



GREENFERN INDUSTRIES LIMITED

(Listed on the NZX: GFI)

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## Greenfern Industries Limited (NZX: GFI) Directors Report

The Directors are pleased to present the company's results for the six months ended 30 September 2024.

### Financial Results Summary

Greenfern Industries Limited ("GFI") reports revenue of \$244,438 during the six-month period, which doubled (105%) the prior 6-month period ended 30 September 2023. GFI has begun to focus firmly on medicinal cannabis flower production, which has started to generate revenue in the last 6 months. This has been a long-term process as the New Zealand regulations have been slower and more difficult to navigate than was expected and operational results have been mixed.

In the six months to 30 September 2024 GFI produced a net loss attributable to shareholders of \$0.65 million. This compares with a similar net loss attributable to shareholders for the previous period. The majority of expenses were identified as employee salaries, provision for bad debts in relation to Sustainable Foods and Cannvalate, insurance, depreciation and NZX compliance costs including Board and audit fees. No dividends have been declared or paid for the six months ended 30 September 2024.

The net assets as at 30 September 2024 were NZ\$1.38 million, cash and cash equivalents were NZ\$0.024 million, and the property, plant and equipment were NZ\$2.68 million.

The company remains in a growth stage and will be reliant on continued capital raising to meet its obligations and deliver its business plans.

Since 30 September 2024 the Company has undertaken a wholesale placement, offering 9,000,000 ordinary shares, together with 4,500,000 options to subscribe for an additional ordinary share at \$0.022 at any time in the following 12 months in an attempt to raise \$200,000. To date the offering has raised \$95,000 which has included ongoing support from directors and their associates. All existing shareholders and other investors, that qualify as wholesale investors, are welcome to participate on the same terms.

The company is proposing to undertake a rights issue to all shareholders in December to raise at least \$500,000. As a growth company which is investing in our operations in order to create and extend product lines, shareholder support for the offer will be required for the company to reach its goals and remain a going concern. This is no different to any other company balancing its costs while trying to break ground in this new space.

The company will continue to draw on and build on our sales contracts, future sales funnels, relationships and networks of interested parties but until then we will be relying on raising capital through the support of our shareholders.

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## Principal activities

GFI is an entrepreneurial-led licensed medicinal cannabis, research and biotechnology company, operating out of the purpose-built production facilities in Normanby, South Taranaki. It is powered by the GFI owned onsite hydropower station when river levels permit.

FY2025 will see continued focus on medicinal cannabis, research, development and production for export. Another major focus for 2025 will be the development of a market ready soluble hemp protein powder (Shared GFI/Hemp Connect IP).

## Review of operations and outlook

### 1. Cultivation

- New management was appointed late August 2024, a CEO with six years-experience in the cannabis industry and a trained horticulturist.
- After 12 months of operating the full-scale cultivation facility we had experienced mixed success. The incoming management have now conducted a full review of cultivation processes, genetics and a full analysis of results to date. This identifying the need to refine both our genetics and cultivation procedures. Cultivation was halted, a reset programme developed, and implementation of that programme begun.
- The cultivation reset will identify from 12 selected cultivars the most stable to produce for the European market (>25%THC), for the two-tier Australian market (20-25% and >25%THC) and for the purely medicinal market (high CBD:THC ratio and specific terpene profiles.). The selected genetics will be cultivated under strict cultivation processes to achieve maximum yield per grow room.
- Recent changes to the Medicinal Cannabis Regulations has removed barriers, which have worked against the industry for the past 5 years. The requirement is now to meet regulatory requirements of the country receiving the exports and not the more onerous and restrictive NZ standards. This means a reduction in compliance costs and the long regulatory delays and has significantly opened the international export market
- Offtake agreements with European and Australian markets are under negotiation.
- To date 6 harvests have been completed and sold to the European and domestic markets, and Greenfern forecasts production of 50kg from the facility every 12 weeks, starting from early February 2025.
- GFI will also continue with its research and development in its existing test facility to stay up to date with evolving markets and consumer demands.

### 2. Soluble Hemp Protein Isolate

- GFI has finalised more than two years joint research with Hemp Connect Ltd and Callaghan Innovation as part of BPA (Bio Resource Processing Alliance) funding
- This has resulted in the development of a water-soluble Hemp Protein Isolate. This is a highly sought after single ingredient in the protein market, functional foods and other high commodity markets offering a full amino acid profile and neutral flavour which makes it highly versatile and unique. Further steps are needed to confirm manufacturing processes for commercial scalability, IP protection and market launch.
- It is potentially a world first in this space and therefore has significant upside for the company if scalability trials are successful
- Already there is significant interest in this products potential.

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### 3. Electricity generation

- GFI continues to look at options for development, upgrade and review of river level consents for their hydropower generation plant at Normanby, Taranaki.
- The power station generates renewable power to run GFI's onsite cannabis cultivation facility enabling cost benefits that provide a meaningful margin advantage relative to GFI's peer group. However it is subject to river consent level restrictions and therefore-dependent on the weather.
- Excess power is sold back to the national grid for additional revenue.
- A development opportunity is expected to increase generation capacity from 250Kw to ~950Kw and increase asset book value to approximately \$3.5m, however this will require separate dedicated funding.

Despite continued uncertainty in the global economy and the other setbacks experienced, we remain optimistic about the future of GFI and we continue to explore wider industry opportunities. We will maintain focused on improving the efficiency of our cultivation operations, the development of the soluble hemp protein isolate, and expanding our market presence to achieve our long-term growth objectives.

On behalf of the board of directors

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