



GREENFERN INDUSTRIES LIMITED

(Listed on the NZX: GFI)

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Managing Directors Address – GFI Annual Shareholders Meeting 2023

Greenfern Industries Ltd. (NZX:GFI)
Annual Shareholder Meeting
3pm, 29th October 2023

Managing Directors Commentary

Welcome:

Presentation

Slide 10 – GFI Aims to be a Globally Recognised NZ Medicinal Cannabis Brand
GFI was founded in 2018 and was one of the first movers in the medicinal cannabis space here in New Zealand. As the actual medicinal cannabis scheme had not been written into law at this point in time a number of assumptions strategies were evolved based on a best industry forward thinking scenario.

Fast forward five years and we are now at a transitional point in time where a regulation has been established here in NZ and the workings of the regulation have been lobbied by industry for change and relaxation of the rules and standards to be more user friendly and in line with international rules and regulations. We are now at a point in time where many companies have cut their cloth to suit both the domestic and international regulations and markets and are only just beginning to recognise clear pathways to success.

We at Greenfern have always been an out of the box thinking company and endeavour to deliver our business undertakings with sustainability at the core of everything we do. This is exemplified by the use of our very own hydro power station that can provide power to our operations facility in Normanby Taranaki, and our Bcorp and Toitu net carbon zero certifications.

Having these solid foundations of unequivocal dedication to sustainable and ethical business will set us in good stead and separate us from our peers in the years to come.

Slide 11 – Greenfern’s Operational Priorities

As the industry here in New Zealand and ourselves, as a company have matured over the last 12 months, we are beginning to find our niche areas for future growth and revenue expansion. With this come corporate and business responsibility to make sure we make the right decisions at the right moments in order to strategically grow the Greenfern entity.

New Zealand cultivation has always been at the core of what we set out to achieve as we stand on the shoulders of giants, of those who have paved the way in excellence of what is New Zealand’s agricultural prowess. New Zealand is recognised globally in other primary products such as kiwi fruit, wines, avocados and apples for example. Medicinal cannabis should be no exception to New Zealand’s proud story in the years to come. Much like the establishment of kiwi fruit and grape varietal vines that can take up to 5 or more years to bear fruit, the cannabis industry in NZ is not dissimilar and we believe we are right on the precipice of recognition globally in this space.

To dig down a little deeper on this and in order to be successful you have to find the right genetics to suit market demand, you have to research and stabilise these genetics over a number of cultivation, drying and curing cycles. These genetics in each batch need to be tested for multiple profiles in order to meet a particular clients and also regulatory needs and requirements. Once you find a reliable and desirable genetic then an appropriate market for this genetic needs to be sourced, business relationships developed, and contractual obligations set out. Supply chains and logistic partnerships, import and export partners in each jurisdiction found and terms and conditions agreed upon. Supply, distribution, and prescriber networks are formed in order to move products and acquire patients. This all takes a vast amount of time and energy that many outside of the industry may not appreciate.

With medicinal cannabis flower being a medicine, it is important to be able to stabilise these to such a point that each and every subsequent batch is essentially identical to the last. It is intended to be a medicine in this final dose form so must meet a patient’s needs for their particular ailment. Attaining this uniformity cycle after cycle is really only attainable in an indoor, fully controlled environment. This is virtually impossible to do in an outdoor setting or a greenhouse setting that is reliant on the sun alone for light. At Greenfern HQ we control the temperature, the relative humidity, the light cycle times and intensity, the temperature at particular life stages of the plant and at both day and night, the nutrients and nutrient uptake of the plant amongst other

mediums. All of this is required in order to maintain homeostasis of the plant itself and in turn producing a consistent and reliable medicinal flower.

Understandably all of this requires a large power input therefore I cannot stress enough that having our own source of power exemplifies our advantage here. To date there have been only a small number of commercial exports of medicinal cannabis flower out of New Zealand with a number of these being facilitated by our export partner Ampyl Sciences. I just want to make the point of having the correct partners, that recognise and align with our values, goals, and desired outcomes at each stage of the supply chain is critically important to our business's success.

With our brand-new cultivation facility in Normanby Taranaki, partnerships and agreements are in place, supply chains sorted, strategic partners at the ready, and Greenfern is now poised to capitalise on the hard work that has already been done and we look forward to bringing these successes and yourselves along in this next stage of the journey with us. We currently have two new cultivation rooms in flower with the first commercial harvest to take place in the coming week. This is both daunting and exciting and we are expecting to produce somewhere in the vicinity of 40-50kg of dried cannabis flower ready for sale into the international markets once all testing and regulatory requirements have been satisfied.

The next stage of this journey is to look into the feasibility of implementing GMP (Good Manufacturing Practice) to our cultivation facility. In cultivation of medicinal cannabis this process commences at the drying and packaging stages of the process. This would mean implementing quality measures for both production and quality control along with general measures to ensure that the processes necessary for drying and packaging of our products are clearly defined, validated, reviewed and documented and that the correct personnel, premises and materials are used meet a pharmaceutical standard. There of course is a cost to this but in a layman's terms, the outcome would mean a premium price for our medicinal cannabis flower in the domestic and international markets.

As I have said previously, we have not wanted to put the cart in front of the horse and are being measured and strategic in our incremental growth steps. The markets will dictate our future strategic directions.

Market Expansion

The New Zealand domestic market is an area which we strive to have a market presence in. While the regulatory environment has been slow and tardy it is now maturing and changing and is one that we will look to enter in the next 6-12 months with our medicinal cannabis flower.

We set out nearly two years ago through our Australian partners at Cannvalate to get a foothold in the larger Australian medicinal cannabis prescriber market. To date this has seen us generate revenues as we grow in this area. We continue to develop new partnerships as the industry evolves and hope to have new partners and supply chains in this sector in the next 12 months. The Australian medicinal cannabis prescriber market produced revenues of 41.6 million in the second quarter of 2023 alone which shows its market size currently. Greenfern wishes to maintain and grow its admittedly very small share of this with our trans-Tasman partners.

We are in discussions with a number of new offtake partners to complement our existing ones and we will update the markets accordingly as these new partnerships develop. As we have always said, 'Once we are growing the medicinal crop to the required standards, the buyers will be there'. To date the demand for premium cannabis flower continues to grow globally and we are ready to move.

Environmental and Corporate Responsibility

We remain the only certified net carbon zero cannabis company in New Zealand and maintain our Bcorp certification. This reiterates our mandate to be the most ethical and sustainably minded medicinal cannabis company in the Country. We believe this, along with exemplary governance will sit us in a prime position to partner with top international and domestic companies who demand success.

Slide 12 - From Humble Beginnings, We have come a long way

Review of our succession timeline

Slide 13 – Key Revenue Channel Medicinal Cannabis

We continue to remain licensed by the Ministry of Health as we move to execute on our commercial offtake agreement that is currently in place. We have a stabilised genetic that is desirable to our buyer for distribution into the German market which is one of the largest medicinal cannabis markets in the world. Moving into our new cultivation facility opens up space in our pilot facility to enable further and ongoing research into plant genetics and various growing techniques in order to keep pace with the ever-evolving industry.

We have a number of unique genetics in house that we will now be able to undertake intensive research on in order to see if they are suitable to future markets.

We are in ongoing discussions with several medicinal cannabis buyers and manufacturers in established and emerging markets and are on the verge of executing on one or more of these agreements. It is important to maintain these

discussions in order to make sure that we always demand the best and most stable prices for our premium grown medicinal flower in what is an ever-evolving industry.

The hard work has been done over the previous years as we now move to the next phase where we begin to bear the fruits of said hard work. It really begins now.

Slide 14 – GFI Pharma

Recognising early on that the prescriber market in Australia was a more advanced, mature, and larger than New Zealand and acting on this was pivotal for Greenfern to recognise real revenue. We made advancements through our partnership with Cannvalate Pty Ltd, in Australia who were early movers in prescriber/distribution space, and we connected with them in late 2021. To date we have acquired nearly 2000 patients to our brand of contract manufactured GMP oils and have a return patient rate month on month of 39%. This is one area that we believe has great growth potential in the future. We are hoping to introduce our cannabis flower into this space in the near future either via partners in a white label scenario or under our own label and are investigating the most optimal channels to facilitate this. Having cannabis flower medicines, which make up a large percentage of the prescription products currently sought after by Australian patients will complement our already available oils medicines available on prescription. The repackaging of our flower in Australia under GMP should give us the opportunity to then bring it back into the NZ and Global markets at a premium price.

Slide 15 – Electricity Generation

A great point of difference in our business model of growing premium grade, finished dose form medicinal cannabis in a wholly indoor environment has been having our own source of electricity via our on-site hydropower station. As mentioned earlier, we believe that the very high standards from a regulatory testing perspective can only be achieved using a controlled indoor cultivation environment. However, there is a high cost of powering such a facility.

Because of this differentiator we are able to grow and operate using our own electricity, when its available, which will allow for better margins on cultivated products and also allow cost savings to the end user being the patient.

We have been in close talks with our partners at Vortex Group whom we have a Heads of Agreement contract in place to upgrade the current station. While these have gone on far longer than we anticipated, with some factors outside of our control, we are confident that we can still finalise a construction contract,

based on the Heads of Agreement terms. This is quite a complex undertaking and we need to make sure we have it completely right and on terms that GFI's board are 100% comfortable with.

There are many benefits to undertaking this upgrade with the most obvious one being the luxury of having larger amounts of surplus electricity to not only power our future and expanding operations but to also allow for further excess amounts to be sold back to the national grid as revenue. Upon completion of the upgrade, we will be in a much stronger position to negotiate more favourable offtake terms with energy retailers in what is an ever growing and more demanding market from a clean energy perspective. We currently operate in and around the spot markets rather than a fixed priced model as this will allow the flexibility when undertaking an upgrade. However once settled we will look to engage in longer term more stable agreements for excess energy sales.

In the meantime, we continue to operate the existing plant as often as we are able. Poor spot electricity prices earlier reduced the revenue received, compounded by a dryer than expected winter in Taranaki. We have also recently experienced some reliability issues with the aging equipment, but we have almost completed repairs and testing and hope to be back using all the water available to us for generation in the next few weeks.

Slide 16 - Financial Overview

In this year's Annual report for the period ended 31 March 2023 the company exhibited favourable financial progress, reporting a substantial revenue increase to \$551 thousand. This was a 240% increase over the previous year. This growth stems from the implementation of our successful strategic plan, putting emphasis on operational efficiency, along with investment into product development. This places us ahead of many industry peers in terms of revenue generation in what is still considered a sunrise industry.

Anticipated growth plans continue in the next fiscal year as we expand our medicinal cannabis flower products into international markets. As the business stabilises, matures, and begins to recognise revenues from its New Zealand grown medicinal cannabis products we expect this trend to continue into the future. We have spent a substantial amount on capital expenditure in building and fitting out our new cultivation, drying and packaging facility and we now look to leverage this spend, utilising our offtake contract along with our research and development IP that we already have dialled in over the previous years. Moving to a consistent revenue model as we harvest and sell successive crop rotations will then allow us to maintain a production type business structure, seeking to meet consumer needs while management can then focus on growth

and new markets to enable further future growth and stability of the GFI business.

Summary

While it has been a substantially slower process than we would have liked or envisaged to get to this point in time we really feel as a company that we are now at the start line with a clear path forward to profitability. While our stocks may be down, along with many others including the NZX 50 that has been on the decline since early 2021 we have managed to weather the storm through some particularly trying financial and economic times, not just in New Zealand but globally. While we see small share trades daily effecting our share price and market cap it is somewhat understandable that a shareholder may require cash in their own pockets during these times. And we can understand that. While this can be frustrating as there have been a lot of opportunities lost and many others put on hold due to our market cap size, we have persevered as best we can to get this this transitional point now. Hopefully once we are harvesting and selling ongoing crop rotations from the completed stage 2 facility this will turn around.

This is still a new and exciting industry with new and ever evolving laws, regulations, and opportunities both locally and abroad and we plan to maintain focus on our clear tasks at hand and continue to implement strategic steps to success. The opportunities present themselves almost daily, so it is a matter of maintaining stability and being able to plan and execute on the correct opportunities at such time they come to light. Timing is everything.

ENDS

For further information, please contact:

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