reference to comparable benchmarks;
- align the interests of Executives with those of the shareholders; and
- ensure that the total remuneration paid is competitive by market standards.

REMUNERATION REPORT (AUDITED) CONTINUED

Structure

The remuneration paid to Executives is set with reference to prevailing market levels and conditions and amounts paid by comparable companies. The total remuneration paid comprises a fixed remuneration component comprising base salary and statutory superannuation, together with a variable remuneration component (which is linked to agreed Key Performance Indicators ("KPIs")) as described below, comprising both short-term incentive payments which are typically paid in cash, and the granting of equity securities as part of a long-term incentive arrangement. The Group aims to target, where possible, a remuneration mix for Executives comprising approximately 70% fixed remuneration and 30% variable remuneration.

Fixed remuneration

Objective

The Nomination and Remuneration Committee oversees the setting of fixed remuneration for KMP on an annual basis, with all recommendations subsequently approved by the Board. The process consists of a review of Company, divisional and individual performance, relevant comparable remuneration being paid in the broader labour market and internally and, where appropriate, external advice on both policies and practices. The members of the Committee have access to external advice independent of Management, if required.

Structure

Fixed remuneration consists of some or all of the following components:

- base salary;
- non-monetary benefits which may include costs associated with novated motor vehicle leases, vehicle parking, private insurance policies etc. (together with associated fringe benefits tax, if applicable); and
- superannuation benefits, which includes statutory employer contributions made by the Company.

With the exception of the employer contributions to superannuation, Executives are given some flexibility to decide the composition of their total fixed remuneration and the allocation between cash and other benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating any additional cost for the Group.

Fixed remuneration is reviewed annually with reference to individual performance, market benchmarks for individual roles and the overall financial performance of the Group. Any changes to the fixed remuneration of Executives are first approved by the Nomination and Remuneration Committee and then by the Board.

All employee remuneration is evaluated on a regular basis using a set of variables and taking into account the addition of statutory superannuation contributions. An assessment of existing base salaries is made using comparisons against independent market data which provides information on salaries and other benefits paid for comparable roles in comparable companies, using independent salary survey data. Formal annual performance reviews with each employee are generally undertaken shortly after the end of the financial year and are based on a rating system which is used to assess his or her performance during the year and, as a result, their eligibility for salary increases. Other more qualitative factors, including the specialised knowledge and experience of the individual, prevailing labour market conditions and the perceived potential difficulty of replacing that person, are also taken into account when considering salary adjustments.

Following the completion of performance reviews with each Executive in July 2022, the Nomination and Remuneration Committee considered all relevant factors when deciding on increases in remuneration for the following year, including:

- prevailing economic conditions, including a rising interest rate environment;
- prevailing geopolitical conditions, including instability and supply chain problems caused by the war in Ukraine;
- the tight state of the local labour market and the historically-low rate of unemployment;
- other related factors, including the current inflation rate; and
- the Company's overall financial results for the year and the significant growth and profitability it achieved across all areas in respect of the 2022 financial year.

Following these reviews, the Board resolved to increase the base salaries for Executives who had been in office for more than one year by approximately 4.3% in respect of the year ending 30 June 2023.

In respect of the year ended 30 June 2022, due to the granting of performance rights and options in respect of the merger with CDA Health Pty. Ltd., the Company provided total remuneration for all Executives that averaged 39.9% fixed and 60.1% at risk (comprising 7.6% short term and 52.5% long term components). In respect of the year ending 30 June 2023, the Company expects to return to a longer-term position and target total remuneration for all Executives that will average 70% fixed and 30% at risk (comprising approximately 50% short-term and 50% long-term components).

Variable remuneration

Objective

The objective of variable remuneration is to:

- align the interests of Executives with those of the shareholders;
- link Executive rewards to the achievement of strategic goals and performance of the Company; and
- ensure that the total remuneration paid by the Company is competitive by market standards.

Short Term Incentive ("STI") plan

STI is an annual plan that applies to Executives and other senior employees which is based on the performance of both the Company and the individual during a given financial year. The levels of STI payments made vary depending on the role, responsibilities and deliverables achieved by each individual during the year under review. The amount of actual STI payments made to the relevant employee depends on the extent to which the specific pre-agreed targets are met within a given financial year. Specific targets are quantifiable, with the method of measurement being defined and agreed at the beginning of the financial year. The ongoing performance of the Executive or senior employee is evaluated regularly during the performance cycle.

Group objectives, and their relative weightings, vary depending on the position and responsibility of the respective individual, but in respect of the year ended 30 June 2022 they included, amongst other things, the achievement of:

- earnings before interest, tax, depreciation and amortisation ("EBITDA");
- divisional net profit targets, where an individual has capacity to impact this result;
- agreed revenue targets, on both a divisional and Group basis;
- agreed unit sales targets for products in the Group's various medicinal cannabis and consumer ranges;
- agreed targets for patient and consultation numbers at the Group's medicinal cannabis clinics; and
- targets for cost reduction or efficiency gains.

These measures are chosen as they represent the key drivers for the short-term success of the business and provide a framework for delivering long-term value for shareholders. Personal and operating objectives vary according to the role and responsibility of the Executive and may also include a number of non-financial objectives such as progress made in respect of project delivery, sales expansion, business development, regulatory and compliance/reporting outcomes, capital management, intellectual property management, and staff and other leadership objectives, as agreed with the Chief Executive Officer.

As the Company continues to expand its operations, future STI payments will also be based on other factors that may be relevant to the Group's operations at that time and best reflect the overall performance of the Group.

Achievement of an individual's targets and objectives is documented and assessed by both the individual and his or her direct manager. Each individual participates in an annual performance review shortly after the end of the financial year and must provide evidence of the objectives that he or she has delivered during the period under review. Each objective is then rated on an agreed achievement scale. Depending on the total ratings achieved, the individual may then be eligible to receive an STI payment.

REMUNERATION REPORT (AUDITED) CONTINUED

STI payments, if any, are typically made in July/August of each year in relation to the previous financial year, subject to the completion of the performance review process, the receipt of a satisfactory rating and the approval of both the Nomination and Remuneration Committee and the Board. The Board, via its Chairman, conducts this process in the case of the Chief Executive Officer. Any such STI payments which may be made are delivered during the following reporting period as a combination of cash payments and the possible granting of equity securities pursuant to the Plan.

The most recent performance appraisals took place in mid-July 2022 in respect of the year ended 30 June 2022.

As detailed above, in assessing the achievement of the various KPIs set for Executives as part of the 2022 review process, the following metrics were assessed which demonstrated that the Company generated significant triple-digit percentage growth across all key financial metrics during the year ended 30 June 2022, including:

	Financial years ended		Increase achieved	
Financial metric	**30 June 2022**	**30 June 2021**	**$**	**%**
Gross revenue	$66,991,732	$21,712,166	$45,279,566	208%
Gross profit	$25,427,228	$6,655,596	$18,771,632	282%
EBITDA	$10,460,924	$2,135,859	$8,325,065	390%
Net profit after tax	$6,012,509	$1,417,448	$4,595,061	324%
Net cash flows from operations	$13,504,669	$1,067,984	$12,436,685	1,164%
Cash balance at year end	$16,077,031	$2,079,307	$13,997,724	673%
Net tangible assets at year end	$18,916,451	$3,805,769	$15,110,682	397%
Company share price on ASX	25.0 cents	10.5 cents	14.5 cents	138%

In light of the above results, payments totalling $276,120 were accrued as at balance date in respect of STI payments due to Executive members of KMP in respect of the 2022 financial following the successful achievement of all of the targets outlined above and the completion of the annual performance appraisal process for the respective individuals.

Long Term Incentive ("LTI") plan

In order to attract, retain and incentivise high-performing senior executives and to align their overall remuneration with the creation of shareholder wealth, the Company has implemented an Equity Incentive Plan (the "Plan"). LTI grants made to Executives and senior employees are typically delivered in the form of a combination of performance rights and premium priced options over unissued ordinary shares in the Company which are granted under the terms and conditions of the Plan and subject to certain vesting conditions. In general, only Executives and Senior Employees who are able to influence the generation of shareholder wealth and have a material impact on the Group's long-term profitability are invited to participate in the Plan.

The total value of the LTI grants made to a given Executive varies and is determined with reference to the nature of the individual's role, as well as his or her future potential and specific individual and Company performance. Historically, the value of the grants is generally calculated with reference to their roles and base salaries and the contribution that the Executive is expected to make to the success of the organisation, as explained below.

A total of 6,000,000 performance rights and 22,500,000 options over unissued ordinary shares in the Company were granted by the Company to members of KMP during the year ended 30 June 2022. All of these securities were granted in connection with the Company's successful merger with CDA Health Pty. Ltd. which was completed on 16 December 2021. Refer *Note 27* for details of the performance rights and options that were granted during the year and outstanding as at balance date.

In cases where an Executive ceases employment with the Company prior to the vesting of his or her performance rights or options, the related securities are generally forfeited. In cases where the relevant securities have vested, the prescribed period during which the securities may be exercised ranges from two to twelve months, depending on the circumstances under which the employee left the Company, e.g. resignation, retirement, termination or death. In the event of a change of control of the Company, the performance period end date will be brought forward to the date of the change of control and all awards will vest over this shortened period.

Valuation of LTI grants

As stated above, the Company uses a variety of methods to calculate the percentage of a given Executive's base salary that could be potentially made available in the form of LTI grants. Specifically, the Company considers industry-accepted rates for comparable listed companies to arrive at percentages that meet the objectives of the Plan (i.e. that they provide suitable reward, retention and incentive characteristics), while at the same time being fair and reasonable for the Company, its shareholders and the Executives.

Historically, the Company reviews market surveys prepared by a number of independent organisations to assess the appropriate annual value of long-term equities to be issued to Executives. The reports chosen examined the composition of the total remuneration paid to a large number of executives based on various categories pertaining to the relevant companies employing them, including market capitalisations, sales revenue and profitability, numbers of employees and industry sector. The figures obtained from the reports were then used to calculate the average percentage that should be applied to the current base salaries of the Executives to obtain the maximum value of the LTI component that could potentially be payable.

In respect of the year ended 30 June 2022, being the year in which the Company successfully completed its merger with CDA and which has since delivered triple-digit percentage growth across all key financial metrics and in turn significant shareholder value, the Company granted a combination of performance rights and premium priced options to Executives as part of its LTI program. All securities granted are subject to material vesting hurdles which must be met before the recipient derives any benefit from them.

The performance rights that were granted rewarded those Executives for successfully completing the merger with CDA which, as at the date of this Report, has delivered an increase in the Company's share price of more than 200%. Under the terms of the rights, no benefit would have been derived by the recipient had the merger not been completed. The premium priced options were granted to incentivise the respective Executives to remain with the Group to ensure the successful integration of the two businesses after the merger and to drive further long-term growth and shareholder value. Apart from the passing of time, the options granted have a further vesting condition requiring that the gross revenues generated by the Company must increase by at least 25% year-on-year before any benefit can be derived by the recipient.

The valuation for accounting purposes of equity securities granted is calculated by an independent financial expert using appropriate option-pricing models that take into account a number of variables including exercise price, term, volatility, dividend payments, interest rates etc. Given the time value of an option, the longer the term of an option, the greater its value. For accounting purposes, in accordance with AASB 2 *Share-based payments*, the total share-based payments expense attributable to such performance rights and options is recognised evenly on a monthly basis over the vesting period applicable to the relevant security.

The total share-based payments expense recognised during the 2022 financial year in respect of the securities granted to members of Key Management Personnel was $1,910,956. It is anticipated that this expense will fall materially in respect of the year ending 30 June 2023.

Remuneration, STI and LTI payments made

As detailed in *Note 2(a)*, the Company's financial statements for the year ended 30 June 2022 have been prepared in accordance with AASB 3 *Business combinations*, as the Merger between the Company and CDA Health Pty. Ltd. ("CDA") resulted in the combined group being identified as a Business Combination under Australian Accounting Standards. The comparative figures that have been disclosed in respect of the year ended 30 June 2021 relate solely to the financial results of CDA for that period.

Notwithstanding the above, in order to provide a true and fair view of the payments received by members of KMP during the years ended 30 June 2022 and 2021, respectively, the remuneration figures provided below include all payments received by the respective individuals, irrespective of whether the amounts were paid by the Company or by CDA. As a result, for the reasons outlined above, the numbers provided may not necessarily reconcile directly to the financial statements contained in this Financial Report.

In respect of the years ended 30 June 2022 and 30 June 2021, the payments set out in the tables below were made to current and former Executives, as well as the percentages that each payment represents as a proportion of their total remuneration.

REMUNERATION REPORT (AUDITED) CONTINUED

	Fixed	At risk		Post-employment	
Name and title	Base salary (% of total)	STI (% of total)	LTI (% of total)	Superannuation (% of total)	Totals
Year ended 30 June 2022	$	$	$	$	$
Rodney D. Cocks CSM	306,806	92,040	378,764	23,568	801,178
Chief Executive Officer	(38%)	(12%)	(47%)	(3%)	(100%)
Guy R. Headley [1]	257,214	92,040	378,764	22,165	750,183
Chief Commercial Officer	(34%)	(12%)	(51%)	(3%)	(100%)
Dr. Benjamin D.N. Jansen [2]	257,214	-	378,764	22,165	658,143
Chief Medical Officer	(39%)	-	(58%)	(3%)	(100%)
Thomas G. Howitt	306,806	92,040	395,900	23,568	818,314
Chief Financial Officer / Company Secretary	(38%)	(11%)	(48%)	(3%)	(100%)
Jessimine C.K. Jansen [3]	148,086	-	378,764	14,093	540,943
Chief Operating Officer	(27%)	-	(70%)	(3%)	(100%)
Raymond J. Deetlefs [4]	64,154	-	-	6,415	70,569
Acting Chief Oper. Officer	(91%)	-	-	(9%)	(100%)
Totals	**1,340,280**	**276,120**	**1,910,956**	**111,974**	**3,639,330**
Year ended 30 June 2021					
Rodney D. Cocks CSM	306,806	92,040	-	21,694	420,540
Chief Executive Officer	(73%)	(22%)	-	(5%)	(100%)
Guy R. Headley	182,814	-	-	17,367	200,181
Chief Commercial Officer	(91%)	-	-	(9%)	(100%)
Dr. Benjamin D.N. Jansen	190,305	-	-	18,079	208,384
Chief Medical Officer	(91%)	-	-	(9%)	(100%)
Thomas G. Howitt	306,806	69,030	31,026	21,694	428,556
Chief Financial Officer / Company Secretary	(72%)	(16%)	(7%)	(5%)	(100%)
Jessimine C.K. Jansen	129,315	-	-	12,285	141,600
Chief Operating Officer	(91%)	-	-	(9%)	(100%)
Lior Harel [5]	36,453	-	-	2,661	39,114
Ex. General Counsel	(93%)	-	-	(7%)	(100%)
Totals	**1,152,499**	**161,070**	**31,026**	**93,780**	**1,438,375**

Notes:

1. *Mr. Headley was employed by Burleigh Heads Cannabis Pty. Ltd. during the period from 1 July 2020 up to 25 November 2020 and by CDA Operations Pty. Ltd. during the period from 26 November 2020 up to 15 December 2021, being the date of the merger with CAL. He was then employed by CAL during the period from 16 December 2021 up to 30 June 2022.*

2. *Dr. Jansen was employed by Burleigh Heads Cannabis Pty. Ltd. during the period from 1 July 2020 up to 25 November 2020 and by CDA Operations Pty. Ltd. during the period from 26 November 2020 up to 15 December 2021, being the date of the merger with CAL. He was then employed by CAL during the period from 16 December 2021 to 30 June 2022. It is anticipated that Dr. Jansen will cease to be Chief Medical Officer of CAL on 22 September 2022.*

3. *Ms. Jansen was employed by Burleigh Heads Cannabis Pty. Ltd. during the period from 1 July 2020 up to 25 November 2020 and by CDA Operations Pty. Ltd. during the period from 26 November 2020 up to 15 December 2021, being the date of the merger with CAL. She was then employed by CAL during the period from 16 December 2021 up to 24 March 2022 when she commenced maternity leave.*

4. *Mr. Deetlefs was employed by CAL during the period from his date of appointment on 21 February 2022 to 30 June 2022.*

5. *Mr. Harel was employed by CAL from 1 July 2020 until his resignation on 14 August 2020.*

Remuneration of all Key Management Personnel (“KMP”) - years ended 30 June 2022 and 2021

		Short-term		Post-employment	Share-based	Totals
Non-Executive Directors		Salary/fees $	STI $	Superannuation $	LTI $	$
Dr. Marcia A.M. Walker [1]	**2022**	**28,356**	**-**	**-**	**-**	**28,356**
Acting Non-Executive Chair	2021	-	-	-	-	-
Daniel E. Abrahams [2]	**2022**	**23,048**	**-**	**-**	**-**	**23,048**
Ex. Non-Executive Director	2021	50,000	-	-	-	50,000
Jason M. Adler [3]	**2022**	**23,048**	**-**	**-**	**-**	**23,048**
Ex. Non-Executive Director	2021	50,000	-	-	-	50,000
Anna E. Burke AO [4]	**2022**	**23,048**	**-**	**2,305**	**-**	**25,353**
Ex. Non-Executive Director	2021	50,000	-	4,751	-	54,751
Michael R. Gorenstein [5]	**2022**	**23,048**	**-**	**-**	**-**	**23,048**
Ex. Non-Executive Director	2021	50,000	-	-	-	50,000
Kurt T. Schmidt [6]	**2022**	**13,973**	**-**	**-**	**-**	**13,973**
Ex. Non-Executive Director	2021	-	-	-	-	-
Shane F. Tanner [7]	**2022**	**100,000**	**-**	**-**	**-**	**100,000**
Ex. Non-Executive Chair	2021	120,000	-	-	-	120,000
Sub-total for Non-Executive Directors	**2022**	**234,521**	**-**	**2,305**	**-**	**236,826**
	2021	320,000	-	4,751	-	324,751
Executives						
Rodney D. Cocks CSM	**2022**	**306,806**	**92,040**	**23,568**	**378,764**	**801,178**
Executive Director / CEO	2021	306,806	92,040	21,694	-	420,540
Guy R. Headley [8]	**2022**	**257,214**	**92,040**	**22,165**	**378,764**	**750,183**
Executive Director / COO	2021	182,814	-	17,367	-	200,181
Dr. Benjamin D.N. Jansen [9]	**2022**	**257,214**	**-**	**22,165**	**378,764**	**658,143**
Executive Director / CMO	2021	190,305	-	18,079	-	208,384
Thomas G. Howitt [10]	**2022**	**306,806**	**92,040**	**23,568**	**395,900**	**818,314**
CFO / Company Secretary	2021	306,806	69,030	21,694	31,026	428,556
Jessimine C.K. Jansen [11]	**2022**	**148,086**	**-**	**14,093**	**378,764**	**540,943**
Chief Operating Officer	2021	129,315	-	12,285	-	141,600
Raymond J. Deetlefs [12]	**2022**	**64,154**	**-**	**6,415**	**-**	**70,569**
Acting Chief Oper. Officer	2021	-	-	-	-	-
Lior Harel [13]	**2022**	**-**	**-**	**-**	**-**	**-**
Ex. General Counsel	2021	36,453	-	2,661	-	39,114
Sub-total for Executives	**2022**	**1,340,280**	**276,120**	**111,974**	**1,910,956**	**3,639,330**
	2021	1,152,499	161,070	93,780	31,026	1,438,375
Totals for KMP	**2022**	**1,574,801**	**276,120**	**114,279**	**1,910,956**	**3,876,156**
	2021	1,472,499	161,070	98,531	31,026	1,763,126

REMUNERATION REPORT (AUDITED) CONTINUED

Notes:

1. *Dr. Walker was appointed as a Non-Executive Director of the Company on 16 December 2021 and as the Acting Chair of the Board on 11 April 2022.*
2. *Mr. Abrahams resigned as a Non-Executive Director of the Company on 16 December 2021.*
3. *Mr. Adler resigned as a Non-Executive Director of the Company on 16 December 2021.*
4. *Ms. Burke resigned as a Non-Executive Director of the Company on 16 December 2021.*
5. *Mr. Gorenstein resigned as a Non-Executive Director of the Company on 16 December 2021.*
6. *Mr. Schmidt was appointed as a Non-Executive Director of the Company on 16 December 2021 and resigned on 28 March 2022.*
7. *Mr. Tanner resigned as Non-Executive Chair of the Company on 11 April 2022.*
8. *Mr. Headley was appointed as an Executive Director of the Company and as its Chief Commercial Officer on 16 December 2021, having previously been employed by CDA Operations Pty. Ltd. prior to the Merger with CDA Health Pty. Ltd.*
9. *Dr. Jansen was appointed as an Executive Director of the Company and as its Chief Medical Officer on 16 December 2021, having previously been employed by CDA Operations Pty. Ltd. prior to the Merger with CDA Health Pty. Ltd. He will cease his role as Chief Medical Officer on 22 September 2022.*
10. *Mr. Howitt, the Company's Chief Financial Officer, was also appointed as Company Secretary of the Company on 14 August 2020.*
11. *Ms. Jansen was appointed as the Company's Chief Operating Officer on 16 December 2021, having previously been employed by CDA Operations Pty. Ltd. prior to the Merger with CDA Health Pty. Ltd. She commenced maternity leave on 24 March 2022.*
12. *Mr. Deetlefs was appointed as the Company's Acting Chief Operating Officer on 21 February 2022.*
13. *Mr. Harel resigned as General Counsel and Company Secretary of the Company on 14 August 2020.*

The details of those Executives nominated as KMP under section 300A of the *Corporations Act 2001* have been disclosed in this Remuneration Report. No other employees of the Company meet the definition of "Key Management Personnel" as defined in IAS 24 / (AASB 124) Related Party Disclosures, or "senior manager" as defined in the *Corporations Act 2001*.

Executive employment contracts

Rodney D. Cocks CSM - Chief Executive Officer ("CEO")

The Company's CEO, Rodney Cocks, is employed under an employment contract the key terms of which include:

- During the year ended 30 June 2022, Mr. Cocks' annual remuneration package was $306,806 excluding statutory superannuation contributions as prescribed under the Superannuation Guarantee legislation, currently at a rate of 10% per annum. Mr. Cocks is also entitled to be reimbursed for expenses incurred in relation to private insurances up to a maximum of $6,000 in a prescribed 12-month period. In respect of the year ending 30 June 2023, Mr. Cocks' annual remuneration package will increase to $320,000 excluding statutory superannuation contributions;
- In respect of the year ended 30 June 2022, Mr. Cocks was eligible to receive an STI payment equal to up to 40% of his base salary subject to the achievement of Key Performance Indicators, of which 75% relates to financial metrics relevant to the Company and its performance, while the remaining 25% relates to individual performance, as determined by the Company's Chairman, with any payments made being subject to Board approval. On 12 July 2022, an STI payment of $92,040, representing 75% of his maximum entitlement, was paid in respect of the year ended 30 June 2022;
- Mr. Cocks is entitled to receive various equity securities, including options over the Company's ordinary shares and performance rights, subject to the terms of the Company's Equity Incentive Plan ("Plan"). The granting of securities under the Plan is subject to the achievement of agreed Key Performance Indicators and the discretion and approval of the Board. On 16 December 2021, Mr. Cocks received a total of 1,000,000 performance rights and 4,500,000 options over the Company's ordinary shares in connection with the Company's merger with CDA Health Pty. Ltd.;

- Mr. Cocks may resign from his position, thereby terminating the contract, by giving 12 months' written notice, if the notice is given prior to 16 December 2022, or six months' written notice, if the notice is given after 16 December 2022. The Company may terminate his contract by providing similar notice or providing payment in lieu of the notice period; and
- The Company may terminate Mr. Cocks' contract at any time without notice if serious misconduct has occurred. Where this occurs with cause, he is only entitled to receive that portion of remuneration which is fixed and only up to the date of termination. In this instance, any entitlements to unvested STI and LTI amounts or securities are forfeited and would lapse on termination.

Guy R. Headley - Chief Commercial Officer ("CCO")

The Company's CCO, Guy Headley, is employed under an employment contract the key terms of which include:

- During the year ended 30 June 2022, Mr. Headley's annual remuneration package was $306,800 excluding statutory superannuation contributions as prescribed under the Superannuation Guarantee legislation, currently at a rate of 10% per annum. Mr. Headley is also entitled to be reimbursed for expenses incurred in relation to private insurances up to a maximum of $6,000 in a prescribed 12-month period. In respect of the year ending 30 June 2023, Mr. Headley's annual remuneration package will increase to $320,000 excluding statutory superannuation contributions;
- In respect of the year ended 30 June 2022, Mr. Headley was eligible to receive an STI payment equal to up to 30% of his base salary subject to the achievement of Key Performance Indicators, of which 75% relates to financial metrics relevant to the Company and its performance, while the remaining 25% relates to individual performance, as determined by the Company's CEO, with any payments made being subject to Board approval. On 12 July 2022, an STI payment of $92,040, representing 100% of his maximum entitlement, was paid in respect of the year ended 30 June 2022;
- Mr. Headley is entitled to receive various equity securities, including options over the Company's ordinary shares and performance rights, subject to the terms of the Company's Equity Incentive Plan ("Plan"). The granting of securities under the Plan is subject to the achievement of agreed Key Performance Indicators and the discretion and approval of the Board. On 16 December 2021, Mr. Headley received a total of 1,000,000 performance rights and 4,500,000 options over the Company's ordinary shares in connection with the Company's merger with CDA Health Pty. Ltd.;
- Mr. Headley may resign from his position, thereby terminating the contract, by giving three months' written notice. The Company may terminate his contract by providing similar notice or providing payment in lieu of the notice period; and
- The Company may terminate Mr. Headley's contract at any time without notice if serious misconduct has occurred. Where this occurs with cause, he is only entitled to receive that portion of remuneration which is fixed and only up to the date of termination. In this instance, any entitlements to unvested STI and LTI amounts or securities are forfeited and would lapse on termination.

Dr. Benjamin D.N. Jansen - Chief Medical Officer ("CMO")

The Company's CMO, Dr. Benjamin Jansen, is employed under an employment contract the key terms of which include:

- During the year ended 30 June 2022, Dr. Jansen's annual remuneration package was $306,800 excluding statutory superannuation contributions as prescribed under the Superannuation Guarantee legislation, currently at a rate of 10% per annum. Dr. Jansen is also entitled to be reimbursed for expenses incurred in relation to private insurances up to a maximum of $6,000 in a prescribed 12-month period;
- Dr. Jansen is entitled to receive various equity securities, including options over the Company's ordinary shares and performance rights, subject to the terms of the Company's Equity Incentive Plan ("Plan"). The granting of securities under the Plan is subject to the achievement of agreed Key Performance Indicators and the discretion and approval of the Board. On 16 December 2021, Dr. Jansen received a total of 1,000,000 performance rights and 4,500,000 options over the Company's ordinary shares in connection with the Company's merger with CDA Health Pty. Ltd.; and
- On 22 June 2022, it was announced that Dr. Jansen would cease his role as Chief Medical Officer on 22 September 2022. Any entitlements to unvested STI and LTI amounts or securities will be forfeited and will lapse on termination.

REMUNERATION REPORT (AUDITED) CONTINUED

Thomas G. Howitt - Chief Financial Officer and Company Secretary ("CFO")

The Company's CFO, Thomas Howitt, is employed under an employment contract the key terms of which include:

- During the year ended 30 June 2022, Mr. Howitt's annual remuneration package was $306,806 excluding statutory superannuation contributions as prescribed under the Superannuation Guarantee legislation, currently at a rate of 10% per annum. Mr. Howitt is also entitled to be reimbursed for expenses incurred in relation to private insurances up to a maximum of $6,000 in a prescribed 12-month period. In respect of the year ending 30 June 2023, Mr. Howitt's annual remuneration package will increase to $320,000 excluding statutory superannuation contributions;
- In respect of the year ended 30 June 2022, Mr. Howitt was eligible to receive an STI payment equal to up to 30% of his base salary subject to the achievement of Key Performance Indicators, of which 75% relates to financial metrics relevant to the Company and its performance, while the remaining 25% relates to individual performance, as determined by the Company's CEO, with any payments made being subject to Board approval. On 12 July 2022, an STI payment of $92,040, representing 100% of his maximum entitlement, was paid in respect of the year ended 30 June 2022;
- Mr. Howitt is entitled to receive various equity securities, including options over the Company's ordinary shares and performance rights, subject to the terms of the Company's Equity Incentive Plan ("Plan"). The granting of securities under the Plan is subject to the achievement of agreed Key Performance Indicators and the discretion and approval of the Board. On 16 December 2021, Mr. Howitt received a total of 1,000,000 performance rights and 4,500,000 options over the Company's ordinary shares in connection with the Company's merger with CDA Health Pty. Ltd.;
- Mr. Howitt may resign from his position, thereby terminating the contract, by giving three months' written notice. The Company may terminate his contract by providing similar notice or providing payment in lieu of the notice period; and
- The Company may terminate Mr. Howitt's contract at any time without notice if serious misconduct has occurred. Where this occurs with cause, he is only entitled to receive that portion of remuneration which is fixed and only up to the date of termination. In this instance, any entitlements to unvested STI and LTI amounts or securities are forfeited and would lapse on termination.

Jessimine C.K. Jansen - Chief Operating Officer ("COO")

The Company's COO, Jessimine Jansen, is employed under an employment contract the key terms of which include:

- During the year ended 30 June 2022, Ms. Jansen's annual remuneration package was $306,800 excluding statutory superannuation contributions as prescribed under the Superannuation Guarantee legislation, currently at a rate of 10% per annum. Ms. Jansen is also entitled to be reimbursed for expenses incurred in relation to private insurances up to a maximum of $6,000 in a prescribed 12 month period. Ms. Jansen commenced maternity leave on 24 March 2022. Raymond Deetlefs was appointed as acting COO on 21 February 2022 (refer below);
- Ms. Jansen is entitled to receive various equity securities, including options over the Company's ordinary shares and performance rights, subject to the terms of the Company's Equity Incentive Plan ("Plan"). The granting of securities under the Plan is subject to the achievement of agreed Key Performance Indicators and the discretion and approval of the Board. On 16 December 2021, Ms. Jansen received a total of 1,000,000 performance rights and 4,500,000 options over the Company's ordinary shares in connection with the Company's merger with CDA Health Pty. Ltd.;
- Ms. Jansen may resign from her position, thereby terminating the contract, by giving three months' written notice. The Company may terminate her contract by providing similar notice or providing payment in lieu of the notice period; and
- The Company may terminate Ms. Jansen's contract at any time without notice if serious misconduct has occurred. Where this occurs with cause, she is only entitled to receive that portion of remuneration which is fixed and only up to the date of termination. In this instance, any entitlements to unvested STI and LTI amounts or securities are forfeited and would lapse on termination.

Raymond J. Deetlefs - Acting Chief Operating Officer ("Acting COO")

The Company's Acting COO, Ray Deetlefs, is employed under an employment contract the key terms of which include:

- During the year ended 30 June 2022, Mr. Deetlefs' annual remuneration package was $180,000 excluding statutory superannuation contributions as prescribed under the Superannuation Guarantee legislation, currently at a rate of 10% per annum. Mr. Deetlefs' contract will terminate on 14 April 2023, unless extended by the Company;
- Mr. Deetlefs may resign from his position, thereby terminating the contract, by giving two months' written notice. The Company may terminate his contract by providing Mr. Deetlefs with four week's notice or providing payment in lieu of the notice period; and
- The Company may terminate Mr. Deetlefs' contract at any time without notice if serious misconduct has occurred. Where this occurs with cause, he is only entitled to receive that portion of remuneration which is fixed and only up to the date of termination.

End of Remuneration Report

AUDIT AND NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to his statutory audit duties where the auditor's expertise and experience with the Group are important. During the year ended 30 June 2022, total fees of $155,000 (2021: $108,091) were paid or payable in respect of audit services provided by Pilot Partners to the Company and CDA Health Pty. Ltd. and $78,520 (2021: $15,000) was paid or payable in respect of other services provided by Pilot Partners to CDA Health Pty. Ltd. in relation to its merger with the Company which concluded in December 2021. The Company believes that these additional services are compatible with the general standard of independence for auditors.

DIRECTORS' AND COMMITTEE MEETINGS

As at the date of this Report, the Company had four Directors. The Company also had an Audit and Risk Committee and a Nomination and Remuneration Committee. During the year ended 30 June 2022, both Committees had as their members Daniel Abrahams, Anna Burke AO, Kurt Schmidt, Shane Tanner and Dr. Marcia Walker. With the exception of Kurt Schmidt, all of the Committee members were independent Directors. Following the resignations of Daniel Abrahams, Anna Burke AO, Kurt Schmidt and Shane Tanner as Directors during the year, replacement members for the Board and both Committees are being sought as at the date of this Directors' Report.

The number of meetings of Directors and the respective Committees held during the period from 1 July 2021 up to the date of this Report, including Circular Resolutions passed by the Board, and the number of such meetings attended by each Director, are summarised in the table below:

	Board of Directors		Audit and Risk Committee		Nomination and Remuneration Committee	
Name of Director	Eligible	Attended	Eligible	Attended	Eligible	Attended
Current Directors						
Dr. Marcia A.M. Walker (Acting Chair)	10	9	2	2	-	-
Rodney D. Cocks CSM	20	20	-	-	-	-
Guy R. Headley	10	10	-	-	-	-
Dr. Benjamin D.N. Jansen	10	10	-	-	-	-
Former Directors						
Daniel E. Abrahams	10	10	1	1	1	1
Jason M. Adler	10	8	-	-	-	-
Anna E. Burke AO	10	10	1	1	1	1
Michael R. Gorenstein	10	7	-	-	-	-
Kurt T. Schmidt	3	2	2	2	-	-
Shane F. Tanner	13	13	3	3	1	1

ROUNDING OF AMOUNTS

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

PROCEDINGS ON BEHALF OF THE COMPANY

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

AUDITOR'S INDEPENDENCE DECLARATION

Pilot Partners was appointed as the auditor of Cronos Australia Limited on 16 December 2021 and continues in office as auditor in accordance with section 327 of the *Corporations Act 2001*. A copy of Pilot Partners' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 57 of this Annual Report.

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

DR. MARCIA A.M. WALKER
Acting Chair

RODNEY D. COCKS CSM
Director

Melbourne, 26 August 2022

Auditor's Independence Declaration

pilot

PILOT PARTNERS
Chartered Accountants

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1 Eagle Street
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AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

CRONOS AUSTRALIA LIMITED

I declare that to the best of my knowledge and belief, during the year ended 30 June 2022, there have been:

i. no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

PILOT PARTNERS
Chartered Accountants

CHRIS KING
Partner

Signed on 26 August 2022

Level 10
1 Eagle Street
Brisbane Qld 4000

Corporate Governance Statement

INTRODUCTION

Cronos Australia Limited ("CAL" and the "Company") and its Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review its corporate governance framework and practices to ensure they meet the interests of the shareholders. In this Statement, the Company and the 23 entities it controlled as at 30 June 2022 are collectively referred to as the "Group".

A description of the Group's main corporate governance practices is set out below. Unless otherwise stated, all of these practices were in place for the entire period from 1 July 2021 to 30 June 2022 and comply with the Corporate Governance Principles and Recommendations (including all relevant amendments) of the Australian Securities Exchange ("ASX").

While in most respects the Company complies with the Recommendations, in several areas, policies and practices are being further developed to bring them more closely into line. As new policies are produced, or as the existing ones are updated, they are published on the Company's website.

All of the Company's significant policies are published on its website (www.cronosaustralia.com).

As at the date of this Financial Report, the following Corporate Governance documents had been adopted by the Board, in addition to the Company's Constitution which was adopted on 27 September 2018:

- Board Charter, which defines the role of the Board and that of Management;
- Audit and Risk Committee Charter;
- Nomination and Remuneration Committee Charter;
- Code of Conduct;
- Disclosure and Communication Policy;
- Whistleblower Policy;
- Trading Policy; and
- Diversity Policy.

ASX PRINCIPLES AND RECOMMENDATIONS

Principle 1: Lay solid foundations for management and oversight

The relationship between the Board and Management is critical to the Group's success. The Directors are responsible to the shareholders for the performance of the Group in both the short and long terms. They also seek to balance sometimes competing objectives in the best interests of the Group as a whole, with a focus to enhance the interests of shareholders and other key stakeholders and to ensure the Group is appropriately managed.

The responsibilities of the Board include:

- providing strategic guidance to the Group as a whole, including contributing to the development of and approving the Group's corporate strategy;
- reviewing and approving the Group's business plans, its annual budget and financial plans, including available resources and major capital expenditure initiatives;
- overseeing and monitoring:
  - organisational performance and the achievement of the Group's strategic goals and objectives;
  - compliance with, and effectiveness of, the Company's governance practices; and
  - progress of major capital and other significant projects, including any acquisitions or divestments;
- monitoring the Group's financial performance, including approval of the annual and half-year financial reports and regular oversight of the Company's interaction with its external auditor;
- appointment, performance assessment and, if necessary, removal of the Chief Executive Officer;
- ensuring there are effective processes in place for approving major corporate initiatives;

- ratifying the appointment and/or removal of members of the Company's Executive Team and contributing to the regular assessment of their performance;
- enhancing and protecting the reputation of the organisation;
- overseeing the operation of the Group's system for compliance and risk management; and
- ensuring appropriate resources are available to the Group's senior Management to enable them to implement the strategies approved by the Board.

Day-to-day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer and the Executive Team as set out in the Group's delegations policies. These delegations are reviewed by the Board on a regular basis.

The Company was admitted to the Official List of the ASX on 7 November 2019 and a formal process for evaluating the performance of the Board, its Committees and the individual Directors themselves is still being further developed. In the meantime, the Chairman holds regular discussions with Directors to ascertain their views on Company-related matters and to provide feedback to the Directors, where necessary. Following the expected appointment of a new Chairman in September 2022, it is anticipated that further enhancements to the performance evaluation process for all Directors and Committee members will be introduced during the financial year ending 30 June 2023.

The most recent performance appraisals for all members of the Executive Team took place in mid-July 2022 in respect of the year ended 30 June 2022. The process for these assessments is described in detail in the Remuneration Report on pages 43 to 55 of this Annual Report.

Diversity policy

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has developed and introduced a diversity policy which outlines its diversity objectives in relation to gender, age, cultural background, ethnicity and other factors. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to annually assess both the objectives, and the Company's progress made in achieving them.

In accordance with the Company's Diversity Policy and ASX Corporate Governance principles, the Board has established various objectives in relation to gender diversity. While the Company has already achieved some of these objectives, the aim is to achieve the remaining objectives over the coming two to three years as relevant positions become vacant and appropriately-qualified candidates can be recruited.

The objectives set by the Board in relation to gender diversity, and the actual results relating to employees, Executives and Directors of the Group as at 30 June 2022, are set out in the following table.

	Objective		Actual	
Category	Number	Percentage	Number	Percentage
Number of women employed by the Group	53	50%	76	74%
Number of women in Executive positions	2	40%	1	25%
Number of women on the Board	2	33%	1	25%

Responsibility for diversity has been included in the Charters for both the Board and the Nomination and Remuneration Committee. The Company anticipates it will be able to more closely achieve its diversity objectives above as it continues to expand its operations and attract more individuals into the organisation.

Principle 2: Structure the Board to add value

The Board operates in accordance with the broad principles set out in its Charter which is available in the corporate governance information section of the Company's website (www.cronosaustralia.com). The Charter provides, amongst other things, details of the Board's composition and responsibilities.

ASX PRINCIPLES AND RECOMMENDATIONS CONTINUED

Board composition

The Charter provides that:

- the Board may be comprised of both executive and non-executive Directors;
- the Company will seek to appoint Directors with an appropriate range of skills, experience and expertise, together with an understanding of, and competence to deal with, current and emerging issues faced by the business;
- in recognition of the importance of independent views and the Board's role in supervising the activities of Management, the Chairman must be an independent non-executive Director and all Directors are required to exercise independent judgement and review and constructively challenge the performance of the Executive Team;
- the Chairman is elected by the full Board; and
- independent Directors should regularly meet separately to consider, amongst other things, executive performance.

The Board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors who bring with them an external or fresh perspective; and
- the size of the Board is conducive to effective discussion and efficient decision-making.

Board members

Details of Directors, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the Directors' Report. During the year ended 30 June 2022, four Directors served as independent, non-executive Directors. None of these Directors had relationships which may adversely affect their independence and, as such, they were deemed independent under the principles set out above. As at the date of signing the Directors' Report, only one Director, Dr. Marcia Walker, served as an independent, non-executive Director. Following the resignations of the other three independent Directors, being Daniel Abrahams, Anna Burke AO and Shane Tanner as Directors during the year, replacement members to join the Board as independent Directors were sought after balance date. On 12 September 2022, Jenelle Frewen and Dr. Simone Scovell were appointed as Independent Non-Executive Directors of the Company.

Directors' independence

The Board has adopted specific principles in relation to the independence of its Directors. These principles state that, when determining independence, a Director should be non-executive and the Board should consider whether the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is, or has been, employed in an executive capacity by the Company or any related entity within three years before commencing his or her service on the Board;
- within the last three years has been a principal of a material professional adviser or a material consultant to the Company or related entity, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or related entity, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company or a controlled entity other than as a Director of the Group;
- is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's independent exercise of his or her judgement;
- has close family ties with any person who falls within any of the categories described above; and
- has been a Director for such a period that his or her independence may have been compromised.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over five percent of annual turnover of the Company or Group or five percent of the individual Director's net worth is considered material for these purposes. In addition, a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' perception of the respective Director's performance.

It is a generally held view that a Director's independence may be perceived to be impacted by lengthy service on the Board. To avoid any potential concerns, the Board has determined that a Director will not be deemed independent if he or she has served on the Board of the Company for a period of more than ten years.

The Board assesses the independence of its Directors each year. To enable this process, the Directors must provide all information that may be relevant to the assessment. As at the date of this Financial Report, the Board comprises a total of four Directors, of whom one is deemed to be independent. In addition, the Acting Chair of the Board is deemed to be independent. As described elsewhere in this Corporate Governance Statement, on 12 September 2022, Jenelle Frewen and Dr. Simone Scovell were appointed as Independent Non-Executive Directors of the Company.

Term of office

The Company's Constitution specifies that all non-executive Directors must retire from office no later than the third Annual General Meeting ("AGM") following his or her last election. Where eligible, a Director may stand for re-election.

Chairman, Chief Executive Officer and Company Secretary

The Chairman is responsible for leading the Board, ensuring that Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Company's Executive Team. In accepting the position, the Chairman acknowledges that the role will require a significant time commitment and confirms that other positions held will not hinder his or her effective performance in that role.

The Chief Executive Officer ("CEO") is responsible for implementing the Group's strategies and policies. The Board Charter specifies that the Chairman and CEO are separate roles to be undertaken by separate people. Through the Chair, the Company Secretary is accountable directly to the Board on all matters to do with the proper functioning of the Board.

Induction

The induction process provided to new Directors enables them to actively participate in Board discussions and decision-making as soon as possible. It ensures that each Director has a complete understanding of the Company's financial position, strategies, operations, culture, values and risk management policies and processes. It also explains the respective rights, duties and responsibilities of each Director and their interaction with the Executive Team as well as the Board's meeting arrangements. Where applicable, the Company provides its Directors with opportunities to undertake professional development activities which are relevant to their ability to perform their duties as Directors effectively.

Commitment

The Board held/passed a total of 20 Board meetings and Circular Resolutions during the period from 1 July 2021 to the date of the Directors' Report. Non-executive Directors are expected to spend adequate time preparing for and attending Board and Committee meetings and associated activities. The number of meetings of the Company's Board of Directors and each Committee held during the above period, and the number of such meetings attended, or resolutions passed by, each Director are disclosed on page 55 of this Annual Report.

The commitments of all non-executive Directors are considered by the Nomination and Remuneration Committee prior to the respective Director's appointment to the Board and are reviewed each year as part of the annual performance assessment process. Prior to appointment or re-election, each non-executive Director is required to specifically acknowledge that they have, and will continue to have, the time available to fully discharge their responsibilities to the Company.

Conflict of interests

In accordance with the Board Charter, all Directors are required to declare all interests in dealings with the Company and are required to take no part in decisions relating to them. In addition, those Directors are not entitled to receive any papers from the Group pertaining to those dealings. No such declarations were received from any Directors during the period from 1 July 2021 up to the date of signing the Directors' Report.

ASX PRINCIPLES AND RECOMMENDATIONS CONTINUED

Performance assessment

As detailed above, a formal process for evaluating the performance of the Board, its Committees and each individual Director is still being further developed. In the meantime, the Chairman holds regular discussions with Directors to ascertain their views on Company-related matters and to provide feedback to the Directors, where necessary. It is anticipated that a more formal performance evaluation process, which will include consideration of the adequacy of the Company's induction and continuing education processes and access to information, will be implemented during the financial year ending 30 June 2023 under the guidance and direction of the Company's new Chairman who is being sought as at the date of this Financial Report.

Once established, members of the Executive Team will be invited to contribute to this appraisal process. The results arising from this review and any action plans are to be documented, together with performance goals which will then be agreed for the coming year. The incoming Chairman will be expected to undertake an assessment of the performance of all Directors individually and to meet with each Director separately to discuss this assessment.

Board Committees

The Board has established two Committees to assist it in the efficient execution of its duties and to enable the detailed consideration of complex issues. The current Committees of the Board are the Nomination and Remuneration Committee and the Audit and Risk Committee. Throughout the 2022 financial year, both Committees were comprised entirely of independent, non-executive Directors. The structure and membership of each Committee is reviewed annually.

Each Committee has its own written Charter setting out its role and responsibilities and that of its members, in addition to its composition, structure, membership requirements and the manner in which the respective Committee is to operate. Both Charters are reviewed on an annual basis and are available for review on the Company's website. All matters determined by the Committees are submitted to the full Board as recommendations for Board decisions. All minutes of Committee meetings are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the Committees to the Board are addressed in the Charters of the respective Committees.

Nomination and Remuneration Committee

During the year ended 30 June 2022, the Company's Nomination and Remuneration Committee had a total of five members: Dr. Marcia Walker (Chairman), Shane Tanner, Kurt Schmidt, Anna Burke AO and Daniel Abrahams, all of whom, but for Kurt Schmidt, were independent. Details of their attendance at meetings of the Committee are set out on page 55 of this Annual Report. The Committee, which operates in accordance with its Charter that is available on the Company's website, met once during the period from 1 July 2021 up to the date of the Directors' Report. Following the resignations of Daniel Abrahams, Anna Burke AO, Kurt Schmidt and Shane Tanner as Directors during the year, Jenelle Frewen and Dr. Simone Scovell were appointed to the Nomination and Remuneration Committee on 12 September 2022.

The policies and practices adopted by the Company in relation to the remuneration of all Directors are detailed in the Remuneration Report which is included on pages 43 to 55 of this Annual Report.

The main responsibilities of the Nomination and Remuneration Committee are to:

- conduct an annual review of the membership of the Board, having regard to present and future needs of the Company and to make recommendations on Board composition and appointments;
- conduct an annual review of, and conclude on the independence of, each Director;
- propose candidates to fill Board vacancies and assess the effectiveness of the Director induction process;
- oversee the Company's annual performance assessment program;
- consider recommendations for any changes in the future remuneration arrangements for the Chief Executive Officer and the Executive Team;
- consider recommendations for any payments under the Group's short-term and long-term incentive schemes; and
- oversee Board succession, including the succession of the Chairman, and review whether succession plans are in place to maintain an appropriately balanced mix of skills, experience and diversity on the Board.

When a new Director is to be appointed, the Committee generally prepares a Board skills matrix to review the range of skills, experience and expertise on the Board, and to identify any gaps it may have. A number of channels are used to source candidates to ensure the Company benefits from a diverse range of individuals in the selection process. Where necessary, advice and support are sought from independent search consultants. While the Company does not currently maintain a detailed skills matrix, given its relatively early stage of development, an assessment of the skills, experience and expertise of the Directors on the Board and any that may be lacking is prepared prior to the appointment of any new Director.

Appropriate checks are undertaken on all potential candidates, including those necessary for a Director to qualify as a "Fit and Proper" person under the rules of the Office of Drug Control, before any candidate is elected to the Board or put forward for election by the shareholders. From this list of potential candidates, the Committee prepares a short-list of those who are eligible and who have appropriate skills and experience.

The full Board then appoints the most suitable candidate who must then stand for election at the Company's next AGM. The Committee's nomination of existing Directors for reappointment is not automatic and is contingent on their past performance, contribution to the Board and the current and future needs of both the Board and Company. The Board and the Committee are aware of the advantages of Board renewal and succession planning and notices of meetings for the election of Directors comply with the ASX Corporate Governance Council's best practice recommendations in this regard.

New Directors are provided with a letter of appointment setting out the terms and conditions of their appointment, the Company's expectations of them, and their rights and responsibilities as Directors. All new Directors participate in a formal induction program which covers the operation of the Board and its Committees, as well as a review of all material financial, strategic, operations and risk management issues.

Independent professional advice

All Directors and members of the Board's two Committees have the right, in connection with exercising their duties and responsibilities, to seek independent professional advice at the Company's expense. The prior written approval of the Chairman is required, however such approval will not be unreasonably withheld. No such advice was sought during the year ended 30 June 2022.

Principle 3: Promote ethical and responsible decision making

Code of conduct

The Company has developed a statement of values and a Code of Conduct (the "Code") which has been fully endorsed by the Board and applies to all Directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity and to take into account its legal obligations and the reasonable expectations of the Company's stakeholders. A copy of the Code is available on the Company's website.

In summary, the Code requires that, at all times, Directors and employees act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and the Company's policies.

The purchase and sale of Company securities by Directors and employees is governed by the Company's Trading Policy, a copy of which is available on the Company's website. Such trading is not permitted during the two-month periods immediately following the end of the Company's two financial half-years, i.e. immediately after 31 December and 30 June of each year, respectively. Any transactions undertaken by Directors outside of these periods must be notified to the Company Secretary in advance.

The Code requires employees who become aware of unethical practices within the Group or breaches of the Company's Trading Policy to report such breaches to the Chairman. The Directors are satisfied that the Group has complied with its policies on ethical standards, including trading in the Company's securities.

ASX PRINCIPLES AND RECOMMENDATIONS CONTINUED

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Committee

During the year ended 30 June 2022, the Audit and Risk Committee had as its members Daniel Abrahams, Anna Burke AO, Kurt Schmidt, Shane Tanner and Dr. Marcia Walker. With the exception of Kurt Schmidt, all of the Committee members were independent, non-executive Directors. Following the resignations of Daniel Abrahams, Anna Burke AO, Kurt Schmidt and Shane Tanner as Directors during the year, Jenelle Frewen and Dr. Simone Scovell were appointed to the Audit and Risk Committee on 12 September 2022.

The Committee, which operates in accordance with its Charter that is available on the Company's website, met three times during the period from 1 July 2021 up to the date of the Directors' Report. All members of the Audit and Risk Committee are financially literate and have an appropriate understanding of the industry in which the Group operates. Details of the qualifications and experience of the current members of the Committee are disclosed in the Directors' Report.

The Company does not have an internal audit function as the Board believes that the scale of the Company's current operations does not warrant the establishment of one. To compensate and ensure appropriate oversight, the members of the Audit and Risk Committee take an active role in reviewing the financial information that is presented to the Committee and, via the Chair of the Committee, ask related questions of Management on a regular basis.

The main responsibilities of the Audit and Risk Committee are to:

- review, assess and approve the Company's annual financial report, the half-year financial report and all other financial information published by the Company or released to the Market, including its ASX Appendices 4C, 4D, 4E and 4G;
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
  - the effectiveness and efficiency of its operations;
  - the reliability of financial reporting; and
  - its compliance with applicable laws and regulations;
- oversee the effective operation of the Company's risk management framework and the periodic review of the Group's Risk Register;
- recommend to the Board the appointment, removal and remuneration of the external auditor, and review the terms of its annual engagement, the scope and quality of the audit and assess the auditor's overall performance;
- consider the independence and competence of the external auditor on an ongoing basis;
- review and approve the level of non-audit services provided by the Group's external auditor and ensure that it does not adversely impact the auditor's independence;
- review and monitor any related party transactions and assess their propriety; and
- report to the Board on matters relevant to the Committee's role and responsibilities.

In fulfilling its responsibilities, the Audit and Risk Committee:

- receives regular reports from Management and, in particular, the CFO and the Company's external auditor;
- meets with the external auditor at least twice a year, or more frequently, if necessary;
- reviews the processes the CEO and CFO have in place to support their annual certifications to the Board;
- reviews any significant disagreements between the auditor and Management, irrespective of whether they have been resolved; and
- provides the external auditor with a clear line of direct communication at any time to either the Chairman of the Audit and Risk Committee or, if necessary, the Chairman of the Board.

The members of the Audit and Risk Committee have authority, as part of their responsibilities, to seek any information they may require from any employee or external party.

External auditor

The policy of the Company and the Audit and Risk Committee is to appoint an external auditor who clearly demonstrates quality of service and independence. The performance of the Group's external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration an assessment of performance, existing value and tender costs.

Pilot Partners was appointed as the Group's external auditor in December 2021. It is a regulatory requirement to rotate audit lead engagement partners on listed company audits such as Cronos Australia at least every five years.

An analysis of the fees paid to the external auditor, including a break-down of fees for non-audit services, is provided in the Directors' Report and in *Note 34* to the financial statements. It is the policy of the external auditor to provide an annual declaration of its independence to the Audit and Risk Committee which is reproduced immediately following the Directors' Report on page 57 of this Annual Report.

The external auditor attends the Company's AGM and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Corporate reporting

In complying with recommendation 4.2, the CEO and CFO make the following annual certifications to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and the Group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Principles 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

Continuous disclosure and shareholder communication

The Company has written policies and procedures regarding the disclosure of information that focus on the continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage their effective participation at general meetings. A summary of these policies and procedures is available on the Company's website.

The Company Secretary has been nominated as the primary person responsible for communications with the Australian Securities Exchange ("ASX"). This role includes the responsibility for ensuring compliance with the various continuous disclosure requirements detailed in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public. External investor relations and media advisory groups are retained by the Company from time to time to assist it with the creation and dissemination of information regarding the Company to its various stakeholders.

All information disclosed to the ASX is posted on the Company's website as soon as it is released to the ASX. When analysts are briefed on the Group's operations, the materials used by the Company in those presentations are released to the ASX and immediately posted on the Company's website. Procedures have also been established for reviewing whether any price sensitive information may have been inadvertently disclosed publicly and, if so, this information is also released to the Market as soon as possible.

The Company's website enables users to provide feedback to the Company and has an option for shareholders to register their email addresses to receive direct email updates on all Company-related matters that it may release.

All shareholders are entitled to receive a hard copy of the Company's Annual Report and Half-Year Report which are also available for download on its website.

ASX PRINCIPLES AND RECOMMENDATIONS CONTINUED

Principle 7: Recognise and manage risk

The Board is responsible for satisfying itself annually, or more frequently as required, that Management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the Audit and Risk Committee and reviewed by the full Board.

The Audit and Risk Committee is responsible for ensuring there are adequate policies in place in relation to risk management, compliance and internal control systems. The Committee monitors the Company's risk management processes by overseeing Management's actions in the evaluation, management, monitoring and reporting of material operational, financial, regulatory, compliance and strategic risks faced by the Company.

In providing this oversight, the Audit and Risk Committee:

- reviews the framework and methodology for risk identification, the degree of risk the Company is willing to accept, the overall management of risk and the processes for reviewing and evaluating the effectiveness of the Company's risk management system;
- reviews Group-wide objectives in the context of the abovementioned categories of corporate risk;
- reviews and, where necessary, approves guidelines and policies governing the identification, assessment and management of the Company's exposure to risk, including the periodic review of the Group's Risk Register;
- reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis; and
- reviews compliance with agreed policies.

The Committee recommends any actions it deems appropriate in relation to risk to the Board for its consideration.

Management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system and has to report to the Audit and Risk Committee on the effectiveness of:

- the risk management and internal control system during the year; and
- the Company's management of its material business risks via its documented Risk Register.

The Company does not believe that it has specific exposure to unusual economic, environmental or social sustainability risks beyond those that would apply to all ASX-listed companies.

Risk management group

The Company's risk management policies and the operation of its risk management and compliance system, which are documented in the Group's Risk Register, are managed by the Company's risk management group which consists of selected senior executives and is chaired by the Company's Chief Financial Officer. The Board receives reports from this group as to the effectiveness of the Company's management of material risks that may impede or impact the Company's ability to meet its business objectives. The Risk Register is reviewed and updated periodically, with the most recent review having taken place on 26 August 2022.

Each of the Company's business units report to the risk management group on the key business risks applicable to their respective areas. The review is undertaken by business unit management, following which the risk management group consolidates the business unit reports and recommends any actions to the Audit and Risk Committee, and subsequently the Board, for their consideration.

Principle 8: Remunerate fairly and responsibly

All matters pertaining to the remuneration of the Company's Directors and employees are overseen and managed by the Nomination and Remuneration Committee, as described above. As necessary, Committee members consider information received from external remuneration experts and other independent sources in relation to recent developments on remuneration and related matters.

Each member of the Executive Team signs a formal employment contract at the time of his or her appointment which documents a range of matters including their remuneration, duties, rights, responsibilities and any entitlements they may receive on termination. The standard contract refers to a specific formal job description which is reviewed by the Nomination and Remuneration Committee on a regular basis and, where necessary, is revised in consultation with the relevant employee.

Further information on Directors' and Executives' remuneration, including the principles used to determine remuneration, is set out in the Directors' Report under the heading "Remuneration Report" on pages 43 to 55 of this Annual Report. In accordance with the Group's policy, participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

The Nomination and Remuneration Committee also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive training and development programs and ensuring that adequate arrangements are in place so that appropriate candidates can be recruited for promotion to senior positions.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Notes	Consolidated 30 June 2022 $	Consolidated 30 June 2021 $
Continuing operations			
Revenue	4	**66,991,732**	21,712,166
Cost of sales		**(41,564,504)**	(15,056,570)
Gross profit		**25,427,228**	6,655,596
Other income	5	**264,065**	216,212
Accounting, tax and audit fees		**(400,150)**	(84,537)
Administration expenses		**(1,995,437)**	(1,118,356)
Finance costs		**(441,440)**	(27,917)
Legal and regulatory expenses		**(445,925)**	(17,174)
Personnel expenses	6	**(12,134,959)**	(3,261,598)
Sales, marketing and distribution expenses		**(528,708)**	(474,498)
Profit before income tax	6	**9,744,674**	1,887,728
Income tax expense	9	**(3,732,165)**	(470,280)
Profit for the year		**6,012,509**	1,417,448
Other comprehensive income/(loss)			
Items that may be reclassified to profit			
Exchange losses on translation of controlled foreign operations		**(131,764)**	-
Other comprehensive income/(loss) for the year, net of tax		**(131,764)**	-
Total comprehensive profit for the year		**5,880,745**	1,417,448
Profit for the year is attributable to:			
Owners of Cronos Australia Limited		**6,048,534**	1,417,448
Non-controlling interests	26	**(36,025)**	-
Total profit for the year		**6,012,509**	1,417,448
Total comprehensive profit for the year is attributable to:			
Owners of Cronos Australia Limited		**5,916,770**	1,417,448
Non-controlling interests	26	**(36,025)**	-
Total comprehensive profit for the year		**5,880,745**	1,417,448
Profit per share attributable to owners of Cronos Australia Limited and from continuing operations:			
Basic profit per share (cents per share)	7	**1.25**	0.35
Diluted profit per share (cents per share)	7	**1.24**	0.35

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

Consolidated Statement of Financial Position
As at 30 June 2022

	Notes	Consolidated 30 June 2022 $	Consolidated 30 June 2021 $
Assets			
Current Assets			
Cash and cash equivalents	10	**16,077,031**	2,079,307
Trade and other receivables	11	**5,759,051**	2,179,412
Inventories	12	**5,029,952**	3,101,139
Other assets	13	**720,968**	164,460
Total Current Assets		**27,587,002**	7,524,318
Non-Current Assets			
Property, plant and equipment	14	**623,647**	217,620
Right-of-use assets	15	**4,961,204**	689,408
Intangible assets and goodwill	16	**7,158,337**	156,976
Deferred tax assets	9	**1,938,193**	76,317
Other assets	17	**597,982**	138,118
Total Non-Current Assets		**15,279,363**	1,278,439
Total Assets		**42,866,365**	8,802,757
Liabilities			
Current Liabilities			
Trade and other payables	18	**9,557,139**	3,368,603
Interest-bearing liabilities	19	**489,256**	182,060
Current tax liabilities	9	**1,661,716**	542,548
Employee benefit provisions	20	**462,946**	197,603
Total Current Liabilities		**12,171,057**	4,290,814
Non-Current Liabilities			
Interest-bearing liabilities	21	**4,570,340**	535,964
Employee benefit provisions	22	**50,180**	13,234
Total Non-Current Liabilities		**4,620,520**	549,198
Total Liabilities		**16,791,577**	4,840,012
Net Assets		**26,074,788**	3,962,745
Equity			
Share capital	23	**22,776,247**	3,677,194
Reserves	24	**(3,148,619)**	(140,820)
Retained earnings	25	**6,474,905**	426,371
Equity attributable to owners of the Company		**26,102,533**	3,962,745
Non-controlling interests	26	**(27,745)**	-
Total Equity		**26,074,788**	3,962,745

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Attributable to members of Cronos Australia Limited				
	Share capital $	Reserves $	Retained earnings $	Non-controlling interests $	Totals $
Balance at 1 July 2020	3,341,700	-	(991,077)	79,180	2,429,803
Profit for the year	-	-	1,417,448	-	1,417,448
Other comprehensive income/(loss)	-	-	-	-	-
Total comprehensive income	-	-	1,417,448	-	1,417,448
Transactions with owners					
Shares issued for cash	337,136	-	-	-	337,136
Equity transaction costs, net of tax	(1,642)	-	-	-	(1,642)
Acquisition of non-controlling interest without a change of control	-	(140,820)	-	(79,180)	(220,000)
Total transactions with owners	335,494	(140,820)	-	(79,180)	115,494
Balance at 30 June 2021	3,677,194	(140,820)	426,371	-	3,962,745
Profit for the year	-	-	6,048,534	(36,025)	6,012,509
Other comprehensive income/(loss)	-	(131,764)	-	-	(131,764)
Total comprehensive income	-	(131,764)	6,048,534	(36,025)	5,880,745
Transactions with owners					
Shares issued as consideration for the acquisition of CDA Health	20,011,797	-	-	-	20,011,797
Shares issued on conversion of performance rights	410,000	(410,000)	-	-	-
Shares issued for advisory fees	150,000	-	-	-	150,000
Value of performance rights	-	-	-	8,280	8,280
Equity transaction costs, net of tax	(1,472,744)	-	-	-	(1,472,744)
Acquisition of non-controlling interest without a change of control	-	(5,000,000)	-	-	(5,000,000)
Share-based payments	-	2,533,965	-	-	2,533,965
Total transactions with owners	19,099,053	(2,876,035)	-	8,280	16,231,298
Balance at 30 June 2022	**22,776,247**	**(3,148,619)**	**6,474,905**	**(27,745)**	**26,074,788**

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

Consolidated Statement of Cash Flows
For the year ended 30 June 2022

		Consolidated	
	Notes	30 June 2022 $	30 June 2021 $
Cash flows from/(used in) operating activities			
Receipts from customers		**69,607,124**	20,204,200
Payments made to suppliers and employees		**(55,473,078)**	(19,217,253)
Interest received		**7,531**	150
Income tax paid	9	**(540,534)**	(3,395)
Interest and other finance charges paid		**(96,374)**	-
Receipts from Government stimulus schemes		**-**	84,282
Net cash flows from/(used in) operating activities		**13,504,669**	1,067,984
Cash flows from/(used in) investing activities			
Cash acquired on merger with CDA Health Pty. Ltd.	29	**2,465,914**	-
Net proceeds from sale of medical clinic business		**219,254**	-
Purchases of plant and equipment		**(365,241)**	(174,986)
Payment of security deposits		**(311,630)**	-
Payments for intangible assets		**(11,596)**	(84,370)
Payment for buyout of non-controlling interests		**-**	(220,000)
Net cash flows from/(used in) investing activities		**1,996,701**	(479,356)
Cash flows from/(used in) financing activities			
Payment of transaction costs related to the issue of shares		**(1,185,535)**	(1,642)
Lease payments		**(318,111)**	(127,272)
Proceeds from the issue of shares		**-**	337,136
Repayment of borrowings from related parties		**-**	(252,373)
Net cash flows from/(used in) financing activities		**(1,503,646)**	(44,151)
Net increase in cash and cash equivalents held		**13,997,724**	544,477
Cash and cash equivalents at the beginning of the year		**2,079,307**	1,534,830
Cash and cash equivalents at the end of the year	10	**16,077,031**	2,079,307

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

Notes to the Financial Statements
For the year ended 30 June 2022

1. CORPORATE INFORMATION

The financial statements of Cronos Australia Limited ("CAL" and the "Company") for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of the Company's Board of Directors dated 26 August 2022. CAL was incorporated in Australia on 27 September 2018 and is a company limited by shares. The Company is listed on the Australian Securities Exchange and trades under the ASX symbol CAU. The Company, together with its 23 subsidiaries, are referred to in these financial statements as the "Group".

The Company operates in the medicinal cannabis industry in Australia and is headquartered in Melbourne, Victoria, with its principal operations located on the Gold Coast in Queensland.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Cronos Australia Limited is a for-profit entity for the purpose of preparing the financial statements.

On 16 December 2021, the Company acquired 100% of the issued capital of CDA Health Pty. Ltd. ("CDA") ("Merger"). The Company's financial statements for the year ended 30 June 2022 have been prepared in accordance with AASB 3 *Business combinations* ("AASB 3"), as the Merger resulted in the combined group being identified as a Business Combination under Australian Accounting Standards.

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

As a result of the above, the financial statements include the financial results of CDA for the period from 1 July 2021 to 30 June 2022 and the results of the pre-Merger Cronos Australia entities for the period from the date of the Merger (16 December 2021) to 30 June 2022. The comparative figures that have been disclosed relate solely to the financial results of CDA for the year ended 30 June 2021.

Compliance with IFRS

The consolidated financial statements of the Group also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

New and amended standards adopted by the Group

New Accounting Standards and Interpretations not yet mandatory, or early adopted Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the reporting year ended 30 June 2022.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in *Note 3*.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning on 1 July 2021.

Going concern

The financial statements contained in this consolidated Financial Report have been prepared on a going concern basis. While the longer-term impacts of the COVID-19 pandemic are uncertain, the Company does not believe that the pandemic will have a significant impact on its operations during the coming financial year.

(b) New and amended accounting standards and interpretations

A number of new and revised standards and interpretations are effective from 1 July 2021, however they did not have a material impact on the disclosures or amounts recognised in the Company's consolidated financial statements for the year ended 30 June 2022.

A number of new standards are effective for annual periods beginning after 1 July 2022 and earlier application is permitted. However, in preparing these consolidated financial statements, the Group has not early adopted the new or amended standards.

(c) Principles of consolidation

Subsidiaries

The consolidated financial statements of Cronos Australia Limited (the "Company", "CAL" or the "Parent Entity") for the year ended 30 June 2022 incorporate the assets and liabilities of the subsidiaries it controlled as at balance date, as depicted in the corporate structure diagram on page 34 of this Annual Report (also refer *Note 32*). CAL and its subsidiaries are collectively referred to in these financial statements as the "Group".

Subsidiaries are entities controlled by the Group. The Group "controls" an entity when it is exposed to, or has rights 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 the subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intercompany transactions and unrealised gains and losses on transactions between Group companies are offset against the respective loan accounts and eliminated on consolidation. Expenses paid by one Group company on behalf of another and all intercompany charges are offset against the respective loan accounts. Unrealised losses are eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are changed where necessary to ensure consistency with Group policies. Non-controlling interests in the results and equity of the subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of financial position and statement of changes in equity, respectively.

The functional and presentation currency of the Company and its subsidiaries is the Australian dollar (AUD).

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a reserve within equity attributable to owners of Cronos Australia Limited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

(d) Foreign currency translation

The functional and presentation currency of Cronos Australia Limited and its Australian subsidiaries is the Australian dollar (AUD). Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction.

Monetary assets and liabilities which are denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate ruling at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates ruling at the date when the fair value was determined. The functional currencies of the Company's five overseas subsidiaries are as follows:

Cronos Australia - New Zealand Limited – New Zealand dollars (NZD)
Cannadoc Health (NZ) Limited – New Zealand dollars (NZD)
Cannabis Doctors Aotearoa Limited – New Zealand dollars (NZD)
Personal Care Asia Limited – Hong Kong dollars (HKD)
Personal Care Asia GK – Japanese yen (JPY)

As at the reporting date, the assets and liabilities of these subsidiaries are translated into the presentation currency of Cronos Australia Limited at the rate of exchange ruling at the balance sheet date and the statement of comprehensive income is translated at the weighted average exchange rates relating to the period. The exchange differences arising on the retranslation are taken directly to the foreign currency translation reserve (refer *Note 24(b)*). On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

(e) Earnings per share ("EPS")

Basic EPS is calculated by dividing the profit attributable to owners of the Company by the total combined weighted average number of ordinary shares outstanding at the end of the financial year. Diluted EPS adjusts the figures used in the determination of basic EPS to take into account the after income tax effect of interest and other financing costs associated with the dilutive potential of ordinary shares and the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares, if any.

(f) Revenue recognition

Revenues are recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenues can be reliably measured. Revenues are recognised at the fair value of the consideration received or receivable net of the amounts of any Goods and Services Tax. As disclosed in *Note 35*, revenue generated by the Group is categorised into the following reportable business segments:

- Medical - involving the sale of medicinal cannabis products
- Clinics - involving the operation of medicinal cannabis clinics
- Consumer - involving the sale of consumer (non-medical) products in both Australia and Asia

The following recognition criteria must also be met before revenue is recognised:

Revenue from the sale of medicinal cannabis and consumer products

Revenues derived from the sale of medicinal cannabis and consumer products are recognised in accordance with AASB 15 *Revenue from Contracts with Customers* when ownership of the products passes to the customer and all of the Company's related obligations have been met. Revenue is then only recognised to the extent that there is a high probability that a significant reversal of revenue will not occur.

In certain cases, products are sold under standard warranty terms. These terms may require the Group to provide a refund for faulty products. Where appropriate, the Group's obligation to provide a refund for these faulty products is recognised as a provision in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

A receivable is recognised when the goods are delivered. The Group's right to receive consideration is deemed unconditional at this time, as only the passage of time is required before payment of that consideration is due. There is no significant financing component because sales (which include those with volume discounts) are made within standard credit terms of between 7 and 30 days.

Rendering of services

Revenues derived from the rendering of medical consulting services by the doctors at Cannabis Doctors Australia Pty. Ltd. and Cannadoc Health Pty. Ltd. are recognised when the services have been provided and the fee for the services provided is recoverable. Service arrangements are of short duration (in most cases less than one hour).

Interest received

Revenue is recognised as the interest accrues using the effective interest method.

(g) Income tax

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the income tax rate applicable for each jurisdiction adjusted by changes in the deferred tax assets and liabilities attributable to temporary differences and unused tax losses, if any.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

CAL has formed a tax consolidated group with all of its wholly-owned Australian-resident subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(h) Other taxes

Revenues, expenses and assets are recognised net of the amount of Australian Goods and Services Tax (GST), or the respective foreign equivalent thereof, except where the GST incurred on a purchase of goods and services is not recoverable from the respective taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the cash flow statement on a gross basis, including the respective GST component.

(i) Finance costs

Finance costs are recognised using the effective interest rate method.

(j) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Company's Chief Executive Officer.

(k) Share-based payments transactions

The Group provides benefits to its employees in the form of share-based payment transactions, whereby employees render services and receive rights over shares in the form of performance rights and options ("equity-settled transactions"). The Company has an Employee Incentive Plan ("EIP") in place to provide these benefits to executives and employees and the cost of these transactions is measured by reference to the fair value at the date they are granted.

The fair values of performance rights and options granted under the EIP are determined by BDO Corporate Finance (East Coast) Pty. Ltd., an independent valuer, using appropriate option-pricing models. In valuing such equity-settled transactions, no account is taken of any non-market performance conditions. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the relevant vesting conditions are fulfilled, ending on the date the relevant employees become entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired; and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest, based on the best information available at balance date.

The Group uses non-market vesting conditions for its share-based payment transactions and no cumulative expense is recognised for any awards that do not ultimately vest. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as at the date of modification. Where appropriate, the dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share. Unexercised performance rights and options of former employees are treated as forfeitures.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, other than security deposits. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above. Cash at bank earns interest at floating rates based on daily bank deposit rates. Term deposits are typically made for varying periods of between one day and six months, depending on the Company's immediate cash requirements, and earn interest at the respective deposit rates.

(m) Trade and other receivables

Trade receivables, which are non-interest bearing and generally have terms of between 7 to 30 days, are recognised and carried at the original invoice amount less an allowance for uncollectible amounts. Where appropriate, impairment is valued using a model based on expected credit losses. Expected credit losses are measured as the probability-weighted present value of all cash shortfalls over the expected life of each financial asset.

(n) 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 freight and associated costs incurred to bring the products to the Company in readiness for sale.

(o) Leases

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease contained in AASB 16 *Leases*.

At the commencement, or on modification, of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, in respect of the lease of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs to dismantle and remove the underlying asset or to restore that asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those which apply to other items of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate the lease early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "right-of-use assets" (*Note 15*) and lease liabilities in "interest-bearing liabilities" (*Notes 19* and *21*) in the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(p) Intangible assets and goodwill

Goodwill

Goodwill is carried at cost less any accumulated impairment losses and is calculated as the excess of the sum of:

(i) the consideration transferred at fair value;

(ii) any non-controlling interest (determined under either the fair value or proportionate interest method); and

(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of any identifiable assets acquired and liabilities assumed.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the financial statements.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified or permitted by applicable Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 9 *Financial Instruments* and, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (full goodwill method) or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets (proportionate interest method). In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective note to the financial statements disclosing the business combination.

Licences

Licences acquired enable the Group to cultivate, produce, manufacture, research, import and export medicinal cannabis in Australia. As detailed in *Note 16*, the costs incurred to date have been capitalised in the statement of financial position and are carried at their approximate cost. Licences held have an indefinite life and are therefore not amortised but rather assessed annually for impairment or when there are indicators of impairment present.

Licences are carried at historical cost less any accumulated impairment losses. External costs incurred in filing, renewing and protecting the licences, for which no future benefit is assured, are expensed as incurred.

Trademarks and capitalised software

Costs incurred in respect of other intangible assets, including trademarks and software that are acquired by the Group, which meet the test for capitalisation and have finite useful lives, are amortised over their estimated useful lives.

(q) Performance bonds and security deposits

Performance bonds and security deposits include cash deposits held as security for bank guarantees which have been provided in respect of the performance of certain contractual obligations of the Company, including leases over premises occupied by the Company and its subsidiaries.

(r) Government grants and payments

Government grants are assistance provided by the government in the form of transfers of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Group other than the requirement to operate in certain regions or industry sectors. Amounts received under Government COVID-19-related stimulus schemes are recognised as other income when confirmation the payments will be made is received and the Company has satisfied its obligations under the scheme. All such amounts are recorded in the statement of comprehensive income on a gross basis.

(s) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on both diminishing value method ("DVM") and straight line ("SL") bases over the estimated useful lives of the respective assets, being motor vehicles (25% DVM), office and clinic equipment (20% DVM), computer equipment (66.7% DVM) and leasehold improvements (20% SL).

Costs relating to the day-to-day servicing of any item of property, plant and equipment are recognised in profit or loss as incurred. The cost of replacing larger parts of some items of property, plant and equipment are capitalised when incurred and depreciated over the period until their next scheduled replacement, with the replacement parts being subsequently written off.

Right-of-use assets in relation to leases are depreciated using the straight-line method from the commencement date to the end of the lease term (refer *Note 2(o)*).

(t) Impairment of non-financial assets

The Group assesses at each reporting date, or more frequently if evidence exists, whether there is an indication that an asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value-in-use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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 relating to operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at its revalued amount, in which case the impairment loss is treated as a revaluation decrease.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If so, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless it reverses a decrement previously charged to equity, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with AASB 8 *Operating Segments*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(u) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade payables and other payables generally have terms of between 30 and 60 days.

(v) Interest-bearing liabilities

Interest-bearing liabilities are recorded as a liability in the statement of financial position at the face value of the amounts, together with any accrued interest that may be payable. To the extent that a liability is likely to be repayable more than twelve months from the balance date, that portion of the amount is recorded as a non-current liability.

(w) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(x) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. To the extent that costs relating to acquisitions can be attributed to the issuing of equity by the Company as part of the transaction, those costs are offset against the value of that equity in the statement of financial position.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(y) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and, when appropriate to do so, long service leave. Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Expenses for non-accumulating sick leave are recognised when the leave is taken during the year and are measured at rates paid or payable.

In determining the present value of future cash outflows, the Company uses the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability. Employee benefits expenses and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits and other types of employee benefits are recognised against profits on a net basis in their respective categories.

(z) Contributed equity

Issued capital is recognised at the fair value of the consideration received by the Company. Transaction costs arising on the issue of shares are recognised directly in equity as a deduction, net of tax, of the proceeds received.

(aa) Comparative information

Certain comparative information has been restated to ensure consistent treatment with current year numbers (refer *Note 2(a)*).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Critical accounting estimates and assumptions

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

COVID-19

While the longer-term impacts of the COVID-19 pandemic are uncertain, the Company does not believe that the pandemic will have a significant impact on its operations during the 2023 financial year.

Recoupment of prior year tax losses

As detailed in *Note 9*, the Company believes that it has a Reasonably Arguable Position and can satisfy the Similar Business Test for the financial year ended 30 June 2022. On this basis, the Company has recognised a deferred tax asset of $3,423,187 (in respect of tax losses totaling $11,410,622) as the Company believes that it is probable that it will generate future taxable profits against which the tax losses can be utilised.

Licences

Determining whether the Company's indefinite life licences are impaired is a matter of judgement. The Company undertakes a full assessment of impairment of such licences annually, as required by Accounting Standards. At other reporting periods, the Company assesses whether there are any indicators of impairment. Where such indicators exist, a full impairment assessment is undertaken.

Impairment of intangible assets and goodwill

The Group determines whether intangible assets, including goodwill, are impaired on at least an annual basis, in accordance with the accounting policies stated in *Notes 2(p)* and *2(t)*. This process requires an estimation to be made of the recoverable amount of the cash-generating units to which the respective assets are allocated.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

Inventories

The Group values inventories of finished goods and raw materials in accordance with the accounting policies stated in *Note 2(n)*. This process requires an estimation to be made of the net realisable value of inventories which is calculated to be the estimated selling price less the estimated selling expenses. As at 30 June 2022, the Company has raised a provision for obsolete stock amounting to $50,992 (refer *Note 12*).

Share-based payments transactions

The Group measures the cost of equity-settled transactions with employees by reference to the value of the equity instruments at the date on which they are granted. The fair value is determined by an independent valuer using appropriate option-pricing models.

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

Revenue from the sale of medicinal cannabis products

Revenues derived from the sale of medicinal cannabis products are recognised when ownership of the products passes from the Company to the customer and all of the Company's related obligations have been met. The Company has reviewed each of its supplier agreements and believes it has satisfied the requirements of AASB 15 *Revenue from Contracts with Customers*.

Research and development costs

An intangible asset arising from development expenditure incurred on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources required to complete the development and the ability to reliably measure the expenditure attributable to the intangible asset during its development. To date, all research and development costs incurred by the Company have been expensed, as their recoverability cannot be regarded as assured. In future, the Group will only capitalise research and development expenses when specific milestones are met and when the Group is able to demonstrate that future economic benefits are probable.

	Consolidated	
	30 June 2022 $	30 June 2021 $
4. REVENUE		
Sale of medicinal cannabis products	**64,927,918**	20,234,856
Medical consultation fees	**1,839,527**	1,321,790
Sale of consumer products	**224,287**	155,520
Total revenue	**66,991,732**	21,712,166

Note: All revenue is recognised at a specific point in time.

	Consolidated	
	30 June 2022 $	30 June 2021 $
5. OTHER INCOME		
Profit on sale of medical clinic business *(refer note)*	**224,998**	-
Research and development study income	**30,000**	131,780
Interest received	**9,067**	150
Payments received under Government stimulus schemes	**-**	84,282
Total other income	**264,065**	216,212

Note: On 8 April 2022, SKRMC Pty. Ltd., a wholly-owned subsidiary of the Company ("SKRMC"), acquired all of the assets of a Melbourne-based medical clinic business known as Modern Medical St. Kilda. On the same date, SKRMC sold certain assets of that business to a third party. On 28 April 2022, SKRMC sold the remaining assets to another, unrelated, third party. SKRMC generated a net profit from the sales of $224,998, after the payment of associated direct costs.

	Consolidated	
	30 June 2022 $	30 June 2021 $

6. PROFIT BEFORE INCOME TAX

Profit before income tax includes:		
Amortisation of right-of-use assets and intangible assets	**(525,016)**	(147,618)
Depreciation of property, plant and equipment	**(158,296)**	(58,241)
Employee benefits expenses (other than share-based payments)	**(9,600,994)**	(3,261,598)
Share-based payments expenses	**(2,533,965)**	-

Note: Employee benefits expenses represent all salaries, bonuses and associated on-costs paid to the Group's Directors and employees.

7. PROFIT PER SHARE

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

Profit for the year attributable to the owners of the Company	**6,048,534**	1,417,448
Weighted average number of shares used to calculate profit per share	**482,443,939**	401,687,550
Weighted average number of shares used to calculate diluted profit per share	**486,868,208**	401,687,550

8. DIVIDENDS AND DISTRIBUTIONS

No dividends have been paid since the Company was incorporated in September 2018.

Subsequent to 30 June 2022, the Directors resolved to pay a maiden dividend of 1.0 cents per ordinary share franked as to 100%. This fully franked dividend is the first distribution of profits to shareholders since CAL was listed on the ASX in November 2019 and reflects the improved profitability and cash flow of the combined group since the Company merged with CDA Health Pty. Ltd. in December 2021. The Company has also introduced a Dividend Reinvestment Plan that will be offered to all shareholders who may wish to receive their dividend in the form of shares in the Company rather than cash.

9. INCOME TAX

(a) Reconciliation of income tax expense to prima facie tax payable

Profit before income tax	**9,744,674**	1,887,728
Tax at the Australian tax rate of 30.0% (2021: 26.0%)	**(2,923,402)**	(490,809)
Non-deductible expenses for tax purposes:		
Share-based payments expenses	**(760,190)**	-
Other net adjustments	**(74,850)**	20,016
Deferred tax assets not recognised for current year losses	**(113,250)**	-
Deductible transaction costs recognised through equity	**134,460**	-
Changes in deferred tax balances for changes in future tax rate	**3,053**	7,099
Adjustment in respect of current income tax of previous years	**2,014**	-
Effect of tax rates applicable in New Zealand	**-**	(6,586)
Income tax expense	**(3,732,165)**	(470,280)

	Consolidated	
	30 June 2022 $	30 June 2021 $
9. INCOME TAX CONTINUED		
(b) Net deferred tax assets - temporary differences		
Opening temporary differences	**76,317**	(9,309)
Transactions through equity	**292,557**	13,358
Acquired as part of business combination (refer *Note 29(b)*)	**216,581**	-
Deferred tax expense	**(59,746)**	72,268
Closing temporary differences	**525,709**	76,317
(c) Deferred tax assets - tax losses		
Opening deferred tax asset in respect of tax losses	**-**	-
Acquired as part of business combination (refer *Note 29(b)*)	**3,423,187**	-
Tax losses utilised in current year	**(2,010,703)**	-
Closing deferred tax asset in respect of tax losses	**1,412,484**	-
(d) Deferred tax assets relate to:		
Lease liabilities	**1,528,796**	179,506
Tax losses	**1,412,484**	-
Equity raising costs	**346,608**	307
Provisions and accruals	**195,744**	95,315
Trade receivables	**1,746**	(544)
Property, plant and equipment	**-**	(25,915)
Right-of-use assets	**(1,523,654)**	(172,352)
Accrued supplier rebate	**(21,969)**	-
Prepayments	**(1,562)**	-
Total net deferred tax assets	**1,938,193**	76,317
(e) Current tax liability		
Opening current tax liability	**542,548**	3,395
Current income tax expense	**3,672,419**	542,548
Tax losses utilised in current year	**(2,010,703)**	-
Tax payments made	**(540,534)**	(3,395)
Adjustment in respect of current income tax of previous years	**(2,014)**	-
Total current tax liability	**1,661,716**	542,548

Under AASB 3 *Business combinations* and AASB 112 *Income tax*, the assets and liabilities acquired in a business combination include the deferred tax liabilities and deferred tax assets.

The net deferred tax assets acquired as part of the Merger with CDA Health Pty. Ltd. total $3,639,768 and relate to deferred tax assets - tax losses of $3,423,187 and net deferred tax assets - temporary differences of $216,581 (refer *Note 29(b)*).

Subsequent to the Merger, which was completed on 16 December 2021, the Company undertook work to determine whether the Company is able to satisfy the Similar Business Test (as the issue of shares under the Merger caused a failure of the Continuity of Ownership Test). Based on the work performed, the Board is satisfied that the Company has a Reasonably Arguable Position and can satisfy the Similar Business Test for the financial year ended 30 June 2022.

On this basis, the Company has recognised a deferred tax asset of $3,423,187 (in respect of tax losses totaling $11,410,622) as the Company believes that it is probable that it will generate future taxable profits against which the tax losses can be utilised.

In respect of the current year, the Company has utilised tax losses totaling $6,702,342 resulting in a reduction of the deferred tax asset for tax losses of $2,010,703.

The balance of the deferred tax asset referrable to tax losses as at 30 June 2022 is $1,412,484 and the future utilisation of these tax losses is subject to the Company deriving future assessable income of a nature and amount to enable the benefits to be realised and it satisfying the Similar Business Test in respect of future income years.

(f) Tax consolidation legislation

Cronos Australia Limited, together with all of its wholly-owned Australian controlled entities at balance date, have formed an income tax consolidated group under the tax consolidation regime.

	Consolidated	
	30 June 2022 $	30 June 2021 $
10. CASH AND CASH EQUIVALENTS		
Cash at bank	**16,076,469**	2,079,197
Cash on hand	**562**	110
Total cash and cash equivalents	**16,077,031**	2,079,307
11. TRADE AND OTHER RECEIVABLES		
Trade receivables	**5,741,616**	1,990,210
Less: provision for doubtful debts	**(5,819)**	(12,263)
Other receivables	**23,254**	1,269
GST receivable, net	**-**	200,196
Total net trade and other receivables	**5,759,051**	2,179,412

Note: Trade and other receivables for the Group as at 30 June 2022 include amounts due in Japanese yen of JPY 800,956 (2021: JPY nil) and Hong Kong dollars of HKD 8,885 (2021: HKD nil). Refer Note 36 for details of contractual maturity and management of the risks applicable to trade and other receivables for which, due to their short-term nature, their carrying value approximates their fair value.

	30 June 2022 $	30 June 2021 $
12. INVENTORIES		
Finished goods on hand, at cost	**4,691,450**	3,101,139
Deposits paid on products in production	**342,351**	-
Raw materials, at cost	**47,143**	-
Less: provision for obsolete stock	**(50,992)**	-
Total net inventories	**5,029,952**	3,101,139
13. OTHER ASSETS (CURRENT)		
Prepayments	**676,970**	164,460
Security deposits	**43,998**	-
Total current other assets	**720,968**	164,460

	Consolidated 30 June 2022 $	Consolidated 30 June 2021 $
14. PROPERTY, PLANT AND EQUIPMENT		
(a) Plant and equipment		
Office and clinic equipment, at cost	**269,815**	116,867
Less: accumulated depreciation	**(99,900)**	(26,236)
Net office and clinic equipment	**169,915**	90,631
Leasehold improvements, at cost	**432,570**	107,367
Less: accumulated depreciation	**(147,357)**	(57,030)
Net leasehold improvements	**285,213**	50,337
Motor vehicles, at cost	**77,123**	25,611
Less: accumulated depreciation	**(50,266)**	(7,332)
Net motor vehicles	**26,857**	18,279
Computer equipment, at cost	**176,673**	59,477
Less: accumulated depreciation	**(82,564)**	(13,469)
Net computer equipment	**94,109**	46,008
Leasehold improvements under construction	**47,553**	12,365
Total net property, plant and equipment	**623,647**	217,620
(b) Reconciliation of plant and equipment		
Opening gross carrying amount	**321,687**	146,701
Add: additions purchased during the year	**450,452**	174,986
Add: additions acquired on acquisition (refer *Note 29(b)*)	**231,595**	-
Closing gross carrying amount	**1,003,734**	321,687
Opening accumulated depreciation	**(104,067)**	(45,826)
Add: depreciation expense charged	**(158,296)**	(58,241)
Add: accumulated depreciation acquired on acquisition (refer *Note 29(b)*)	**(117,724)**	-
Closing accumulated depreciation	**(380,087)**	(104,067)
Total net property, plant and equipment	**623,647**	217,620

Asset category	Opening balance $	Additions $	Additions on acquisition $	Assets completed $	Depreciation expense $	Closing balance $
Office and clinic equip.	90,631	77,651	38,903	-	(37,270)	**169,915**
Leasehold improve.	50,337	2,089	39,213	266,209	(72,635)	**285,213**
Motor vehicles	18,279	-	17,882	-	(9,304)	**26,857**
Computer equip.	46,008	69,315	17,873	-	(39,087)	**94,109**
Assets under const.	12,365	301,397	-	(266,209)	-	**47,553**
Totals	217,620	450,452	113,871	-	(158,296)	**623,647**

	Consolidated	
	30 June 2022 $	30 June 2021 $

15. RIGHT-OF-USE ASSETS

	30 June 2022 $	30 June 2021 $
Balance at the beginning of the year	**689,408**	397,068
Add: recognition of right-of-use assets	**4,546,932**	415,998
Add: right-of-use assets acquired on acquisition (refer *Note 29(b)*)	**267,088**	-
Less: amortisation expense charged	**(482,366)**	(123,658)
Less: provision for estimated make good costs	**(50,000)**	-
Less: change in management assumption	**(9,858)**	-
Total right-of-use assets	**4,961,204**	689,408

Note: *The Group leases premises to meet its various operational needs as it has decided to lease premises as opposed to owning property as this requires less direct initial investment. The Group has the potential to exercise options over the leases in respect of seven properties (refer Note 30(a)). The option periods in the respective leases range from one to six years. These options have been included in the valuation of the lease liabilities as it is reasonably certain that the Group will exercise the option period under the relevant lease agreement. All leases are subject to either annual fixed or CPI adjustments that have been factored into the lease liability calculations.*

On 31 January 2022, the Company entered into a five-year lease, with effect from 1 February 2022, in respect of new warehouse premises in South Melbourne, Victoria.

On 20 April 2022, the Company entered into a five-year lease, with effect from 3 June 2022, in respect of new office premises in Varsity Lakes, Queensland.

On 18 May 2022, the Company entered into two new one-year leases, each with effect from 1 June 2022, in respect of warehouse premises in Burleigh Heads, Queensland.

Pursuant to AASB 16 Leases, the Company has recorded right-to-use assets and current and non-current lease liabilities in respect of the above leases (refer Notes 19 and 21).

16. INTANGIBLE ASSETS AND GOODWILL

(a) Intangible assets and goodwill

	30 June 2022 $	30 June 2021 $
Goodwill arising on the acquisition of CDA Health Pty. Ltd. (refer *Note 29(b)*)	**6,540,958**	-
Goodwill arising on the acquisition of Cannadoc Health Pty. Ltd.	**291,457**	-
Licences arising on restructure	**200,000**	-
Trademarks and patents, net	**68,267**	75,661
Capitalised software development, net	**48,174**	77,926
Computer software, net	**9,481**	3,389
Total net intangible assets and goodwill	**7,158,337**	156,976

(b) Reconciliation of intangible assets and goodwill

Asset category	Opening balance $	Additions $	Amortisation $	Closing balance $
Goodwill in respect of CDA Health	-	6,540,958	-	**6,540,958**
Goodwill in respect of Cannadoc Health	-	291,457	-	**291,457**
Licences arising on restructure	-	200,000	-	**200,000**
Trademarks and patents, net	75,661	1,471	(8,865)	**68,267**
Capitalised software development, net	77,926	-	(29,752)	**48,174**
Computer software, net	3,389	10,125	(4,033)	**9,481**
Total net intangible assets and goodwill	156,976	7,044,011	(42,650)	**7,158,337**

16. INTANGIBLE ASSETS AND GOODWILL CONTINUED

Note: On 16 December 2021, the Company acquired 100% of the issued capital of CDA Health Pty. Ltd. ("CDA"). As disclosed in Note 29(a), the value of the Company's shares that were issued to the former shareholders of CDA in consideration for the purchase of CDA was $20,011,797. As at the date of acquisition, being 16 December 2021, the net assets of Cronos Australia, being the subsidiary for accounting purposes, were $9,848,385, such that goodwill of $10,171,692 arose on that date. Subsequent to that date, in accordance with AASB 3 Business combinations, the value of the net assets was increased to account for the value of the carry forward tax losses that the Company believes will now be recouped (refer Note 9), together with other minor foreign exchange adjustments. As a result, the goodwill arising on the acquisition of CDA was reduced to $6,540,958 at balance date.

On 3 February 2020, the Group paid $300,000 to the Founders of Cannadoc Health Pty. Ltd. ("Cannadoc") to acquire a total of 102 of the 200 shares in Cannadoc, representing 51% of the issued capital of that company. The net assets of Cannadoc on the date of acquisition were $8,543, such that goodwill of $291,457 arose on that date.

As part of the restructure of the Group immediately prior to the incorporation of CAL, Cronos Australia Group Pty. Ltd. acquired 100% of the shares of Cronos Australia - Operations Pty. Ltd. The accounting implications of this ownership change resulted in the recognition of the fair value of the licences held at $200,000 which the Directors believe approximates the costs incurred in obtaining them.

For the purposes of impairment testing, all of the above assets have been allocated to the Group's medical cash generating unit ("CGU"), with the exception of the Cannadoc goodwill which has been allocated to the clinic CGU. The first three assets listed in the table above, being the goodwill and the licences, are indefinite-lived intangible assets. The remaining three assets are amortised over their estimated useful lives. Each CGU is defined in line with those used in the Company's segment reporting (refer *Note 35*).

The recoverable amounts of both CGUs were based on their value in use, determined by discounting the estimated future cash flows to be generated from the continuing use of each CGU. The recoverable amount of each CGU was determined to be higher than their respective carrying amounts.

The key assumptions used in the estimation of value in use for both CGUs were as follows:

- Discount rate: Based on a market-determined, risk adjusted pre-tax nominal discount rate of 11%.
- Terminal growth rate: The terminal growth rate of 2% adopted for all CGUs represents the growth rate applied to cash flows beyond the five-year forecast period. The terminal growth rate is based on Management's expectations of the CGUs' long-term performance after considering current conditions and available external market data.
- Budgeted EBITDA: Budgeted EBITDA was based on Management's expectations of future outcomes taking into account past experience, including the EBITDA generated during the 2022 financial year, adjusted for anticipated growth.

	Consolidated	
	30 June 2022 $	30 June 2021 $
17. OTHER ASSETS (NON-CURRENT)		
Security deposits	**597,982**	138,118
Total non-current other assets	**597,982**	138,118
18. TRADE AND OTHER PAYABLES		
Trade payables	**5,873,535**	3,155,331
Accrued expenses	**1,952,095**	73,441
Payroll-related payables (excluding annual leave)	**1,033,842**	139,831
Other payables	**594,209**	-
GST payable, net	**103,458**	-
Total trade and other payables	**9,557,139**	3,368,603

Note: Trade and other payables for the Group as at 30 June 2022 include amounts due in Japanese yen of JPY 526,284 (2021: JPY nil), Hong Kong dollars of HKD 13,504 (2021: HKD nil), US dollars of USD 8,500 (2021: USD nil) and Great British pounds of GBP 2,210 (2021: GBP nil). Refer Note 36 for details of contractual maturity and management of the risks applicable to trade and other payables for which, due to their short-term nature, their carrying value approximates their fair value.

	Consolidated	
	30 June 2022 $	30 June 2021 $

19. INTEREST-BEARING LIABILITIES (CURRENT)

	30 June 2022 $	30 June 2021 $
Lease liabilities	**489,256**	182,060
Total current interest-bearing liabilities	**489,256**	182,060

(a) Lease liabilities (current)

	30 June 2022 $	30 June 2021 $
Balance at the beginning of the year	**182,060**	119,907
Add: recognition of lease liabilities	**4,834,139**	382,742
Add: interest charged on leases	**51,607**	16,193
Less: payments made under leases	**(346,562)**	(110,209)
Less: change in management assumption	**(197,612)**	-
Net total lease liabilities	**4,523,632**	408,633
Net transfer to non-current liabilities *(refer Note 21)*	**(4,034,376)**	(226,573)
Net lease liabilities (current)	**489,256**	182,060

(b) Reconciliation of net lease liabilities (current)

	30 June 2022 $	30 June 2021 $
Future payments to be made under leases	**703,298**	211,620
Future interest to be paid on lease liabilities	**(214,042)**	(29,560)
Net lease liabilities (current)	**489,256**	182,060

Note: On 31 January 2022, the Company entered into a five-year lease, with effect from 1 February 2022, in respect of new warehouse premises in South Melbourne, Victoria.

On 20 April 2022, the Company entered into a five-year lease, with effect from 3 June 2022, in respect of new office premises in Varsity Lakes, Queensland.

On 18 May 2022, the Company entered into two new one-year leases, each with effect from 1 June 2022, in respect of warehouse premises in Burleigh Heads, Queensland.

Pursuant to AASB 16 Leases, the Company has recorded right-to-use assets (refer Note 15) and lease liabilities in respect of the above leases (refer above and Note 21).

20. EMPLOYEE BENEFIT PROVISIONS (CURRENT)

Annual leave

	30 June 2022 $	30 June 2021 $
Balance at the beginning of the year	**197,603**	96,553
Add: annual leave obligation accrued during the year	**547,696**	228,763
Add: annual leave obligations acquired on acquisition (refer *Note 29(b)*)	**134,191**	-
Less: annual leave utilised during the year	**(299,232)**	(110,305)
Less: annual leave paid out on termination of employees	**(117,312)**	(17,408)
Balance at the end of the year	**462,946**	197,603

	Consolidated	
	30 June 2022 $	30 June 2021 $
21. INTEREST-BEARING LIABILITIES (NON-CURRENT)		
Lease liabilities	**4,570,340**	535,964
Total non-current interest-bearing liabilities	**4,570,340**	535,964
(a) Lease liabilities (non-current)		
Balance at the beginning of the year	**535,964**	309,391
Net transfer from current liabilities (refer *Note 19*)	**4,034,376**	226,573
Net lease liabilities (non-current)	**4,570,340**	535,964
(b) Reconciliation of net lease liabilities (non-current)		
Future payments to be made under leases	**5,682,539**	563,242
Future interest to be paid on lease liabilities	**(1,112,199)**	(27,278)
Net lease liabilities (non-current)	**4,570,340**	535,964

Note: On 31 January 2022, the Company entered into a five-year lease, with effect from 1 February 2022, in respect of new warehouse premises in South Melbourne, Victoria.

On 20 April 2022, the Company entered into a five-year lease, with effect from 3 June 2022, in respect of new office premises in Varsity Lakes, Queensland.

On 18 May 2022, the Company entered into two new one-year leases, each with effect from 1 June 2022, in respect of warehouse premises in Burleigh Heads, Queensland.

Pursuant to AASB 16 Leases, the Company has recorded right-to-use assets (refer Note 15) and lease liabilities in respect of the above leases (refer Note 19 and above).

22. EMPLOYEE BENEFIT PROVISIONS (NON-CURRENT)

	30 June 2022 $	30 June 2021 $
Long service leave		
Balance at the beginning of the year	**13,234**	4,324
Add: annual leave obligation accrued during the year	**36,946**	8,910
Balance at the end of the year	**50,180**	13,234

23. SHARE CAPITAL

(a) Issued and paid-up capital

	30 June 2022 $	30 June 2021 $
Balance at the beginning of the year	**3,677,194**	3,341,700
Add: shares issued as consideration for the acquisition of CDA Health	**20,011,797**	-
Add: shares issued on conversion of performance rights	**410,000**	-
Add: shares issued in part payment of corporate advisory fees	**150,000**	-
Add: shares issued for cash	**-**	337,136
Less: equity transaction costs, net of tax	**(1,472,744)**	(1,642)
Balance at the end of the year	**22,776,247**	3,677,194

	30 June 2022	30 June 2021
(b) Shares on issue		
Balance at the beginning of the year	**403,552,399**	393,954,036
Add: shares issued as part of merger with CDA Health	**128,750,000**	-
Add: shares issued on conversion of unsecured loan *(refer note)*	**15,176,065**	-
Add: shares issued on conversion of performance rights	**2,059,998**	-
Add: shares issued in part payment of corporate advisory fees	**1,086,957**	-
Add: shares issued prior to the merger with CDA Health	**-**	9,598,363
Balance at the end of the year	**550,625,419**	403,552,399

Note: The conversion of the unsecured loan occurred immediately prior to the merger with CDA Health Pty. Ltd. and, as such, is not included in the consolidated financial results for the year ended 30 June 2022.

(c) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared 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, which have no par value, entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(d) Capital management

When managing capital, Management's objective is to ensure that the Group continues as a going concern as well as to provide returns for shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that minimises the entity's cost of capital.

	Consolidated	
	30 June 2022 $	30 June 2021 $
24. RESERVES		
Share-based payments reserve	**2,123,965**	-
Foreign currency translation reserve	**(131,764)**	-
Capital reserve	**(5,140,820)**	(140,820)
Total reserves	**(3,148,619)**	(140,820)
(a) Share-based payments reserve		
Balance at the beginning of the year	**-**	-
Add: movement in reserve during the year	**2,533,965**	-
Less: conversion of performance rights	**(410,000)**	-
Balance at the end of the year	**2,123,965**	-

Note: This reserve is used to record the value of share-based payments provided to employees and others providing similar services as part of their remuneration.

(b) Foreign currency translation reserve		
Balance at the beginning of the year	**-**	-
Less: exchange losses on translation of controlled foreign operations	**(131,764)**	-
Balance at the end of the year	**(131,764)**	-

Note: This reserve is used to record exchange differences arising from the translation of the accounts of foreign subsidiaries.

	Consolidated	
	30 June 2022 $	30 June 2021 $
24. RESERVES CONTINUED		
(c) Capital reserve		
Balance at the beginning of the year	**(140,820)**	-
Less: cash consideration paid to former shareholders of CDA Health Pty. Ltd.	**(5,000,000)**	-
Less: acquisition of non-controlling interests	**-**	(140,820)
Balance at the end of the year	**(5,140,820)**	(140,820)

Note: The balance of the capital reserve includes an amount of $5,000,000 paid to the former shareholders of CDA Health as part of the Company's acquisition of CDA Health.

25. RETAINED EARNINGS

	30 June 2022 $	30 June 2021 $
Balance at the beginning of the year	**426,371**	(991,077)
Add: profit attributable to owners of Cronos Australia Limited	**6,048,534**	1,417,448
Balance at the end of the year	**6,474,905**	426,371

26. NON-CONTROLLING INTERESTS

	30 June 2022 $	30 June 2021 $
Balance at the beginning of the year	**-**	79,180
Add: value of performance rights on issue at date of acquisition (refer *Note 29(b)*)	**8,280**	-
Less: share of operating losses attributable to non-controlling interests	**(36,025)**	-
Less: acquisition of non-controlling interest without a change of control	**-**	(79,180)
Balance at the end of the year	**(27,745)**	-

27. OPTIONS AND PERFORMANCE RIGHTS

(a) Options on issue at balance date

Date granted	Quantity	Exercise price (cents)	Vesting dates	Expiry dates	Fair market value (cents)
7 November 2019	86,300	50.0	7 November 2020	7 November 2023	17.40
7 November 2019	181,200	67.0	7 November 2021	7 November 2023	14.71
7 November 2019	297,500	83.0	7 November 2022	7 November 2023	12.80
16 December 2021	7,500,000	27.0	30 June 2022	16 December 2025	10.20
16 December 2021	7,500,000	34.0	30 June 2023	16 December 2025	10.10
16 December 2021	7,500,000	41.0	30 June 2024	16 December 2025	10.00
Total	23,065,000				

	30 June 2022	30 June 2021
(b) Reconciliation of options		
Balance at the beginning of the year	**2,565,000**	3,026,400
Add: options granted during the year to Executives of the Company	**22,500,000**	-
Less: options forfeited or lapsed during the year	**(2,000,000)**	(461,400)
Balance at the end of the year	**23,065,000**	2,565,000

(c) Performance rights on issue at balance date

Date granted	Quantity	Vesting dates	Expiry dates
16 December 2021	1,999,998	16 June 2022	16 December 2025
16 December 2021	2,239,073	1 July 2022	16 December 2025
16 December 2021	2,000,004	16 December 2022	16 December 2025
Total	6,239,075		

	30 June 2022	30 June 2021
(d) Reconciliation of performance rights		
Balance at the beginning of the year	**60,000**	1,120,000
Add: rights granted during the year to Executives of the Company	**6,000,000**	-
Add: rights granted during the year to employees of the Company	**2,608,696**	-
Less: rights converted into ordinary shares	**(2,059,998)**	-
Less: rights forfeited during the year	**(369,623)**	(1,060,000)
Balance at the end of the year	**6,239,075**	60,000

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

	Consolidated	
	30 June 2022 $	30 June 2021 $
28. RECONCILIATION OF CASH FLOWS		
Reconciliation of profit for the year		
Reconciliation of profit for the year after income tax to the net cash flows from operating activities		
Profit for the year after tax	**6,012,509**	1,417,448
Non-cash items		
Accrued income tax expense	**3,732,165**	470,280
Share-based payments expense	**2,533,965**	-
Amortisation of right-of-use assets and intangible assets	**525,016**	147,618
Unrealised foreign currency losses/(gains)	**217,032**	(10,687)
Depreciation of property, plant and equipment	**158,296**	58,241
Interest charged on lease liabilities	**51,607**	16,193
Accrued fringe benefits tax	**20,464**	-
Profit on sale of medical clinic business	**(216,248)**	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**(3,579,639)**	(1,768,785)
(Increase)/decrease in inventories	**(1,928,813)**	(1,864,560)
(Increase)/decrease in other assets	**(512,510)**	(130,709)
Increase/(decrease) in trade and other payables	**6,188,536**	2,622,985
Increase/(decrease) in employee benefit provisions	**302,289**	109,960
Net cash flows from operating activities	**13,504,669**	1,067,984

	Consolidated	
	30 June 2022 $	30 June 2021 $
29. BUSINESS COMBINATIONS		
(a) Purchase consideration for acquisition of CDA Health		
Shares issued as consideration for the acquisition of CDA (refer *Note 23(a)*)	**20,011,797**	-
Total purchase consideration	**20,011,797**	-
(b) Assets and liabilities acquired at fair value		
Assets		
Cash and cash equivalents	**2,465,914**	-
Assets held in trust for part payment of consideration	**5,000,000**	-
Trade and other receivables	**656,092**	-
Inventories	**1,081,779**	-
Net deferred tax assets (refer *Notes 9(b)* and *9(c)*)	**3,639,768**	-
Other assets	**1,200,483**	-
Property, plant and equipment, net (refer *Note 14(b)*)	**113,871**	-
Right-of-use assets (refer *Note 15*)	**267,088**	-
Other intangible assets and goodwill (refer *Note 16(a)*)	**491,457**	-
Liabilities		
Trade and other payables	**(999,143)**	-
Interest-bearing liabilities	**(303,999)**	-
Employee benefit provisions (refer *Note 20*)	**(134,191)**	-
Goodwill		
Adjusted goodwill acquired on acquisition of CDA (refer *Note 16*)	**6,540,958**	-
Value of performance rights on issue at completion (refer *Note 26*)	**(8,280)**	-
Total purchase consideration	**20,011,797**	-

Note: During the year ended 30 June 2022, the Company acquired 100% of the issued capital of CDA Health Pty. Ltd. ("CDA") via a merger with that company that was completed on 16 December 2021 ("Merger"). The information included in these financial statements has been prepared in accordance with AASB 3 Business combinations ("AASB 3"), as the Merger resulted in the combined group being identified as a Business Combination under Australian Accounting Standards.

The implications of this combination have been detailed in Note 2(a) of these financial statements. As a result of the above, these financial statements include the financial results of CDA for the period from 1 July 2021 to 30 June 2022 and the results of the pre-Merger Cronos Australia entities for the period from the date of the Merger (16 December 2021) to 30 June 2022. The above tables include details of the adjusted assets and liabilities that were acquired as part of the Merger.

At the date of the Merger, the Directors believed that the Merger would provide a material increase in both size and scale of Cronos Australia and CDA's operations and a route to early profitability for the combined Group. They believed that the prominent position held by CDA in the Australian medicinal cannabis industry, when added to the Company's existing operations and strategic opportunities, would deliver synergistic benefits for the combined Group where the combined value exceeds the sum of its parts. Based on the strong financial performance of the Group since the Merger, these beliefs were proven to be accurate.

The goodwill arising on the Merger is attributable to the high profitability and expected continued growth and profitability of the acquired business (CDA) and the significant synergies expected to arise after the Group's acquisition of CDA.

Under AASB 3 and AASB 112 Income tax, the assets and liabilities acquired in a business combination include the deferred tax liabilities and deferred tax assets. The net deferred tax assets acquired total $3,639,768. Refer Note 9 for further explanation of the net deferred tax assets.

During the period from the date of the authorisation of the Company's half-year financial statements until 30 June 2022, the Group has undertaken an exercise to determine whether the accumulated tax losses historically held by Cronos Australia Limited and it subsidiary companies would be available for use by the Group. As detailed in Note 9, the Group has now satisfied itself that there is a reasonably justifiable position that allows the Group to recognise a deferred tax asset and to utilise such losses in the current financial year and, potentially, in future years. As a result, a deferred tax asset of $3,639,768 has been recognised at balance date. This has resulted in a reduction in the goodwill amount initially recognised at 31 December 2021 by the same amount.

During the period from the date of acquisition (being 16 December 2021) up to 30 June 2022, the acquiree for the purposes of AASB 3 (being Cronos Australia Limited) generated total revenue of $3,292,920 and a net loss before income tax of $551,962. Had the acquisition occurred on 1 July 2021, the combined entity would have generated total revenue of $69,499,936 and a net profit before income tax of $8,363,100.

	Consolidated	
	30 June 2022 $	30 June 2021 $

30. COMMITMENTS AND CONTINGENCIES

(a) Lease expenditure commitments

	30 June 2022 $	30 June 2021 $
Minimum lease payments		
Not later than one year	**703,298**	310,170
Later than one year but not later than five years	**1,787,250**	139,056
Later than five years	**-**	-
Total minimum lease payments	**2,490,548**	449,226

As at 30 June 2022, the Group had entered into leases relating to the premises listed below which have been recognised, along with a corresponding right-of-use asset, under AASB 16 *Leases* (refer *Notes 15*, *19* and *21*):

Location and use	Landlord	Date of lease expiry
South Yarra, Victoria 3141 Corporate headquarters	Newmark Como Property Trust	10 May 2025
South Melbourne, Victoria 3205 Warehouse and distribution	Questco Pty. Ltd.	31 January 2027
Melbourne, Victoria 3004 Medicinal cannabis clinic	Perpetual Corporate Trust Limited	21 January 2023
Varsity Lakes, Queensland 4227 CDA Health operations office	Argus (Varsity) Pty. Ltd.	2 June 2027
Burleigh Heads, Queensland 4220 Warehouse and distribution	CJ Vision Pty. Ltd.	31 May 2023
Varsity Lakes, Queensland 4227 Medicinal cannabis clinic	Nahoto Pty. Ltd.	24 November 2022
Maroochydore, Queensland 4558 Medicinal cannabis clinic	Bryant Property Group Pty. Ltd.	30 April 2023

(b) Finance commitments to Group entities that are not wholly-owned

CBD Joint Venture Pty. Ltd.

On 23 December 2019, the Company announced that it had formed a joint venture with A&S Branding Pty. Ltd. for the development of CBD-based products. CAL has made available to the joint venture vehicle (CBD Joint Venture Pty. Ltd.) an unsecured loan facility of up to $250,000 on commercial terms, which may be used for working capital purposes and to expand the business. As at 30 June 2022, a total of $30,000 had been advanced under the facility. No interest is being charged in respect of this advance.

30. COMMITMENTS AND CONTINGENCIES CONTINUED

Cannadoc Health Pty. Ltd.

On 3 February 2020, the Group executed a Share Transfer and Shareholders Agreement (the "Agreement") pursuant to which it acquired a 51% indirect equity interest in Cannadoc Health Pty. Ltd. ("Cannadoc"), a Melbourne-based company operating a medical clinic business. On 1 February 2021, the Group acquired a further 24.5% equity interest in Cannadoc for $101,000, taking its total equity interest to 75.5%. Under the Agreement, CAL has made available to Cannadoc a loan facility of up to $1 million on commercial terms, which may be used for working capital purposes and to expand the business. As at 30 June 2022, a total of $400,000 had been advanced under the facility on which interest is being charged at a rate of 9% per annum. At that date, accrued interest of $37,233 had been charged in respect of the facility and added to the outstanding balance due to the Company by Cannadoc.

31. EMPLOYEE BENEFITS

(a) Employee options and performance rights

On 4 September 2019, the Company established an Employee Incentive Plan ("EIP") pursuant to which the Directors may, at their discretion, grant options and performance rights over the Company's ordinary shares to Executives and employees of the Group (refer *Note 27*).

During the year ended 30 June 2022, the Company granted a total of 22,500,000 options over the Company's ordinary shares to certain Executives of the Company. In addition, a total of 8,608,696 performance rights were granted to certain Executives and employees of the Company and its subsidiaries. During the year, a total of 2,000,000 options which had been granted to the Underwriter of the Company's IPO in November 2019 lapsed unexercised. Also, during the year, a total of 2,059,998 performance rights were converted into ordinary shares having vested on 16 December 2021, being the date of the Merger between the Company and CDA Health Pty. Ltd. On the date that the rights were converted, the Company's share price was $0.20.

Finally, during the year ended 30 June 2022, a total of 369,623 performance rights, which had been granted to 14 employees of the Group as part of the Merger, lapsed, unexercised, following the resignations of the relevant employees since the Merger.

The fair values of each option and performance right granted by the Company under the EIP during the year ended 30 June 2022 were estimated by an external independent valuer using the Hull-White valuation methodology and the following assumptions:

	Options	Rights
Dividend yield	N/A	N/A
Historic volatility and expected volatility	90%	90%
Option exercises prices	$0.27 to $0.41	N/A
Weighted average exercise price	$0.34	N/A
Risk-free interest rate	1.26%	1.26%
Expected life of security	4 years	4 years

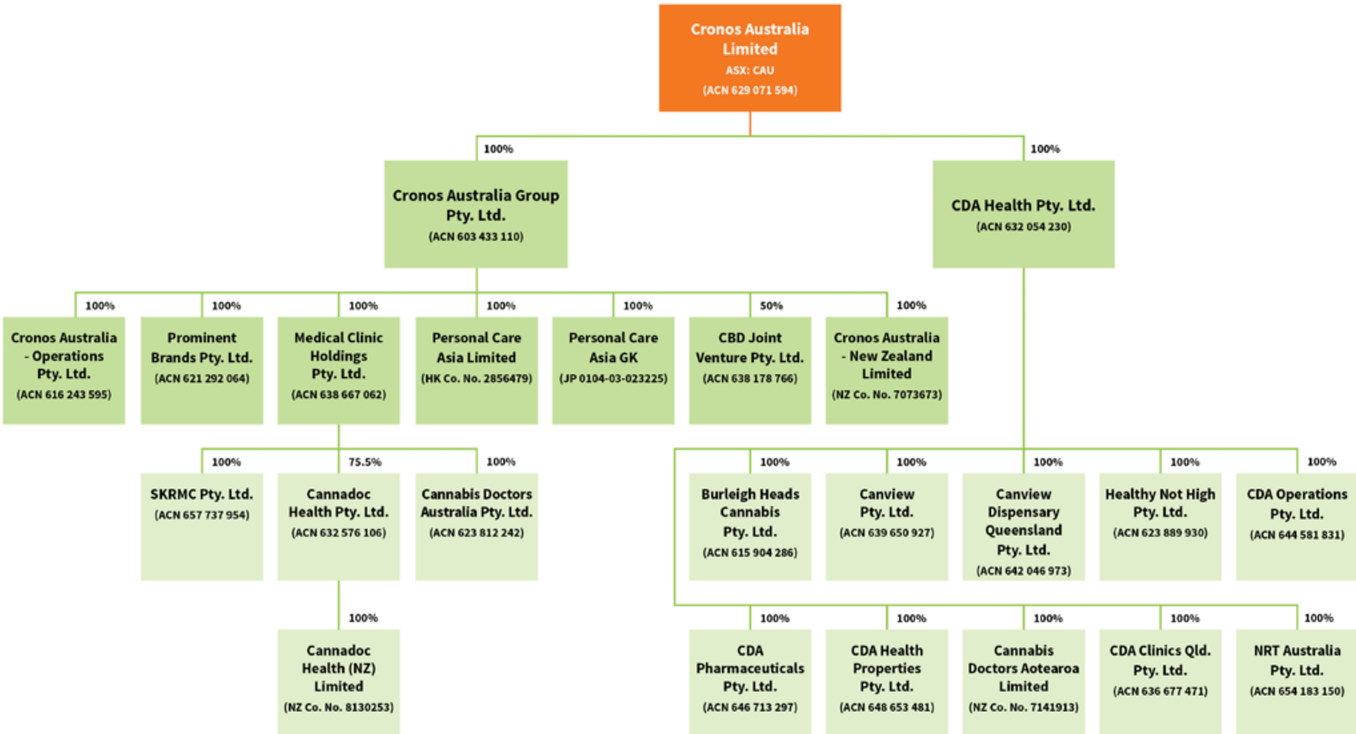
Volatility is a measure of the degree to which an underlying asset's market price changes during a period of time. Volatility has been sourced from Cronos' historical returns as at the Valuation Date and performed volatility analysis of comparable companies. A volatility of 90% has been adopted for the Company taking into account the availability of data, the peer group average and CAL's relatively-limited trading history.

(b) Superannuation commitments

During the year ended 30 June 2022, the Group made statutory contributions to superannuation funds on behalf of its Australian employees at a rate of 10% per annum, in addition to other superannuation contributions as part of salary packaging arrangements with certain staff. All contributions are expensed when incurred. Contributions made by the Group of 10% per annum of an employee's salaries up to a statutory limit are legally enforceable in Australia. Effective from 1 July 2022, the rate at which the Group will make statutory contributions to superannuation funds on behalf of its Australian employees increased to 10.5% per annum. During the year ended 30 June 2022, the Company made no payments to any defined benefit schemes on behalf of its employees.

32. GROUP STRUCTURE

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



Name of Group company	Date and place of incorporation
Cronos Australia Limited	27 September 2018; Victoria, Australia
Cronos Australia Group Pty. Ltd.	18 December 2014; Victoria, Australia
CDA Health Pty. Ltd.	5 March 2019; Queensland, Australia
Cronos Australia - Operations Pty. Ltd.	2 December 2016; Victoria, Australia
Prominent Brands Pty. Ltd.	24 August 2017; Victoria, Australia
Medical Clinic Holdings Pty. Ltd.	23 January 2020; Victoria, Australia
Personal Care Asia Limited	25 July 2019; Central, Hong Kong
Personal Care Asia GK	1 July 2020; Tokyo, Japan
CBD Joint Venture Pty. Ltd.	20 December 2019; Victoria, Australia
Cronos Australia - New Zealand Limited	12 October 2018; New Plymouth, New Zealand
SKRMC Pty. Ltd.	2 March 2022; Victoria, Australia
Cannadoc Health Pty. Ltd.	28 March 2019; Victoria, Australia
Cannabis Doctors Australia Pty. Ltd.	15 January 2018; Queensland, Australia
Burleigh Heads Cannabis Pty. Ltd.	14 November 2016; Queensland, Australia
Canview Pty. Ltd.	10 March 2020; Queensland, Australia
Canview Dispensary Queensland Pty. Ltd.	25 June 2020; Queensland, Australia
Healthy Not High Pty. Ltd.	18 January 2018; Queensland, Australia
CDA Operations Pty. Ltd.	23 September 2020; Queensland, Australia
Cannadoc Health (NZ) Limited	9 October 2020; New Plymouth, New Zealand
CDA Pharmaceuticals Pty. Ltd.	18 December 2020; Queensland, Australia
CDA Health Properties Pty. Ltd.	12 March 2021; Queensland, Australia
Cannabis Doctors Aotearoa Limited	27 November 2018; Auckland, New Zealand
CDA Clinics Qld. Pty. Ltd.	8 October 2019; Queensland, Australia
NRT Australia Pty. Ltd.	4 October 2021; Queensland, Australia

33. RELATED PARTY TRANSACTIONS

(a) Ultimate parent

Cronos Australia Limited is the ultimate Australian parent company. As at the date of this Report, no single shareholder controls more than 50 percent of the issued capital of the Company.

(b) Related party transactions

Unsecured loan - Cronos Group Inc.

During the year ended 30 June 2019, Cronos Australia - Operations Pty. Ltd. (a subsidiary of CAL) established a loan facility via an agreement with Cronos Group Inc. ("CGI"), the Company's former largest shareholder. Under the agreement, CGI made available a loan of $1,500,000 that was applied towards working capital and costs associated with the Company's listing on the ASX. The full amount of the facility was drawn down during the year ended 30 June 2019. The outstanding loan balance, plus all accrued interest, was repaid in full on 16 December 2021 via the issue of 15,176,065 ordinary shares in the Company (refer *Note 23(b)*). Apart from this transaction, there were no transactions with related parties during the year ended 30 June 2022.

(c) Details of Key Management Personnel

Non-Executive Directors	Period in office during the year
Dr. Marcia A.M. Walker *(Non-Executive Acting Chair)*	16 December 2021 to 30 June 2022
Executives	
Rodney D. Cocks CSM *(Executive Director / Chief Executive Officer)*	1 July 2021 to 30 June 2022
Guy R. Headley *(Executive Director / Chief Commercial Officer)*	16 December 2021 to 30 June 2022
Dr. Benjamin D.N. Jansen *(Executive Director / Chief Medical Officer)*	16 December 2021 to 30 June 2022 *(refer note)*
Thomas G. Howitt *(Chief Financial Officer / Company Secretary)*	1 July 2021 to 30 June 2022
Jessimine C.K. Jansen *(Chief Operating Officer)*	16 December 2021 to 24 March 2022 *(refer note)*
Raymond J. Deetlefs *(Acting Chief Operating Officer)*	21 February 2022 to 30 June 2022 *(refer note)*
Former directors who served during the year	
Daniel E. Abrahams *(Non-Executive Director)*	1 July 2021 to 16 December 2021
Jason M. Adler *(Non-Executive Director)*	1 July 2021 to 16 December 2021
Anna E. Burke AO *(Non-Executive Director)*	1 July 2021 to 16 December 2021
Michael R. Gorenstein *(Non-Executive Director)*	1 July 2021 to 16 December 2021
Kurt T. Schmidt *(Non-Executive Director)*	16 December 2021 to 28 March 2022
Shane F. Tanner *(Non-Executive Chairman)*	1 July 2021 to 11 April 2022

Note: On 22 June 2022, it was announced that Dr. Ben Jansen would cease his role as Chief Medical Officer on 22 September 2022.

Jessimine Jansen commenced maternity leave on 25 March 2022. On 21 February 2022, Raymond Deetlefs was appointed as Acting Chief Operating Officer on a fixed term contract that is due to terminate on 14 April 2023.

	Consolidated	
	30 June 2022 $	30 June 2021 $
(d) Remuneration of Key Management Personnel		
Short-term employee benefits	**1,850,921**	1,633,569
Post-employment benefits	**114,279**	98,531
Share-based payments	**1,910,956**	31,026
Total remuneration of Key Management Personnel	**3,876,156**	1,763,126

Note: KMP includes all Directors of the Company and members of the Executive Team that report directly to the CEO.

(e) Shares in which KMP have a beneficial interest as at balance date

Member of KMP	Opening balance	Shares issued	Shares purchased	Shares sold	Closing balance
Executives					
Rodney D. Cocks CSM	20,000,000	333,333	-	-	20,333,333
Guy R. Headley	-	127,132,105	-	-	127,132,105
Dr. Benjamin D.N. Jansen	-	130,223,903	-	-	130,223,903
Thomas G. Howitt	340,000	393,333	-	-	733,333
Jessimine C.K. Jansen	-	2,486,712	-	-	2,486,712
Totals	20,340,000	260,569,386	-	-	280,909,386

(f) Options in which KMP have a beneficial interest as at balance date

Member of KMP	Opening balance	Options granted	Options exercised	Closing balance	Vested at year end
Executives					
Rodney D. Cocks CSM	-	4,500,000	-	4,500,000	1,500,000
Guy R. Headley	-	4,500,000	-	4,500,000	1,500,000
Dr. Benjamin D.N. Jansen	-	4,500,000	-	4,500,000	1,500,000
Thomas G. Howitt	565,000	4,500,000	-	5,065,000	1,767,500
Jessimine C.K. Jansen	-	4,500,000	-	4,500,000	1,500,000
Totals	565,000	22,500,000	-	23,065,000	7,767,500

(g) Performance rights in which KMP have a beneficial interest as at balance date

Member of KMP	Opening balance	Rights granted	Rights converted	Closing balance	Vested at year end
Executives					
Rodney D. Cocks CSM	-	1,000,000	(333,333)	666,667	333,333
Guy R. Headley	-	1,000,000	(333,333)	666,667	333,333
Dr. Benjamin D.N. Jansen	-	1,000,000	(333,333)	666,667	333,333
Thomas G. Howitt	60,000	1,000,000	(393,333)	666,667	333,333
Jessimine C.K. Jansen	-	1,000,000	(333,333)	666,667	333,333
Totals	60,000	5,000,000	(1,726,665)	3,333,335	1,666,665

34. AUDITORS' REMUNERATION

Name of Auditor		Audit services $	Other services $	Totals $
Pilot Partners	**2022**	**155,000**	**78,520**	**233,520**
	2021	108,091	15,000	123,091
Parkwell CPA Limited	**2022**	**4,623**	**-**	**4,623**
	2021	-	-	-
Total auditors' remuneration	**2022**	**159,623**	**78,520**	**238,143**
	2021	108,091	15,000	123,091

Note: Parkwell CPA Limited acts as auditor of the Company's Hong Kong based subsidiary, Personal Care Asia Limited.

35. SEGMENT INFORMATION

(a) Reportable segments

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

The Group sells and distributes medicinal cannabis and consumer products. Revenue is recognised when control of the products has transferred to the customer. For such transactions, this is when the products are delivered to the customers. Revenue from these sales is based on the price listed in the supply contracts, net of any volume discounts which may apply. The volume discounts are estimated using historical experience and applying the expected value method. Revenue is then only recognised to the extent that there is a high probability that a significant reversal of revenue will not occur.

(b) Business segments

The Group's three business segments as at balance date can be described as *Medical* (involving the sale of medicinal cannabis products), *Clinics* (involving the operation of medicinal cannabis clinics) and *Consumer* (involving the sale of consumer (non-medical) products in both Australia and Asia). The *Corporate* disclosures below include revenues, costs, assets and liabilities associated with CAL's headquarter function.

Segment		Sales revenue $	Other income $	Totals $	Profit/(loss) $
Medical	**2022**	**64,927,918**	**30,000**	**64,957,918**	**20,166,649**
	2021	20,234,856	131,780	20,366,636	2,827,763
Clinics	**2022**	**1,839,527**	**-**	**1,839,527**	**(1,386,293)**
	2021	1,321,790	-	1,321,790	(250,223)
Consumer	**2022**	**224,287**	**-**	**224,287**	**(198,281)**
	2021	155,520	-	155,520	(8,088)
Sub-totals	**2022**	**66,991,732**	**30,000**	**67,021,732**	**18,582,075**
	2021	21,712,166	131,780	21,843,946	2,569,452
Corporate	**2022**	**-**	**234,065**	**234,065**	**(12,569,566)**
	2021	-	84,432	84,432	(1,152,004)
Totals	**2022**	**66,991,732**	**264,065**	**67,255,797**	**6,012,509**
	2021	21,712,166	216,212	21,928,378	1,417,448

Segment		Assets $	Liabilities $	Depreciation/ amortisation $	Purchases of equipment $
Medical	**2022**	**31,439,438**	**(8,975,325)**	**(227,154)**	**126,115**
	2021	7,507,792	(4,494,343)	(54,860)	42,082
Clinics	**2022**	**236,284**	**(649,758)**	**(125,488)**	**69,671**
	2021	343,327	(205,313)	(124,926)	95,829
Consumer	**2022**	**157,118**	**(33,656)**	**-**	**-**
	2021	7,002	(24,227)	-	-
Sub-totals	**2022**	**31,832,840**	**(9,658,739)**	**(352,642)**	**195,786**
	2021	7,858,121	(4,723,883)	(179,786)	137,911
Corporate	**2022**	**11,033,525**	**(7,132,838)**	**(330,670)**	**169,455**
	2021	944,636	(116,129)	(26,073)	37,075
Totals	**2022**	**42,866,365**	**(16,791,577)**	**(683,312)**	**365,241**
	2021	8,802,757	(4,840,012)	(205,859)	174,986

(c) Geographic segments

The Group's two geographic segments as at balance date can be described as *Australia* (being the home country of the parent entity, Cronos Australia Limited, and the location of the Group's medicinal cannabis and clinics operations) and *Asia* (being the home of the Group's consumer business, selling the Bathing Shed, FCTR and Saiph brands of products). The *Corporate* disclosures below include revenues, costs, assets and liabilities associated with CAL's headquarter function.

Segment		Sales revenue $	Other income $	Totals $	Profit/(loss) $
Australia	**2022**	**66,978,327**	**30,000**	**67,008,327**	**18,784,687**
	2021	21,712,166	131,780	21,843,946	2,569,452
Asia	**2022**	**13,405**	**-**	**13,405**	**(202,612)**
	2021	-	-	-	-
Sub-totals	**2022**	**66,991,732**	**30,000**	**67,021,732**	**18,582,075**
	2021	21,712,166	131,780	21,843,946	2,569,452
Corporate	**2022**	**-**	**234,065**	**234,065**	**(12,569,566)**
	2021	-	84,432	84,432	(1,152,004)
Totals	**2022**	**66,991,732**	**264,065**	**67,255,797**	**6,012,509**
	2021	21,712,166	216,212	21,928,378	1,417,448

Segment		Assets $	Liabilities $	Depreciation/ amortisation $	Purchases of equipment $
Australia	**2022**	**31,550,255**	**(7,717,791)**	**(352,642)**	**195,786**
	2021	7,858,121	(4,723,883)	(179,786)	137,911
Asia	**2022**	**282,585**	**(1,940,948)**	**-**	**-**
	2021	-	-	-	-
Sub-totals	**2022**	**31,832,840**	**(9,658,739)**	**(352,642)**	**195,786**
	2021	7,858,121	(4,723,883)	(179,786)	137,911
Corporate	**2022**	**11,033,525**	**(7,132,838)**	**(330,670)**	**169,455**
	2021	944,636	(116,129)	(26,073)	37,075
Totals	**2022**	**42,866,365**	**(16,791,577)**	**(683,312)**	**365,241**
	2021	8,802,757	(4,840,012)	(205,859)	174,986

Note: As described in Note 2(a), the results for the Group's Asia segment relate to the period from the date of the acquisition of CDA Health Pty. Ltd., being 16 December 2021, to 30 June 2022 only.

(d) Additional segment disclosures

Other income - corporate includes interest received of $9,067 (2021: $150).
There were no intersegment sales during the year ended 30 June 2022.

(e) Segment accounting policies

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

(f) Major customers

As at 30 June 2022, the Group has one customer to which it supplies products and from whom the Group generated revenues representing more than 10% of the total consolidated revenue from operations.

36. FINANCIAL RISK MANAGEMENT

(a) Introduction

The Group's activities expose it to various financial risks such as credit risk, market risk (including foreign currency risk and interest rate risk) and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange, and interest rate and aging analysis in the case of credit risk.

The Group's overall risk profile is managed by the Company's Chief Risk Officer in conjunction with the other members of the Executive team. During the year ended 30 June 2022, the Company reviewed and updated its comprehensive Risk Register and documented the material perceived risks that the Group is currently exposed to, together with a detailed summary of the consequences of such risks occurring and the various actions that the Company can take to mitigate their impact. The updated Risk Register, which included additional risks associated with the businesses acquired by the Company as part of its merger with CDA Health Pty. Ltd. on 16 December 2021, was discussed at a meeting of the Company's Board held on 26 August 2022.

The Group's principal financial instruments comprise cash and cash equivalents. The Group also has other financial assets and liabilities, including trade receivables and trade payables, which arise directly from its operations.

The Group does not enter into derivative transactions such as interest rate swaps or forward currency contracts. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are credit risk, market risk (including foreign currency and interest rate risks) and liquidity risk. The policies and procedures for managing these risks are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in *Note 2*.

The Group holds the following financial instruments:

	Consolidated	
	30 June 2022 $	30 June 2021 $
Financial assets		
Cash and cash equivalents	**16,077,031**	2,079,307
Trade and other receivables	**5,764,870**	1,991,479
Other assets	**641,980**	138,118
Total financial assets	**22,483,881**	4,208,904
Financial liabilities		
Trade and other payables	**9,453,681**	3,368,603
Lease liabilities	**5,059,596**	718,024
Total financial liabilities	**14,513,277**	4,086,627

(b) Credit risk

The Group's credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. If there is no independent rating, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal and/or external ratings. The compliance with credit limits by customers is monitored regularly by Management. The maximum exposures to credit risk as at 30 June 2022 in relation to each class of recognised financial asset is the carrying amount of that asset, as recorded in the statement of financial position.

Financial assets included on the statement of financial position that potentially subject the Group to a concentration of credit risk consist principally of cash and cash equivalents. The Group minimises this concentration of risk by placing its cash and cash equivalents with financial institutions that maintain superior credit ratings in order to limit the degree of credit exposure. For banks and financial institutions, only independently-rated parties with a satisfactory credit rating are accepted. The Group has not entered into any transactions that qualify as a financial derivative instrument.

In addition, receivable balances are monitored on an ongoing basis such that the Group's exposure to bad debts is not significant. During the year ended 30 June 2022, an amount of $8,330 (2021: $188) had been written off in respect of bad debts. As at 30 June 2022, the Group raised a provision for doubtful debts of $5,819 (2021: $12,263) (refer *Note 11*).

An analysis of the aging of trade receivables is provided below:

	Consolidated	
	30 June 2022 $	30 June 2021 $
Trade receivables		
Current (less than 30 days)	**4,661,399**	1,731,474
31 days to 60 days	**739,742**	109,971
61 days to 90 days	**157,415**	40,751
Greater than 90 days	**183,060**	108,014
Total trade receivables (refer *Note 11*)	**5,741,616**	1,990,210

(c) Market risk

Foreign currency risk

The Group currently operates predominantly in Australia and, to a far lesser extent, Asia and, at balance date, has minor exposure to foreign currency exchange risk in currencies including Japanese yen, Hong Kong dollars, US dollars and Great British pounds. To the extent that the Group ceases to operate in Asia as a result of the current strategic review of those operations, its foreign currency risk is expected to decline.

Interest rate risk

The Group's main interest rate risk arises in relation to its short-term deposits with various financial institutions. If interest rates were to decrease, the Group may generate less interest revenue from such deposits. However, given the relatively short duration of such deposits and the historically low deposit rates offered by major banks in Australia during the year ended 30 June 2022, the associated risk is minimal. Other than the Company's various leases and insurance funding arrangements, the Company has no liabilities on which interest is charged as at balance date.

The Group adopts a prudent approach to cash management that is tailored to cash forecasts rather than seeking the highest rates of return that may compromise access to funds as and when they are required. Where appropriate, the Group strives to deposit its surplus cash in a range of deposits over different time frames in order to diversify its portfolio and thereby minimise its overall risk. On a monthly basis, Management reviews all cash and cash equivalents, including the periods over which the cash has been deposited, the name and credit rating of the institution holding the deposit and the interest rates at which the funds have been deposited.

Given the historically low deposit interest rates being offered by major banks in Australia in respect of cash and cash equivalents held by the Group held during the year ended 30 June 2022, if interest rates had changed by +/- 50 percent from the year-end rates, with all other variables held constant, the Group's equity, relating solely to the movement in profit and loss for the year, would not have changed materially. As interest rates steadily climb post balance date, it is anticipated that the impact of rising deposit interest rates will become progressively more material for the Company.

The Group's principal interest rate exposure during the year ended 30 June 2022 arose in respect of a fixed rate borrowing from Cronos Group Inc., a former major shareholder of the Company, which was subject to an interest rate of 12% per annum that did not fluctuate. This loan, together with all accrued interest, was repaid in full on 16 December 2021 as part of the Company's merger with CDA Health Pty. Ltd.

36. FINANCIAL RISK MANAGEMENT CONTINUED

The Group's exposure to interest rate risks and the effective interest rates of financial assets and liabilities, both realised and unrealised, is as follows:

		Floating rate	Fixed rate	Carrying amount	Weighted-average rate	Maturity period
		$	$	$	%	days
Financial assets						
Cash and cash equivalents	**2022**	**16,077,031**	**-**	**16,077,031**	**nil%**	**At call**
(*Note 10*)	2021	2,079,307	-	2,079,307	nil%	At call
Other assets	**2022**	**-**	**641,980**	**641,980**	**0.78%**	**N/A**
(*Note 13*)	2021	-	138,118	138,118	nil%	N/A
Totals	**2022**	**16,077,031**	**641,980**	**16,719,011**		
	2021	2,079,307	138,118	2,217,425		
Financial liabilities						
Interest-bearing liabilities	**2022**	**-**	**5,059,596**	**5,059,596**	**4.49%**	**N/A**
(*Notes 19* and *21*)	2021	-	718,024	718,024	4.25%	N/A
Totals	**2022**	**-**	**5,059,596**	**5,059,596**		
	2021	-	718,024	718,024		

Note: All periods in respect of financial assets are for less than one year.

(d) Liquidity risk

Prudent liquidity risk management necessitates maintaining sufficient cash and cash equivalents and the availability of funding through committed credit facilities, such as credit card facilities. The Group manages liquidity risk by regularly monitoring forecast and actual cash flows and, wherever possible, matching the maturity profiles of financial assets and liabilities.

Due to the dynamic nature of the Company's underlying business, Management aims to maintain flexibility in funding by keeping committed credit lines available. Surplus funds are generally only invested in instruments that are tradable in highly liquid markets. An analysis of the aging of trade payables is provided below:

	Consolidated	
	30 June 2022 $	30 June 2021 $
Trade payables		
Current (less than 30 days)	**3,607,979**	1,387,731
31 days to 60 days	**1,212,115**	1,020,601
61 days to 90 days	**-**	530,143
Greater than 90 days	**1,053,441**	216,856
Total trade payables (refer *Note 18*)	**5,873,535**	3,155,331

A balanced view of cash inflows and outflows affecting the Group is summarised in the table below:

		< 6 months $	6 to 12 months $	1 to 5 years $	> 5 years $	Totals $
Inflows - financial assets						
Cash and cash equivalents	**2022**	**16,077,031**	**-**	**-**	**-**	**16,077,031**
	2021	2,079,307	-	-	-	2,079,307
Trade and other receivables	**2022**	**5,764,870**	**-**	**-**	**-**	**5,764,870**
	2021	1,991,479	-	-	-	1,991,479
Other assets	**2022**	**43,998**	**-**	**597,982**	**-**	**641,980**
	2021	-	-	138,118	-	138,118
Total financial assets	**2022**	**21,885,899**	**-**	**597,982**	**-**	**22,483,881**
	2021	4,070,786	-	138,118	-	4,208,904
Outflows - financial liabilities						
Trade and other payables	**2022**	**9,453,681**	**-**	**-**	**-**	**9,453,681**
	2021	3,368,603	-	-	-	3,368,603
Interest-bearing liabilities	**2022**	**247,887**	**241,441**	**1,563,291**	**3,006,977**	**5,059,596**
	2021	99,305	97,837	520,882	-	718,024
Total financial liabilities	**2022**	**9,701,568**	**241,441**	**1,563,291**	**3,006,977**	**14,513,277**
	2021	3,467,908	97,837	520,882	-	4,086,627

(e) Classification of financial instruments

AASB 13 *Fair Value Measurement* establishes a fair value hierarchy that prioritises the input to valuation techniques used to measure fair value, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The book value of the Company's financial assets and liabilities as at 30 June 2022, all of which are Level 3, approximate their fair values.

(f) Borrowing facilities

The Group had access to the following borrowing facilities as at 30 June 2022:

	Facility limit $	Amount used $	Amount available $
Nature of facility			
Security facilities from ANZ Banking Group:			
○ Cronos Australia Limited	430,330	(430,330)	-
○ Cronos Australia - Operations Pty. Ltd.	36,300	(36,300)	-
○ Cannadoc Health Pty. Ltd.	20,000	(20,000)	-
Security facility from Merchant Warrior	80,000	(80,000)	-
Credit card facility from ANZ Banking Group	100,000	(54,419)	45,581

	Consolidated	
	30 June 2022 $	30 June 2021 $
37. PARENT ENTITY INFORMATION		
Current assets	**47,765**	130,861
Total assets	**3,038,148**	1,405,935
Current liabilities	**(95,077)**	(768,439)
Total liabilities	**(3,639,803)**	(768,439)
Issued capital	**3,677,194**	3,677,194
Accumulated losses	**(4,153,927)**	(2,819,697)
Reserves	**(220,000)**	(220,000)
Net loss after income tax	**(1,334,230)**	(1,906,907)
Total comprehensive loss for the year	**(1,334,230)**	(1,906,907)

Note: As disclosed in Note 2(a), during the year, the Company acquired 100% of the issued capital of CDA Health Pty. Ltd. ("CDA") ("Merger"). The Company's financial statements for the year ended 30 June 2022 have been prepared in accordance with AASB 3 Business combinations ("AASB 3"), as the Merger resulted in the combined group being identified as a Business Combination under Australian Accounting Standards.

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

Accordingly, the parent entity information provided above relates to CDA, not Cronos Australia.

In respect of the years ended 30 June 2022 and 2021, CDA had provided no guarantees for intercompany loans and had no contingent liabilities or contractual commitments in respect of the acquisition of property, plant and equipment.

38. SUBSEQUENT EVENTS

- On 4 July 2022, a total of 333,333 performance rights that were granted to a former Director of the Company on 16 December 2021 as part of the merger with CDA Health Pty. Ltd. were converted into ordinary shares, having vested on 16 June 2022.
- On 15 July 2022, a total of 1,380,906 performance rights that were granted to employees of the Group on 16 December 2021 as part of the merger with CDA Health Pty. Ltd. were converted into ordinary shares, having vested on 1 July 2022. On 29 July 2022, a further 162,256 such performance rights were also converted into ordinary shares.
- On 26 August 2022, the Directors resolved to pay a maiden dividend of 1.0 cents per ordinary share franked as to 100%. This fully franked dividend is the first distribution of profits to shareholders since CAL was listed on the ASX in November 2019 and reflects the improved profitability and cash flow of the combined group since the Company merged with CDA Health Pty. Ltd. in December 2021. The Company has also introduced a Dividend Reinvestment Plan that will be offered to all shareholders who may wish to receive their dividend in the form of shares in the Company rather than cash.

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

Directors' Declaration

In the opinion of the Directors of Cronos Australia Limited:

1. the Financial Statements and accompanying notes, as set out on pages 68 to 106, are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

Note 2 confirms that the Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

DR. MARCIA A.M. WALKER
Acting Chair

RODNEY D. COCKS CSM
Director

Melbourne, 26 August 2022

PILOT PARTNERS
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CRONOS AUSTRALIA LIMITED

OPINION

We have audited the financial report of Cronos Australia Limited ("the Company" and its subsidiaries ("the Group")), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

BASIS FOR OPINION

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reason for significance	How our audit addressed the matter
Revenue Recognition – *refer Note 2(f) Revenue Recognition accounting policy and Note 4 Revenue*	
Revenue recognition in relation to the sale of medicinal cannabis products relies on significant judgements made by the Group in respect of when ownership of the Products passes to Company.	Our audit considered whether the revenue recognised by the Group was in line with the requirements of AASB 15 *Revenue from contracts with customers* ("AASB 15"). Using our understanding of the nature of the Group's business and the environment in which it operates, we assessed revenue recognition. In doing so: (a) We performed a detailed review of the individual supplier contracts; (b) We assessed whether revenue was recognised in line with contracts and the criteria in AASB 15; (c) We performed transactional testing on revenue, including vouching to supporting documentation including drug registers to ensure the accuracy of revenue recognised; and (d) We considered the adequacy of the relevant disclosures in the financial report.

Business Combinations *– refer Note 2(x) Business Combinations accounting policy and Note 29 Business Combinations*	
During the year, the Group acquired 100% of CDA Health Pty Ltd which resulted in the combined group being identified as a Business Combination under AASB 3 *Business Combinations* ("AASB 3"). This was a significant transaction during the year, resulting in a reverse acquisition in which CDA Health Pty Ltd was identified as the accounting acquirer.	Our audit considered whether the reverse acquisition was accounted for correctly in line with the requirements of AASB 3. Using our understanding of the nature of the transaction, we assessed the business combination. In doing so: (a) We reviewed the facts and circumstances of the transaction to determine the appropriate treatment under AASB 3; (b) We reviewed the measurement of the consideration transferred as part of the acquisition; (c) We recalculated the goodwill arising on acquisition; (d) We performed a detailed review of acquisition accounting entries; (e) We reviewed and recalculated the earning per share figures in accordance with the requirements of AASB 3 in respect of reverse acquisitions; and (f) We also considered the adequacy of the relevant disclosures in the financial report.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL REPORT

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at: http://www.auasb.gov.au/Home.aspx. This description forms part of our auditor's report.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 43 to 55 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Cronos Australia Limited, for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Pilot Partners

PILOT PARTNERS
Chartered Accountants

CHRIS KING
Partner

Signed on 26 August 2022

Level 10
1 Eagle Street
Brisbane Qld 4000

Corporate Directory

DIRECTORS

Dr. Marcia A.M. Walker *(Non-Executive Acting Chair)*
Rodney D. Cocks CSM *(Executive Director and Chief Executive Officer)*
Jenelle L. Frewen *(Non-Executive Director)*
Guy R. Headley *(Executive Director and Chief Commercial Officer)*
Dr. Simone L. Scovell *(Non-Executive Director)*

COMPANY SECRETARY

Thomas G. Howitt

REGISTERED OFFICE

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59 629 071 594

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www.cdaclinics.com.au
www.cannadoc.com.au

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AUDITOR

Pilot Partners
Chartered Accountants
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Brisbane Qld. 4000
Australia

ASX Supplementary Information

INTRODUCTION

Cronos Australia Limited was admitted to the Official List of the Australian Securities Exchange ("ASX") on 7 November 2019. The ASX code for the Company's ordinary shares is **CAU**. The additional information provided in this section is required by the Listing Rules of the ASX and is not disclosed elsewhere in this Annual Report.

The information provided below is current as at **30 September 2022**.

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest registered shareholders of the Company's ordinary shares as at 30 September 2022 are:

Rank	Name of registered shareholder	Number of shares	Percentage held
1	Elizabeth Sarah Jansen <Stanford Investment Trust>	129,890,570	23.43%
2	Guy Rothwell Headley	127,465,438	23.00%
3	Cronos Global Holdings Inc.	55,176,065	9.95%
4	Matua Hasyo Charlie Jansen <Whanau Family Trust>	55,076,378	9.93%
5	NewSouthern Investment Holdings 1 Pty. Ltd. <NewSouthern Investment Trust 1>	20,666,666	3.73%
6	NewSouthern Investment Holdings A Pty. Ltd.	20,000,000	3.61%
7	Stone Group Pty. Ltd. <Stone Children A/C>	19,950,243	3.60%
8	Hektares SG Holdings Pte. Ltd.	14,383,769	2.59%
9	Ashanna Pty. Ltd.	10,766,897	1.94%
10	HSBC Custody Nominees (Australia) Limited	10,243,539	1.85%
11	Daniel Francis Birch <BES A/C>	3,868,820	0.70%
12	Ryan Tattle	3,618,588	0.65%
13	Jessimine Jansen	2,820,045	0.51%
14	Curran Care Pty. Ltd.	2,745,473	0.50%
15	Kanmed Investments Pty. Ltd.	2,368,718	0.43%
16	BNP Paribas Nominees Pty. Ltd. <IB AU Noms Retail Client DRP>	1,856,463	0.33%
17	Marienburg Pty. Ltd. <Robinson Family A/C>	1,779,160	0.32%
18	BG & Dewar Pty. Ltd.	1,615,567	0.29%
19	Citicorp Nominees Pty. Limited	1,369,418	0.25%
20	Alexandra Kent Gibson	1,066,666	0.19%
Totals		486,728,483	87.80%

UNMARKETABLE SECURITIES

The number of shareholders holding less than a "marketable parcel" of ordinary shares on 30 September 2022 (being 725 shares) is 37. The total number of ordinary shares held by these shareholders on 30 September 2022 was 3,703.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2022, the following persons and organisations have disclosed a substantial shareholding notice to the Company under the *Corporations Act 2001*:

Name of substantial shareholder	Number of shares	Percentage held
Dr. Benjamin David Ngahuia Jansen	129,890,570	23.43%
Guy Rothwell Headley	128,952,151	23.26%
Dr. Matua Hasyo Charlie Jansen	55,413,425	10.00%
Cronos Group Holdings Inc.	55,176,065	9.95%

RESTRICTED SECURITIES

As at 30 September 2022, the following ordinary shares were subject to voluntary escrow agreements with the Company:

Name of substantial shareholder	Number of shares	Escrow expiry date
Dr. Benjamin D.N. Jansen (via Stanford Investment Trust)	129,890,570	16 December 2022
Guy R. Headley (direct interest and via Jessimine C.K. Jansen)	126,798,772	16 December 2022
Cronos Global Holdings Inc.	55,176,065	16 December 2022
Dr. Matua H.C. Jansen (via Whanau Family Trust)	55,187,320	16 December 2022
Rodney D. Cocks (via NewSouthern Investment Trust 1)	20,000,000	16 December 2022
Peter J. Righetti (via NewSouthern Investment Holdings A Pty. Ltd.)	20,000,000	16 December 2022

DISTRIBUTION OF EQUITY SECURITIES

The numbers of holders of securities in the Company as at 30 September 2022, ranked by size of holding, are as follows:

	Shares			Options			Performance Rights		
Ranges	Holders	Numbers	%	Holders	Numbers	%	Holders	Numbers	%
1 – 1,000	109	68,055	0.01	–	–	–	–	–	–
1,001 – 5,000	688	1,936,379	0.35	–	–	–	–	–	–
5,001 – 10,000	459	3,333,792	0.60	–	–	–	2	15,346	0.71
10,001 – 100,000	809	25,393,744	4.58	1	86,300	0.43	13	374,831	17.35
100,001 and over	174	523,638,733	94.46	4	19,978,700	99.57	6	1,770,280	81.94
Totals	2,239	554,370,703	100	5	20,065,000	100	21	2,160,457	100

UNLISTED SECURITIES

In addition to the Company's 554,370,703 ordinary shares, the unlisted securities in the table below are on issue as at 30 September 2022. All securities were granted pursuant to the Company's Employee Incentive Plan:

Description	ASX code	Number on issue	Number vested	Exercise price	Expiry date
Option over ordinary shares	CAUAC	86,300	86,300	$0.50	7 November 2023
Option over ordinary shares	CAUAD	181,200	181,200	$0.67	7 November 2023
Option over ordinary shares	CAUAE	297,500	-	$0.83	7 November 2023
Executive performance right	CAUAG	1,666,670	-	N/A	N/A
Employee performance right	CAUAH	493,787	493,787	N/A	N/A
Option over ordinary shares	CAUAI	7,500,000	7,500,000	$0.27	16 December 2025
Option over ordinary shares	CAUAJ	6,000,000	-	$0.34	16 December 2025
Option over ordinary shares	CAUAK	6,000,000	-	$0.41	16 December 2025
Totals		22,225,457	8,261,287		

ON-MARKET BUYBACK

The Company currently has no on-market share buyback program.

ASX REPRESENTATIVE AND COMPANY SECRETARY

Pursuant to ASX Listing Rule 12.6, Thomas Howitt has been appointed as the Company's ASX Representative and as its Company Secretary.

VOTING RIGHTS

The voting rights attaching to the ordinary shares are governed by the Company's Constitution. Article 34.1 of the Company's Constitution stipulates the voting rights of Members as follows:

"Subject to this Constitution, the Relevant Law and to any rights or restrictions attaching to any class of Securities, at a meeting of the Company's Members:

(a) on a show of hands, each Member has one vote;

(b) on a poll, each Member has:

  (i) for each fully paid Share held by the Member as at the time referred to Section 250L(4), one vote; and

  (ii) for each partly-paid Share held by the Member as at the time referred to Section 250L(4), a fraction of a vote equivalent to the proportion which the amount paid (not credited nor paid in advance of a Call) is of the total amounts paid and payable (excluding amounts credited) for the Share."

None of the options or performance rights have any voting rights.

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