



GREENFERN INDUSTRIES LIMITED

(Listed on the NZX: GFI)

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## **GREENFERN INDUSTRIES LIMITED DIRECTORS REPORT**

The Directors are pleased to present a solid result for the six months ended 30 September 2022.

### **Financial Results Summary**

Greenfern Industries Limited (“GFI”) achieved revenue growth during the six-month period, which was 789% higher than the prior 6-month period ended 30 September 2021. This is due to the fact that the company has begun to generate income from the sale of GFI Pharma medicine products in Australia, where sales have been observed to climb continuously month on month.

GFI reports a net loss attributable to shareholders of \$0.85 million for this period. This compares with a net loss attributable to shareholders of \$0.82 million for the previous period. The majority of expenses were identified as employee salaries, director fees, and R&D expenses. The Company is in the start-up stage and is expanding, and the losses are in line with the forecast performance for this phase. No dividends have been declared or paid for the six months ended 30 September 2022.

The net assets as at 30 September 2022 were NZ\$2.63 million, cash and cash equivalents were NZ\$0.31 million, and the property, plant and equipment were NZ\$1.99 million.

The result was in line with the board’s expectations. The company has recently raised capital to support its expansion with a wholesale offer and a rights offer. Together these have raised \$1.47 million, and the company will need to continue to raise capital to complete establishing its business.

### **Principal activities**

GFI is an entrepreneurial-led licensed medicinal cannabis, research and biotechnology company with operations in the medicinal cannabis sector and the industrial hemp and hemp food space. The Company has successfully moved into the patient acquisition and prescriber space in Australia. The project of writing clinical trial protocols in pursuit of the over-the-counter, low-dose Cannabidiol (CBD) registered medicines in Australia through the Therapeutic Goods Association has entered the final stage.

The company owns and runs a hydropower station, which generates renewable hydropower while consent conditions allow, for the Company's onsite cannabis cultivation facility. This enables significant cost benefits that provide a meaningful margin advantage relative to GFI’s peer group. Excess power is sold back to the national grid for additional revenue. The Company plans to update the generation facilities to increase its power generation capacity.

Strong partnerships are being formed in all areas of the business, and the FY2023 will see continued

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focus and growth on medicinal cannabis, research and development.

Timeline of achievements in FY2023 to date

- Jun 2022 – GFI receives globally-recognised GACP (Good Agriculture and Collection Practice) certification
- Jun 2022 – Binding offtake agreement secured for the overseas supply of GFI medicinal cannabis flower
- Aug 2022 – GFI has entered a non-binding term sheet to acquire a licence to distribute Syndros, one of only Four Food and Drug Administration (FDA) approved cannabinoid medicines
- Sep 2022 – GFI, Hemp Connect and Callaghan Innovation jointly awarded a further Bioresource Processing Alliance (BPA) grant
- Sep 2022 – GFI has been awarded a License to Export Controlled Drugs by Medsafe
- Oct 2022 – GFI medicinal cannabis flower achieves NZ minimum quality standards testing requirements

## **Review of operations and outlook**

### **1. Cannabis therapeutics and Biotechnology**

The operations of this segment reflect the manufacturing and distribution of medicinal cannabis products.

#### **1.1. GMP medicine prescriptions**

GFI's successful move into the patient acquisition and prescriber space in Australia through partner Cannvalate has yielded strong growth (38% new patient growth MoM, 30% returning). The revenue is increasing at 32% monthly, which aligns with strong medicinal cannabis patient uptake and demand in Australia.

GFI sees the larger and more advanced Australian market to be a key growth driver and is working towards securing further licensing agreements for Australia.

#### **1.2. Clinical trial pathway**

The writing of clinical trial protocols to pursue Over Counter (OTC) low-dose CBD registered medicines in Australia through the Therapeutic Goods Administration (TGA) Are nearly complete. GFI has entered a non-binding term sheet to investigate securing licensing rights for a product manufactured by a market-leading American-based manufacturer of small molecule active pharmaceutical ingredients. GFI is increasing their presence in the biotechnology and clinical research space, aided by a new partnership linking GFI with a world-class pharmaceutical cannabinoid manufacturer.

This market is estimated to be worth up to \$250 million at market maturity and could capture up to 2 million consumers. GFI will look to boost its revenue streams by developing of Investigational Medicinal Products (IMP).

#### **1.3. Medicinal cannabis cultivation**

GFI renewed its commercial cannabis licence in December 2021 and continues its research and

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development in its stage one pilot facility. GFI has entered into a binding offtake agreement for medicinal cannabis distribution for one of its current in-house cultivars. GFI will continue to research and stabilise desired genetics for the overseas market. GFI has raised funds for the commerce for its construction of the stage 2 facility and will undertake further fundraising to continue expansion as demand and orders require.

## **2. Electricity generation**

This segment includes the generation of electricity.

Revenue from electricity generation has been lower than forecast for the half year, mainly due to lower than anticipated spot electricity prices. GFI will look at alternative pricing options going forward, such as fixed-price contracts. This should enable GFI to reduce volatility in this revenue stream.

GFI has entered into an exclusive Heads of Agreement with Rotorua-based Vortex Group to upgrade the renewable energy hydropower generation plant at Normanby. Completion of a final contract for this upgrade has taken longer than anticipated, mostly due to factors outside the parties' control. It is now expected to be finalised by the end of Q1 2023, with completion of the upgrade work that was originally scheduled for summer 22/23 now taking place in summer 23/24. When completed, the upgrade is expected to increase the power generation capacity from 250Kw to approximately 850Kw. This will continue to provide the onsite cannabis cultivation facility with significant cost benefits.

In summary, we continue to seek growth opportunities for GFI and expect the remainder of the financial year to maintain the same trajectory of similar profit and continued growth.

On behalf of the Board of Directors

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