

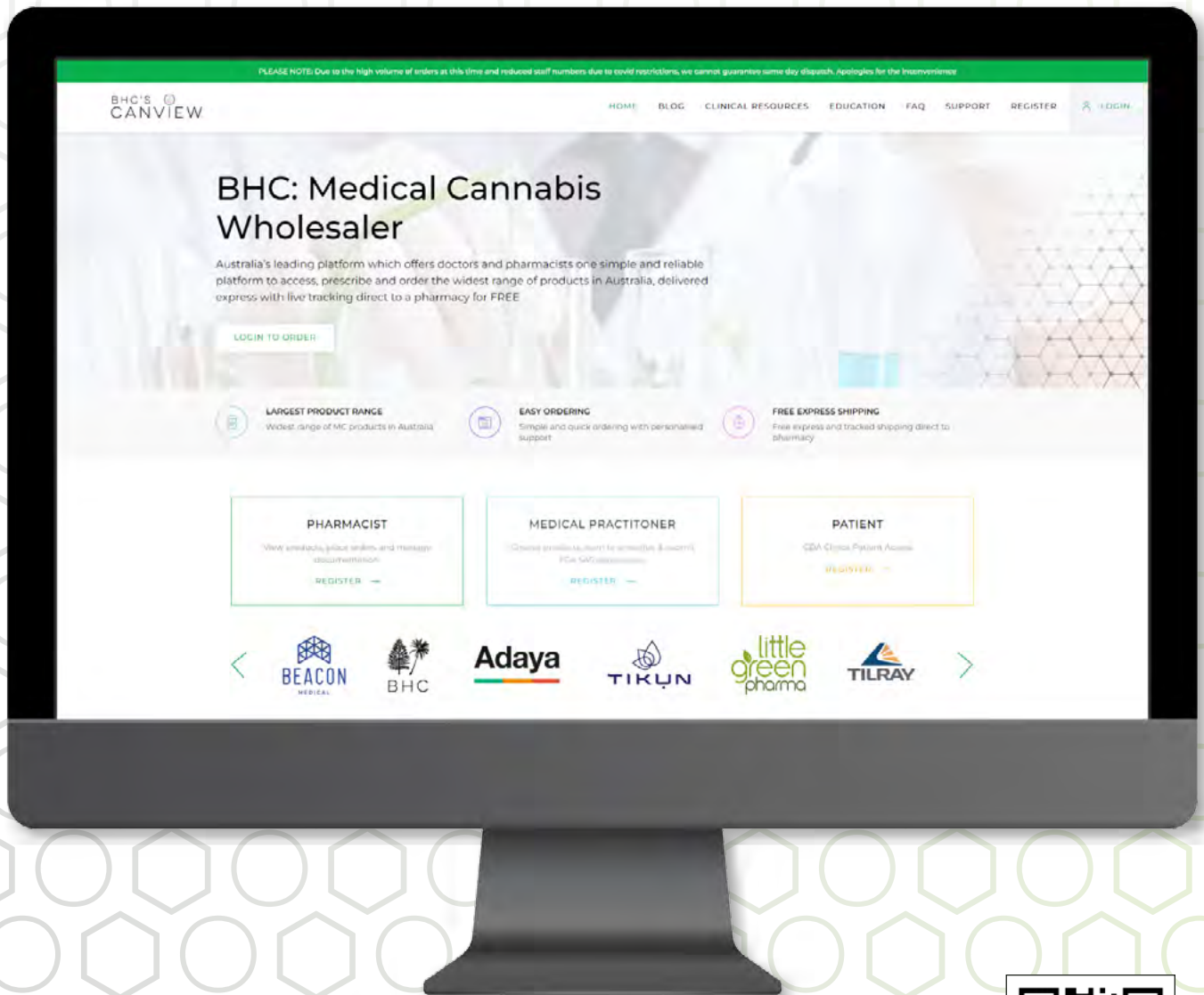
FINANCIAL REPORT

CRONOS
AUSTRALIA

CRONOS AUSTRALIA LIMITED

ABN 59 629 071 594

FOR THE HALF-YEAR ENDED 31 DECEMBER 2021



Cronos Australia Limited

2022 Half-Year Financial Report

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Disclaimer

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

Directors' Report

The Directors of Cronos Australia Limited submit their Report for the half-year ended 31 December 2021.

DIRECTORS

The details of the Directors of Cronos Australia Limited ("CAL" and the "Company") who held office during the period from 1 July 2021 until the date of this Report are stated below, as are the dates on which they were appointed.

In addition to the six Directors listed below, four other Directors (being Daniel Abrahams, Jason Adler, Anna Burke AO and Michael Gorenstein) served as Directors from 1 July 2021 until their resignations on 16 December 2021.

Directors in office as at the date of this Report



Shane F. Tanner

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

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



Rodney D. Cocks CSM

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

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



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 Cronos Australia on 16 December 2021. Guy has operated in the Australian Medical 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 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 Cronos Australia on 16 December 2021. As a founding Director of CDA Health Pty. Ltd. and Cannabis Doctors Australia Pty. Ltd., Ben has played a key role in advancing and advocating access and education for medicinal cannabis patients within Australia and New Zealand. Ben is arguably Australia's most experienced medicinal cannabis clinician, having been directly 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 in New Zealand.



Kurt T. Schmidt

Position: Non-Independent Non-Executive Director

Qualifications: BSc (US Naval), MBA (University of Chicago)

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

Other Directorships: Cronos Group Inc.

Kurt Schmidt was appointed Non-Executive Director of Cronos Australia on 16 December 2021. Kurt serves as Cronos Group's President and Chief Executive Officer. Before joining Cronos Group, Kurt served as director and Chief Executive Officer of Blue Buffalo Company, Ltd. from 2012 through 2016. Prior to joining Blue Buffalo, Kurt was Deputy Executive Vice President at Nestlé S.A., where he was responsible for Nestlé Nutrition, including several science-oriented and heavily regulated businesses. He also served as a member of Nestlé Nutrition's Executive Committee. Kurt joined Nestlé in 2007 as part of its acquisition of Gerber Products from Novartis, where he was the President and Chief Executive Officer of Gerber Products Company from 2004 to 2007. Prior to Gerber, Kurt held a variety of leadership roles at Kraft Foods, Inc. Kurt currently serves on the board of directors of Campbell Soup Company. He received a Bachelor of Science in Chemistry from the United States Naval Academy and a Master of Business Administration (MBA) from the University of Chicago.



Dr. Marcia A.M. Walker

Position: Independent Non-Executive Director

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 Cronos Australia on 16 December 2021. Marcia brings significant experience in Medical Governance and currently serves on the board of the New Zealand Medical Association, is 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.

Company Secretary



Thomas G. Howitt

Position: Chief Financial Officer and Company Secretary

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

Other responsibilities: None

Other Directorships: None

Tom Howitt was appointed as Chief Financial Officer of Cronos Australia on 3 December 2018 and as Company Secretary on 14 August 2020. Prior to joining the Company, he was the Chief Financial Officer of Global Kinetics Corporation, a pre-IPO life sciences company, Chief Financial Officer/Company Secretary of Simavita (ASX:SVA, TSX-V:SV) a digital healthcare company, Chief Financial Officer/Company Secretary of Genetic Technologies Limited (ASX:GTG, NASDAQ:GENE) a 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 member of the Victorian Branch Committee of AusBiotech and a member of the CCRM Australia Industry Interface Committee based at Monash University.

INTERESTS IN THE SECURITIES OF THE COMPANY AND RELATED BODIES CORPORATE

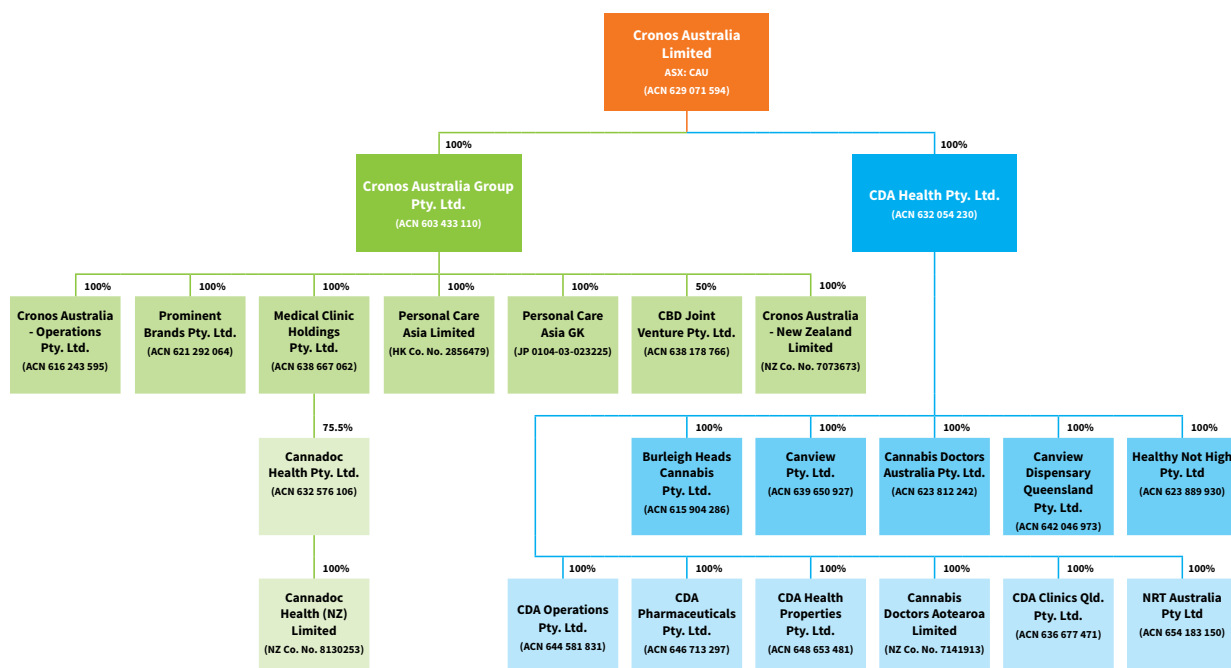
As at the date of this Report, the following Directors held beneficial interests in the securities of the Company:

Name of Director	Number of securities and nature of beneficial interest
Shane F. Tanner	683,333 ordinary shares (via Tanner Superannuation Fund) 666,667 performance rights (via Tanner Superannuation Fund)
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	129,285,484 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 half-year ended 31 December 2021 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.

CAL is a medicinal cannabis company that has created cannabinoid-based products and brands which it is selling in Australia and export markets, including Japan and Hong Kong. The first of these brands is the Adaya range of medicinal cannabis products that was launched by the Company in Australia in July 2020. In December 2020, the Company’s range of premium hemp seed oil personal care consumer products, Bathing Shed, was launched in certain North Asian markets, as well as in Australia. In 2021, the Saiph and FCTR ranges of CBD-based products were also launched in Hong Kong and Japan.

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

On 16 December 2021, the Company acquired 100% of the issued capital of CDA Health Pty. Ltd. (“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 FY2021. The CDA operations cover various facets of the Australian medicinal cannabis industry:

- **Nationwide wholesale 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 pharmacy and doctor online portal “CanView” which sells and distributes more than 130 different medicinal cannabis products, together with a number of devices, across Australia from more than 25 of the most well-known international and domestic 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 numbers of patient enquiries it receives.

Principal activities

The principal activity of the entities within the Group during the half-year ended 31 December 2021 was the sale and distribution of medicinal cannabis products, the expansion of its business to develop ranges of cannabinoid-based and related brands and to sell the resulting products in Australia and target export markets, including Japan and Hong Kong, as well as operating its medicinal cannabis clinic businesses based in Queensland and Victoria.

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 half-year under review.

Result

During the half-year ended 31 December 2021, the Company and its subsidiaries generated a consolidated profit after income tax of \$3,377,505 (2021: \$273,943). Details relating to the Company's financial results for the half-year under review are included below under the heading *Financial Analysis*.

Dividends and distributions

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

Review of operations

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 periods ended 31 December 2021 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 to 31 December 2021 and the activities of the pre-Merger Cronos Australia entities for the period from the date of the Merger (being 16 December 2021) to 31 December 2021.

Medicinal cannabis sales and distribution

- CDA subsidiary Burleigh Heads Cannabis Pty. Ltd. ("BHC"), via its distribution platform CanView, delivered significant growth during the half-year, well exceeding its internal forecasts. During the first half of FY2022, BHC sold more than 190,000 medical cannabis units, of which 37,000 were sold in December 2021 alone. First half unit sales exceeded the total sales for all of FY2021 by more than 45%, with a further six months of the current financial year remaining, during which the Company anticipates further growth in unit sales is likely to occur.
- BHC executed 7 new agreements with leading suppliers of medicinal cannabis products during the half-year, adding an additional 35 unique product SKUs to the CanView online platform. BHC, via CanView, now offers a portfolio of more than 130 discrete medicinal cannabis products for the treatment of patients and for wholesale direct to a growing number of pharmacies across Australia.
- A total of 492 new pharmacy purchasing accounts were established on CanView during the half-year, bringing the total number to 2,433 registered accounts nationally. In addition, 150 new doctor accounts were established during the period, increasing the total number of doctors registered on CanView to 649 nationally.
- 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. On 1 February 2022, the Group executed a lease over additional premises in Melbourne that will be used to warehouse and distribute medicinal cannabis products to further expand the Group's national sales and distribution footprint.
- In addition to delivering improved operational efficiencies, the expanded premises above, which will 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 premises in Melbourne will be completed and become operational during the fourth quarter of FY2022.

- Significant progress was also made during the half-year in the development of the new, upgraded “CanView 2.0” platform which will further integrate and streamline the stakeholder usability for pharmacists, doctors and patients, while delivering operational efficiencies for the business. It is expected that the new and improved platform will be launched later in the first quarter of the 2022 calendar year. The new platform’s considerable enhancements will provide 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.
- In addition to the sales generated by BHC, revenue from the sale of Adaya medicinal cannabis products in the first half of FY2022 was almost \$2.5 million, as compared to the figure of \$1.2 million for the entire previous year of FY2021. The products in the current Adaya range are sold through a variety of sales channels across Australia, including via BHC’s CanView platform. For the reasons outlined above, the attached financial statements contain the revenues generated from the sale of Adaya products from 16 December 2021 to 31 December 2021 only.

Clinics

- Despite issues caused by the COVID-19 pandemic, during the half-year, the CDA Clinics business continued to provide consultation services and access to medicinal cannabis products to its growing number of patients across Australia from its 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 half-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 growing patient base.
- Following the Merger in December 2021, work is now underway 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. In future financial reports, the activities and successes of the combined clinics business will be reported as one.

Consumer sales

- During the half-year, Bathing Shed products entered a number of new stockists, notably in Japan with Tomorrowland, a leading large-format chain of select shops with nationwide distribution. The Bathing Shed brand received favourable media coverage in leading Japanese magazines and in Australia through various media outlets. The Japanese ecommerce store was also launched during the period and local digital promotion began.
- Saiph products entered new stockists in both Japan and Hong Kong and received positive media coverage in leading publications in those markets. The Saiph ecommerce sites in Japan and Hong Kong were established, however global social and digital payment networks are erratic in supporting the promotion and sale of CBD-based products like Saiph.
- FCTR also added new stockists in Hong Kong and Japan, concentrating on the core brand target markets of committed trainers and runners. The launch of the ecommerce sites for FCTR in Hong Kong and Japan met with similar issues as for Saiph, however refinements in the ecommerce strategies for both brands to work with local social networks and alternate digital distribution partners are now underway. Market feedback supports the view that there is considerable consumer interest in high quality CBD-based products, such as those sold by the Company in Japan and Hong Kong.

Schedule 3 activities

- CDA is continuing to focus on further product development, and is conducting in-house clinical trials and related work with external regulatory consultants in anticipation of preparing a dossier for the registration of Schedule 3 “over-the-counter” products.
- Finally, the Company has continued to make progress in the development of CBD-based products as part of its Joint Venture with partner, A&S Branding Pty. Ltd. Following the successful completion of products and branding, work continues in respect of the preparation of a dossier for the TGA to support a Schedule 3 registration of the products.

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 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 .

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 1 February 2022, the Group executed a lease over additional premises in Melbourne that will be used to warehouse and distribute medicinal cannabis products to further expand the Group’s national sales and distribution footprint.

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

Business strategy, future developments and prospects

The Company has adopted an “asset light” business model in which it has outsourced the cultivation and manufacture of cannabinoid-based products to selected leading manufacturers. Following CAL’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, the promotion of its Bathing Shed, FCTR and Saiph ranges of consumer products in selected global markets 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.

Profit per share

The basic profit per share for the half-year ended 31 December 2021 was 0.85 cents (2021: 0.08 cents). The diluted profit per share for the half-year ended 31 December 2021 was 0.79 cents (2021: 0.08 cents).

Legal matters

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

Financial analysis

Statement of Comprehensive Income

During the half-year ended 31 December 2021, the Company generated a consolidated profit after income tax of \$3,377,505 (2021: 273,943), an increase of 1,133% 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 half-year ended 31 December 2021, together with those of the pre-Merger Cronos Australia operations for the period from 16 December 2021 to 31 December 2021.

Total revenues for the half-year of \$27,377,870 comprised sales of medicinal cannabis products of \$26,409,952 and clinic-related fees of \$940,045, as well as \$27,873 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 half-year, the growth in sales of medicinal cannabis products was particularly strong, recording growth of almost 300%.

The average gross margin from the sale of medicinal and consumer products remained constant during the half-year at approximately 37%. In line with the above growth, total personnel expenses increased by 125% (from \$1,965,623 in 2021 to \$4,428,024 in 2022) as the Group's total workforce was expanded to support its growing operations. The current period personnel expenses also included, for the first time, non-cash share-based payments expenses of \$591,271 relating to the options and performance rights that were granted to employees of the Group as part of the merger with CDA Health. Overall, the Group's other expenses increased during the half-year under review in line with overall Company growth.

Statement of Financial Position

As at 31 December 2021, the Group's consolidated cash and cash equivalents had increased to \$12,943,868 (June 2021: \$2,079,307), driven largely by the significant growth in receipts from customers. As a result of the merger with CDA Health, 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 31 December 2021. The closing balances of both trade receivables and inventories increased in line with the Group's growth in operations and the sales of medicinal cannabis products, in particular.

During the half-year, intangible assets increased by \$10,697,700 due principally to an amount of \$10,171,692 in goodwill being recognised in relation to the merger with CDA Health on 16 December 2021. 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 balance of the Group's trade payables at 31 December 2021 included a number of material creditors in relation to the merger with CDA Health and large payments due to suppliers, all of which were paid shortly after balance date. As a result, the closing balance of trade payables of \$6,986,154 was unusually high with the corresponding impact on cash on hand.

Finally, the large increase in reserves during the half-year was largely due to the payment of \$5,000,000 in cash to the former shareholders of CDA Health, 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 to the share-based payments reserve described above.

Statement of Cash Flows

During the half-year ended 31 December 2021, receipts from customers increased by 326% as compared to the previous corresponding period, driven by a significant increase in sales of medicinal cannabis products. As a result of the merger with CDA Health, 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).

As described above, the balance of the Group's trade payables at 31 December 2021 was unusually high due to the timing of certain payments made across the New Year period. As a result, the Group's closing balance of cash and cash equivalents of \$12,943,868 did not reflect the payment of these amounts which were subsequently made in January 2022.

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 31 December 2021, 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 half-year ended 31 December 2021.

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") (refer *Note 27(a)*).

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 31 December 2021, the Company had a total of 6,608,698 performance rights on issue (refer *Note 27(b)*). Of this total, 6,000,000 performance rights were granted on 16 December 2021 to members of the Executive Team as part of the Merger with CDA, while 2,608,696 performance rights were granted to other employees of the Company and CDA as part of the Merger on the same date.

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.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the half-year ended 31 December 2021, the Company paid premiums in respect of a contract insuring the Directors and Officers of the Company and related bodies corporate against a liability incurred in his or her capacity as a Director or Officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the insurance provided and the amount of the 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.

ROUNDING OF AMOUNTS

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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 11 of this Financial Report.

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



SHANE F. TANNER
Chairman



RODNEY D. COCKS CSM
Director

Melbourne, 25 February 2022

Auditor's Independence Declaration



PILOT PARTNERS

Chartered Accountants

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Queensland Australia

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pilotpartners.com.au

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 half-year ended 31 December 2021, 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.

A handwritten signature in black ink that reads "Pilot Partners".

PILOT PARTNERS

Chartered Accountants

A handwritten signature in black ink that reads "Chris King".

CHRIS KING

Partner

Signed on 25 February 2022

Level 10
1 Eagle Street
Brisbane Qld 4000



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Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2021

	Notes	Consolidated	
		31 Dec. 2021 \$	31 Dec. 2020 \$
Continuing operations			
Revenue	4	27,377,870	7,348,408
Cost of sales		(16,611,685)	(4,165,897)
Gross profit		10,766,185	3,182,511
Other income	5	3,269	79,292
Accounting, tax and audit fees		(134,157)	(52,671)
Administration expenses		(741,513)	(458,929)
Finance costs		(203,419)	19,481
Legal and regulatory expenses		(154,205)	(6,683)
Personnel expenses		(4,428,024)	(1,965,623)
Sales, marketing and distribution expenses		(215,359)	(186,981)
Profit before income tax		4,892,777	610,397
Income tax expense		(1,515,272)	(336,454)
Profit for the half-year	6	3,377,505	273,943
Other comprehensive income			
<i>Items that may be reclassified to profit</i>			
Exchange gains on translation of controlled foreign operations		29,425	-
Other comprehensive income for the half-year, net of tax		29,425	-
Total comprehensive profit for the half-year		3,406,930	273,943
Profit for the half-year is attributable to:			
Owners of Cronos Australia Limited		3,380,121	273,943
Non-controlling interests	25	(2,616)	-
Total profit for the half-year		3,377,505	273,943
Total comprehensive profit for the half-year is attributable to:			
Owners of Cronos Australia Limited		3,409,546	273,943
Non-controlling interests	25	(2,616)	-
Total comprehensive profit for the half-year		3,406,930	273,943
Profit per share attributable to owners of Cronos Australia Limited and from continuing operations:			
Basic profit per share (cents per share)	7	0.85	0.08
Diluted profit per share (cents per share)	7	0.79	0.08

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

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	Consolidated	
		31 Dec. 2021 \$	30 June 2021 \$
Assets			
Current Assets			
Cash and cash equivalents	9	12,943,868	2,079,307
Trade and other receivables	10	3,671,198	2,179,412
Inventories	11	5,048,426	3,101,139
Other assets	12	340,776	164,460
Total Current Assets		22,004,268	7,524,318
Non-Current Assets			
Property, plant and equipment	13	436,984	217,620
Right-of-use assets	14	1,105,851	689,408
Intangible assets and goodwill	15	10,854,676	156,976
Deferred tax assets		893,811	76,317
Other assets	16	327,569	138,118
Total Non-Current Assets		13,618,891	1,278,439
Total Assets		35,623,159	8,802,757
Liabilities			
Current Liabilities			
Trade and other payables	17	9,672,756	3,368,603
Interest-bearing liabilities	18	454,137	182,060
Current tax liabilities		2,263,876	542,548
Employee benefit provisions	19	423,523	197,603
Total Current Liabilities		12,814,292	4,290,814
Non-Current Liabilities			
Interest-bearing liabilities	20	728,855	535,964
Deferred tax liabilities		334,585	-
Employee benefit provisions	21	50,507	13,234
Total Non-Current Liabilities		1,113,947	549,198
Total Liabilities		13,928,239	4,840,012
Net Assets		21,694,920	3,962,745
Equity			
Share capital	22	22,812,888	3,677,194
Reserves	23	(4,930,124)	(140,820)
Retained earnings	24	3,806,492	426,371
Equity attributable to owners of the Company		21,689,256	3,962,745
Non-controlling interests	25	5,664	-
Total Equity		21,694,920	3,962,745

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2021

	Attributable to members of Cronos Australia Limited			Non- controlling interests \$	Totals \$
	Share capital \$	Reserves \$	Retained earnings \$		
Balance at 1 July 2020	3,341,700	-	(991,077)	79,180	2,429,803
Profit for the half-year	-	-	273,943	-	273,943
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	273,943	-	273,943
<i>Transactions with owners</i>					
Acquisition of non-controlling interest without a change of control	-	(140,820)	79,180	(79,180)	(140,820)
Equity transaction costs, net of tax	(82,809)	-	-	-	(82,809)
Total transactions with owners	(82,809)	(140,820)	79,180	(79,180)	(223,629)
Balance at 31 December 2020	3,258,891	(140,820)	(637,954)	-	2,480,117
Balance at 1 July 2021	3,677,194	(140,820)	426,371	-	3,962,745
Profit for the half-year	-	-	3,380,121	(2,616)	3,377,505
Other comprehensive income	-	29,425	-	-	29,425
Total comprehensive income	-	29,425	3,380,121	(2,616)	3,406,930
<i>Transactions with owners</i>					
Shares issued as part of 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	(1,436,103)	-	-	-	(1,436,103)
Acquisition of non-controlling interest without a change of control	-	(5,000,000)	-	-	(5,000,000)
Share-based payments	-	591,271	-	-	591,271
Total transactions with owners	19,135,694	(4,818,729)	-	8,280	14,325,245
Balance at 31 December 2021	22,812,888	(4,930,124)	3,806,492	5,664	21,694,920

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

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2021

	Notes	Consolidated	
		31 Dec. 2021 \$	31 Dec. 2020 \$
Cash flows from/(used in) operating activities			
Receipts from customers		28,554,950	6,702,659
Payments made to suppliers and employees		(19,556,259)	(5,920,453)
Interest received		461	279
Interest and other finance charges paid		(45,555)	-
Receipts from Government stimulus schemes		-	31,321
Net cash flows from/(used in) operating activities		8,953,597	813,806
Cash flows from/(used in) investing activities			
Cash acquired on merger with CDA Health Pty. Ltd.		2,465,914	-
Purchases of plant and equipment		(148,448)	(27,701)
Payments for intangible assets		-	(11,000)
Net cash flows from/(used in) investing activities		2,317,466	(38,701)
Cash flows from/(used in) financing activities			
Payment of transaction costs related to the issue of shares		(406,502)	(220,000)
Proceeds from the issue of shares		-	278,011
Repayment of borrowings from related parties		-	(266,129)
Net cash flows from/(used in) financing activities		(406,502)	(208,118)
Net increase in cash and cash equivalents held		10,864,561	566,987
Cash and cash equivalents at the beginning of the half-year		2,079,307	1,534,830
Cash and cash equivalents at the end of the half-year	9	12,943,868	2,101,817

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

Notes to the Financial Statements

For the half-year ended 31 December 2021

1. CORPORATE INFORMATION

The financial statements of Cronos Australia Limited (“CAL” and the “Company”) for the half-year ended 31 December 2021 were authorised for issue in accordance with a resolution of the Company’s Board of Directors dated 25 February 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 22 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

This consolidated interim financial report for the half-year ended 31 December 2021 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the financial report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous reporting requirements of the Australian Securities Exchange and the *Corporations Act 2001*.

The financial statements for the half-year ended 31 December 2021 have been prepared in accordance with AASB 3 *Business combinations* (“AASB 3”), as the merger between the Company and CDA Health Pty. Ltd. (“CDA”) that was completed on 16 December 2021 (“Merger”) resulted in the combined group being identified as a Business Combination under Australian Accounting Standards.

AASB 3 requires the identification of an acquirer for financial reporting purposes. The structure of the Merger 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 attached financial statements include the financial results of CDA for the period from 1 July 2021 to 31 December 2021 and the results of the pre-Merger Cronos Australia entities for the period from the date of the Merger (16 December 2021) to 31 December 2021. The comparative figures that have been disclosed relate solely to the financial results of CDA for the respective periods.

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

(b) New accounting standards and interpretations

New Accounting Standards and Interpretations not yet mandatory, or early adopted Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the reporting half-year ended 31 December 2021.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are evaluated and based on historical experience and other factors, including expectations of events that may have a financial impact on the Company and 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 remainder of the current financial year.

Licences

Determining whether the Company's indefinite life licences described in *Note 2(t)* of the Company's 2021 Annual Report are impaired is a matter of judgement. The Company undertakes a full assessment of impairment of such licences annually, as required by Accounting Standards. At other reporting periods, the Company assesses whether there are any indicators of impairment. Where such indicators exist, a full impairment assessment is undertaken.

Impairment of intangible assets and goodwill

The Group determines whether intangible assets, including goodwill, are impaired on at least an annual basis, in accordance with the accounting policies stated in *Notes 2(t)* and *2(u)* of the Company's 2021 Annual Report. This process requires an estimation to be made of the recoverable amount of the cash-generating units to which the respective assets are allocated.

Inventories

The Group values inventories of finished goods and raw materials in accordance with the accounting policies stated in *Note 2(o)* of the Company's 2021 Annual Report. 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.

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 options 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 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	
	31 Dec. 2021 \$	31 Dec. 2020 \$
4. REVENUE		
Sale of medicinal cannabis products	26,409,952	6,728,654
Medical consultation fees	940,045	600,354
Sale of consumer products	27,873	19,400
Total revenue	27,377,870	7,348,408
5. OTHER INCOME		
Interest received	3,269	279
Research and development study income	-	47,692
Payments received under Government stimulus schemes	-	31,321
Total other income	3,269	79,292
6. PROFIT BEFORE INCOME TAX		
Profit before income tax includes:		
Depreciation of property, plant and equipment	(52,753)	(58,241)
Employee benefits expenses	(4,428,024)	(1,965,623)
<i>Note: Employee benefits expenses represent all salaries, bonuses and associated on-costs attributable to Directors and employees of the Group, including share-based payments expenses.</i>		
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 half-year attributable to the owners of the Company	3,380,121	273,943
Weighted average number of shares used to calculate basic profit per share	399,003,704	363,530,174
Weighted average number of shares used to calculate diluted profit per share	428,677,402	363,530,174

8. DIVIDENDS AND DISTRIBUTIONS

No dividends were paid during the half-year ended 31 December 2021, nor have the Directors recommended that any dividend be declared or paid in the foreseeable future. Rather, the Company intends to retain any earnings to finance its future growth and development. Any future payment of cash dividends will be dependent upon, amongst other things, the Company's future earnings, financial condition, capital requirements, and such other factors as the Board of Directors may deem relevant at that time.

	Consolidated	
	31 Dec. 2021 \$	30 June 2021 \$
9. CASH AND CASH EQUIVALENTS		
Cash at bank	12,943,146	2,079,197
Cash on hand	722	110
Total cash and cash equivalents	12,943,868	2,079,307

	Consolidated	
	31 Dec. 2021 \$	30 June 2021 \$
10. TRADE AND OTHER RECEIVABLES		
Trade receivables, net	3,550,824	1,977,947
Accrued income	118,912	1,269
Accrued interest	1,462	-
GST receivable, net	-	200,196
Total trade and other receivables	3,671,198	2,179,412
11. INVENTORIES		
Finished goods on hand, at cost	4,510,221	3,101,139
Deposits paid on products in production	336,192	-
Raw materials, at cost	202,013	-
Total inventories	5,048,426	3,101,139
12. OTHER ASSETS (CURRENT)		
Prepayments	245,155	164,460
Deposits	95,621	-
Total current other assets	340,776	164,460
13. PROPERTY, PLANT AND EQUIPMENT		
(a) Plant and equipment		
Office and clinic equipment, at cost	219,712	126,412
Less: accumulated depreciation	(75,435)	(26,236)
Net office and clinic equipment	144,277	100,176
Leasehold improvements, at cost	165,469	96,957
Less: accumulated amortisation	(86,494)	(56,165)
Net leasehold improvements	78,975	40,792
Motor vehicles, at cost	77,123	25,611
Less: accumulated depreciation	(44,614)	(7,332)
Net motor vehicles	32,509	18,279
Computer equipment, at cost	133,873	59,477
Less: accumulated depreciation	(67,521)	(13,469)
Net computer equipment	66,352	46,008
Leasehold improvements under construction	114,871	12,365
Total net property, plant and equipment	436,984	217,620

	Consolidated	
	31 Dec. 2021 \$	30 June 2021 \$
13. PROPERTY, PLANT AND EQUIPMENT (CONT.)		
(b) Reconciliation of plant and equipment		
Opening gross carrying amount	320,822	145,836
Add: additions purchased during the half-year	206,285	174,986
Add: additions acquired on acquisition	183,941	-
Less: assets completed during the half-year, net	(48,039)	-
Closing gross carrying amount	663,009	320,822
Opening accumulated depreciation	(103,202)	(44,961)
Add: accumulated depreciation acquired on acquisition	(70,070)	-
Add: depreciation expense charged	(52,753)	(58,241)
Closing accumulated depreciation	(226,025)	(103,202)
Total net property, plant and equipment	436,984	217,620

Asset category	Opening carrying amount \$	Additions \$	Additions on acquisition \$	Assets completed \$	Depreciation expense \$	Closing carrying amount \$
Office and clinic equipment	100,176	17,128	38,905	-	(11,932)	144,277
Leasehold improvements	40,792	11,608	39,212	-	(12,637)	78,975
Motor vehicles	18,279	-	17,882	-	(3,652)	32,509
Computer equipment	46,008	27,004	17,872	-	(24,532)	66,352
Assets under construction	12,365	150,545	-	(48,039)	-	114,871
Totals	217,620	206,285	113,871	(48,039)	(52,753)	436,984

14. RIGHT-OF-USE ASSETS

Balance at the beginning of the half-year	689,408	419,327
Add: recognition of right-of-use assets	341,543	415,998
Add: right-of-use assets acquired on acquisition	267,088	-
Less: amortisation expense charged	(192,188)	(145,917)
Total right-of-use assets	1,105,851	689,408

15. INTANGIBLE ASSETS AND GOODWILL

Goodwill arising on the acquisition of CDA Health Pty. Ltd.	10,171,692	-
Goodwill arising on the acquisition of Cannadoc Health Pty. Ltd.	291,457	-
Licences arising on restructure	200,000	-
Trademarks and patents, net	92,599	128,166
Capitalised software development, net	62,928	28,810
Website development in progress, net	36,000	-
Total intangible assets and goodwill	10,854,676	156,976

	Consolidated	
	31 Dec. 2021 \$	30 June 2021 \$
16. OTHER ASSETS (NON-CURRENT)		
Security deposits	327,569	138,118
Total non-current other assets	327,569	138,118
17. TRADE AND OTHER PAYABLES		
Trade payables	6,986,154	3,155,331
Accrued expenses	1,810,418	73,441
Payroll-related payables (excluding annual leave)	662,826	139,831
GST payable, net	213,358	-
Total trade and other payables	9,672,756	3,368,603
18. INTEREST-BEARING LIABILITIES (CURRENT)		
Lease liabilities	454,137	182,060
Total current interest-bearing liabilities	454,137	182,060
19. EMPLOYEE BENEFIT PROVISIONS (CURRENT)		
Annual leave	423,523	197,603
Total current employee benefit provisions	423,523	197,603
20. INTEREST-BEARING LIABILITIES (NON-CURRENT)		
Lease liabilities	728,855	535,964
Total non-current interest-bearing liabilities	728,855	535,964
21. EMPLOYEE BENEFIT PROVISIONS (NON-CURRENT)		
Long service leave	50,507	13,234
Total non-current employee benefit provisions	50,507	13,234
22. SHARE CAPITAL		
(a) Issued and paid-up capital		
Balance at the beginning of the half-year	3,677,194	3,341,700
Add: shares issued as part of 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	-
Less: equity transaction costs, net of tax	(1,436,103)	(82,809)
Balance at the end of the half-year	22,812,888	3,258,891

Note: The above comparative reconciliation of issued and paid-up capital relates to the half-year ended 31 December 2020, as disclosed in the Statement of Changes in Equity.

22. SHARE CAPITAL (CONT.)

(b) Shares on issue

Balance at the beginning of the half-year	128,750,000	128,750,000
Add: shares issued as consideration for the acquisition of CDA Health	403,552,399	-
Add: shares issued on conversion of unsecured loan	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	-
Balance at the end of the half-year	550,625,419	128,750,000

	Consolidated	
	31 Dec. 2021 \$	30 June 2021 \$
23. RESERVES		
Share-based payments reserve	384,540	-
Foreign currency translation reserve	22,596	-
Capital reserve	(5,337,260)	(140,820)
Total reserves	(4,930,124)	(140,820)

Note: The balance of the capital reserve as at 31 December 2021 includes an amount of \$5,000,000 that was paid to the former shareholders of CDA Health in part consideration of the Company's acquisition of CDA Health on 16 December 2021.

24. RETAINED EARNINGS

Balance at the beginning of the half-year	426,371	(991,077)
Add: profit attributable to owners of Cronos Australia Limited	3,380,121	273,943
Add: acquisition of non-controlling interest without a change of control	-	79,180
Balance at the end of the half-year	3,806,492	(637,954)

Note: The above comparative reconciliation of retained earnings relates to the half-year ended 31 December 2020, as disclosed in the Statement of Changes in Equity.

25. NON-CONTROLLING INTERESTS

Balance at the beginning of the half-year	-	79,180
Add: value of performance rights on issue at date of acquisition	8,280	-
Less: share of operating losses attributable to non-controlling interests	(2,616)	-
Less: acquisition of non-controlling interest without a change of control	-	(79,180)
Balance at the end of the half-year	5,664	-

26. BUSINESS COMBINATIONS

(a) Purchase consideration for acquisition of CDA Health

Shares issued as part of the acquisition of CDA (refer Note 22(a))	20,011,797	-
Total purchase consideration	20,011,797	-

	Consolidated	
	31 Dec. 2021 \$	30 June 2021 \$
26. BUSINESS COMBINATIONS (CONT.)		
(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	1,090,813	-
Other assets	1,200,483	-
Property, plant and equipment, net (refer Note 13(b))	113,871	-
Right-of-use assets	267,088	-
Intangible assets and goodwill	491,457	-
Liabilities		
Trade and other payables	(999,143)	-
Interest-bearing liabilities	(303,999)	-
Employee benefit provisions	(134,191)	-
Goodwill		
Goodwill acquired on acquisition of CDA	10,171,692	-
Value of performance rights on issue at completion (refer Note 25)	(8,280)	-
Total purchase consideration	20,011,797	-

Note: During the half-year, 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 the financial statements for the half-year ended 31 December 2021 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). As a result of the above, the financial statements include the financial results of CDA for the period from 1 July 2021 to 31 December 2021 and the results of the pre-Merger Cronos Australia entities for the period from the date of the Merger (16 December 2021) to 31 December 2021.

The above tables include details of the assets and liabilities that were acquired on 16 December 2021 as part of the Merger.

27. OPTIONS AND PERFORMANCE RIGHTS

(a) Option on issue

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				

27. OPTIONS AND PERFORMANCE RIGHTS (CONT.)

(b) Performance rights on issue

Date granted	Quantity	Vesting dates	Expiry dates
16 December 2021	1,999,998	16 June 2022	16 December 2025
16 December 2021	2,608,696	1 July 2022	16 December 2025
16 December 2021	2,000,004	16 December 2022	16 December 2025
Total	6,608,698		

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

28. COMMITMENTS AND CONTINGENCIES

(a) Lease expenditure commitments

As at 31 December 2021, the Group had entered into leases relating to the six premises listed below which have been recognised, along with a corresponding right-of-use asset, under AASB 16 Leases (refer Notes 14, 18 and 20):

Location and use	Landlord	Date of expiry of leases
South Yarra, Victoria 3141 Corporate headquarters	Newmark Como Property Trust	10 May 2025
Melbourne, Victoria 3004 Medicinal cannabis clinic	Perpetual Corporate Trust Limited	21 January 2023
Robina, Queensland 4226 CDA Health operations office	Sugden Assets A Pty. Ltd.	30 June 2022
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

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 31 December 2021, a total of \$30,000 had been advanced under the facility. No interest is being charged in respect of this advance.

Cannadoc Health Pty. Ltd.

On 3 February 2020, the Group executed a Share Transfer and Shareholders Agreement (the "Agreement") pursuant to which it acquired a 51% indirect equity interest in Cannadoc Health Pty. Ltd. ("Cannadoc"), a Melbourne-based company operating a medical clinic business specialising in cannabinoid-based therapies. 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 31 December 2021, a total of \$350,000 had been advanced under the facility on which interest is being charged at a rate of 9% per annum.

29. SEGMENT INFORMATION

(a) Reportable segments

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

(b) Business segments

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

- *Medical* - involving the sale of medicinal cannabis products
- *Clinics* - involving the operation of medicinal cannabis clinics
- *Consumer* - involving the sale of consumer 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	26,409,952	-	26,409,952	8,607,638
	2021	6,728,654	47,692	6,776,346	1,869,077
Clinics	2022	940,045	-	940,045	(795,098)
	2021	600,354	-	600,354	(547,736)
Consumer	2022	27,873	-	27,873	(27,130)
	2021	19,400	-	19,400	(6,584)
Sub-totals	2022	27,377,870	-	27,377,870	7,785,410
	2021	7,348,408	47,692	7,396,100	1,314,757
Corporate	2022	-	3,269	3,269	(4,407,905)
	2021	-	31,600	31,600	(1,040,814)
Totals	2022	27,377,870	3,269	27,381,139	3,377,505
	2021	7,348,408	79,292	7,427,700	273,943

Segment		Assets (note) \$	Liabilities (note) \$	Depreciation \$	Purchases of equipment \$
Medical	2022	19,893,071	(8,713,066)	(24,322)	86,833
	2021	7,507,792	(4,494,343)	(39,193)	-
Clinics	2022	2,127,976	(357,238)	(1,542)	11,528
	2021	343,327	(205,313)	(15,563)	27,454
Consumer	2022	330,762	(120,930)	-	-
	2021	7,002	(24,227)	-	-
Sub-totals	2022	22,351,809	(9,191,234)	(25,864)	98,361
	2021	7,858,121	(4,723,883)	(54,756)	27,454
Corporate	2022	13,271,350	(4,737,005)	(26,889)	50,087
	2021	944,636	(116,129)	(3,485)	247
Totals	2022	35,623,159	(13,928,239)	(52,753)	148,448
	2021	8,802,757	(4,840,012)	(58,241)	27,701

Note: The prior period comparatives for assets and liabilities are as at 30 June 2021.

29. SEGMENT INFORMATION (CONT.)

(c) Geographic segments

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

- *Australia* is the home country of the parent entity, Cronos Australia Limited, and the location of the Group's medicinal cannabis and clinics operations.
- *Asia* is 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	27,377,547	-	27,377,547	7,805,025
	2021	7,348,408	47,692	7,396,100	1,314,757
Asia	2022	323	-	323	(19,615)
	2021	-	-	-	-
Sub-totals	2022	27,377,870	-	27,377,870	7,785,410
	2021	7,348,408	47,692	7,396,100	1,314,757
Corporate	2022	-	3,269	3,269	(4,407,905)
	2021	-	31,600	31,600	(1,040,814)
Totals	2022	27,377,870	3,269	27,381,139	3,377,505
	2021	7,348,408	79,292	7,427,700	273,943

Segment		Assets (note) \$	Liabilities (note) \$	Depreciation \$	Purchases of equipment \$
Australia	2022	22,147,979	(9,086,293)	(25,864)	98,361
	2021	7,858,121	(4,723,883)	(54,756)	27,454
Asia	2022	203,830	(104,941)	-	-
	2021	-	-	-	-
Sub-totals	2022	22,351,809	(9,191,234)	(25,864)	98,361
	2021	7,858,121	(4,723,883)	(54,756)	27,454
Corporate	2022	13,271,350	(4,737,005)	(26,889)	50,087
	2021	944,636	(116,129)	(3,485)	247
Totals	2022	35,623,159	(13,928,239)	(52,753)	148,448
	2021	8,802,757	(4,840,012)	(58,241)	27,701

Note: The prior period comparatives for assets and liabilities are as at 30 June 2021.

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 31 December 2021 only.

29. SEGMENT INFORMATION (CONT.)

(d) Additional segment disclosures

Other income - corporate includes interest received of \$3,269 (2021: \$279).

Assets - corporate includes cash and cash equivalents of \$12,943,868 (2021: \$2,079,307).

There were no intersegment sales.

(e) Segment accounting policies

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

(f) Major customers

As at 31 December 2021, the Group has two customers to which it provides products and from whom the Group generated revenues representing more than 10% of the total consolidated revenue from operations.

30. SUBSEQUENT EVENTS

- On 1 February 2022, the Group executed a lease over additional premises in Melbourne that will be used to warehouse and distribute medicinal cannabis products to further expand the Group's national sales and distribution footprint.

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

Directors' Declaration

In the opinion of the Directors of Cronos Australia Limited:

1. the Financial Statements and accompanying notes, as set out on pages 12 to 27, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



SHANE F. TANNER
Chairman



RODNEY D. COCKS CSM
Director

Melbourne, 25 February 2022

Auditor's Review Report



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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CRONOS AUSTRALIA LIMITED

REPORT ON THE HALF YEAR FINANCIAL REPORT

We have reviewed the accompanying half year financial report of Cronos Australia Limited ("the Company" and its subsidiaries ("the Group")), which comprises the consolidated condensed balance sheet as at 31 December 2021 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration.

DIRECTORS' RESPONSIBILITY FOR THE HALF YEAR FINANCIAL REPORT

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group financial position as at 31 December 2021 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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INDEPENDENCE

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. 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 provided to the directors as at the date of this auditor's review report

CONCLUSION

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PILOT PARTNERS
Chartered Accountants

CHRIS KING
Partner

Signed on 25 February 2022

Level 10
1 Eagle Street
Brisbane Qld 4000

Corporate Directory

DIRECTORS

Shane F. Tanner (*Non-Executive Chairman*)
Rodney D. Cocks CSM (*Executive Director and Chief Executive Officer*)
Guy R. Headley (*Executive Director*)
Dr. Benjamin D.N. Jansen (*Executive Director*)
Kurt T. Schmidt (*Non-Executive Director*)
Dr. Marcia A.M. Walker (*Non-Executive Director*)

COMPANY SECRETARY

Thomas G. Howitt

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