



GREENFERN INDUSTRIES  
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## Directors' Report

To the Shareholders of Greenfern Industries Ltd. NZ,

I am pleased to present the Director's Report for the financial year ending 31<sup>st</sup> March 2024. This report provides an overview of our company's performance, highlights our achievements, and outlines our strategic direction moving forward. We have worked through some transitional growth and development changes in the last year in what is still an industry considered to be in its infancy here in New Zealand and more so globally. Unlike many others we have managed to surpass the required minimum quality testing standards by navigating the arduous and technical regulations that form the medicinal cannabis scheme here in New Zealand. This has seen us, for the first time, export medicinal cannabis material offshore to the European Union, which is currently one of the largest markets globally, so for this fact alone we are proud of this achievement and will look to build on this.

### **Financial Performance:**

Despite the ongoing uncertainty in the global economic landscape, I am pleased to report that Greenfern Industries NZ has maintained its resilience and achieved progress in a number of areas during the period.

Our financial performance remained in line for an industry startup and generally in line with our original expectations. We have seen revenue growth commencing in our core cultivation business. We have sold a number of harvest batches post reporting date and continue to see solid demand for our premium, wholly indoor grown medicinal cannabis flower into the coming financial year and beyond.

In contrast our Australian partnership with Cannvalate has continued to wind down to the point that continued revenue from this relationship is unlikely. While our agreement with Cannvalate remains in place, they have continued to pivot in business model from a prescriber, doctor, and patient acquisition business to a Contract Research Organisation (CRO) in the medicinal cannabis and psychedelic research space, In addition the Australian company that manufactured our GFI Pharma branded medicines entered into administration prior to Christmas 2023. While we have been working to explore and secure alternative relationships within the Australian market, this has not yet been successful and has meant we have had to reign back and re-evaluate our position and focus in this area. However, Australia and the Australian market remain a key focus for growth of our business moving forward.

Accordingly, GFI's financial results in the past year declined, with a revenue of \$0.3M, representing a decrease of 40% over the previous year. Our net loss after tax was \$1.5 million, a 23% decrease compared to last year's net loss of \$2 million which was an improvement and heading towards our breakeven goal in FY25 and profitability in FY26.

Generally prudent financial management and strategic decision making have not only sustained our operations in a difficult economic environment but also strengthened our future position. As we continue to successfully cultivate, harvest and sell medicinal cannabis harvests from our new facility to both local and international markets, we expect consistent growth and increased revenues in the next financial year as our business model normalises.

### **Operational Highlights:**

Throughout the year, we have focused on enhancing operational efficiency, optimising resource utilisation, and fostering innovation across our cultivation business which our main focus moving forward.

### **Key operational highlights include:**

**Expansion of Production Facilities:** We successfully expanded our production facilities from our initial and small research facility to our new Stage 2, Control Union certified Good Agricultural and Collection Practices (GACP) multi room cultivation, drying and packaging facility. While we still consider this a stepping stone and a commercial proof of concept build, we are able to turn out 10-11 harvests per year with a forecast annual output of 350-450kg per annum. These metrics are dependent on which type of genetic is cultivated, of which we have numerous in house and are constantly running rigorous research to ensure we get the best from each genetic. Already we have improved efficiencies between our first and fifth crop cycles since our maiden harvest in October 2023. We are currently harvesting a room every 35-40 days to meet growing demand for our products. This expansion has enabled us to increase our output capacity. At the time of this writing, we have sold our first 3 harvests via our preferred partner Amply Sciences and have the fourth packaged and awaiting testing results with the fifth dried and in the curing phase along with two crops mid and early cycle.

**Product Development and Innovation:** Our commitment to innovation has led to the sourcing and development of new, high-quality genetics that cater to evolving consumer preferences and needs. We have invested in research and development to stay ahead of market trends and deliver innovative solutions to our customers.

**Research:** In the past financial year, we have completed a two-year stability study for our Hemp seed oil/Cannabidiol (CBD) and manuka honey formulation trials with documented success and more recently have completed over two years of Bio Resource Processing Alliance (BPA) research grant studies with our partner and leading Hemp company Hemp Connect. We have achieved a near market ready and world first, water soluble high protein isolate derived from Hemp byproduct. We have worked closely with Callaghan Innovation through the BPA over the last two and half years to achieve this and we are now ready to scale production in a

commercial setting before approaching the market. We will look to continue our research with other fractions of the byproducts of hemp processing over the next year or two.

**Strengthening Partnerships:** We have forged strategic partnerships with key stakeholders, including suppliers, distributors, and industry experts, to enhance our market presence and drive sustainable growth. These partnerships have enabled us to access new markets such as Europe and grow our customer base.

**Sustainability Initiatives:** As part of our corporate responsibility efforts, we have implemented various sustainability initiatives aimed at reducing our environmental footprint and promoting eco-friendly practices. We remain committed to operating in an environmentally responsible manner and contributing to the well-being of the communities in which we operate. We remain Toitū net zero carbon certified and a Bcorp certified business. We operate our cultivation facility with the use of our own hydro power station when resource consent for river levels allows and also investing in research to create high value-added products from hemp processing byproducts.

#### **Outlook and Future Directions:**

Looking ahead, we are optimistic about the future prospects of Greenfern Industries. Despite the ongoing challenges posed by the external environment, we remain confident in our ability to navigate through uncertainties and capitalise on emerging opportunities that present themselves often.

#### **Our strategic priorities for the upcoming year include:**

**Market Expansion:** We will continue to focus on expanding our market presence both domestically and internationally with the European Union and Australia being key to this strategy. Through strategic partnerships, we aim to penetrate new markets and increase our market share.

**Innovation and Product Development:** Innovation remains at the core of our business strategy. We will continue to invest in research and development to create innovative products that address the evolving needs of our customers and differentiate us from competitors.

**Operational Excellence:** We are committed to enhancing operational efficiency and productivity across all aspects of our business. By streamlining processes and optimising resource allocation, we aim to drive cost savings and improve overall profitability. As we achieve this, we will look to expand our cultivation footprint at our current facility site while undertaking feasibility initiatives for exploring future expansions nearby.

**Sustainability and Corporate Responsibility:** Our commitment to sustainability and corporate responsibility will remain unwavering. We have continued to implement sustainability initiatives aimed at reducing our environmental impact, promoting social responsibility, and creating long-term value for our stakeholders. We remain involved with our local hapu and iwi in our decision making and bring them along on the growth journey of our facility in Normanby Taranaki.

**In conclusion,** I would like to express my gratitude to our shareholders, employees, customers, and partners for their unwavering support and dedication. Together, we have achieved significant milestones in what is considered a complex industry, and I am confident that with our collective efforts, we will continue to thrive in the years to come. The relaxation of the Medicinal cannabis schemes regulations is set for review by the coalition ministers in the coming months and these regulation changes will only make it easier for Greenfern to compete and operate on the world stage and will be a welcome change.

I truly believe that 2024 will be a transitional year for both us and the industry as we mature and grow with the global demands and emerging markets.

Yours sincerely,

Dan Casey,  
Managing Director  
Greenfern Industries Limited

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