



GREENFERN INDUSTRIES LIMITED

(Listed on the NZX: GFI)

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Directors' Report

BACKGROUND

The Directors are pleased to present the unaudited results for the year ended 31 March 2022. These unaudited results are in line with expectations. Despite having been listed just five months, Greenfern Industries Limited ("GFI") is happy with the progress it has made as a listed public company in this time. Impacted by Covid 19 and ongoing lockdowns in Q4 of 2021 Greenfern was still able to ring the opening bell at NZX HQ in Auckland on the 21st of October 2021.

Strong partnerships are being formed in all areas of the business and FY 2022 will see continued focus and growth on both the medicinal cannabis, biotechnology, hemp and hemp food, hydro power generation and research and development

Unaudited Financial Results Summary

The financial statements of GFI are still in the process of being audited for the year ending 31 March 2022, and the company is not aware of any likely qualification. The Company's dividend policy is not to pay dividends, and the company is accordingly not proposing to pay any dividends for the period ended 31 March 2022. GFI reports an unaudited net loss attributable to shareholders of \$1.95 million for the year. This compares with a net loss attributable to shareholders of \$1.26 million for the previous year. The majority of expenses identified as Administration Expenses in the unaudited

2022 financial statements were salaries, direct listing fees and advisory fees, which were approximate \$0.48 million, \$0.41 million and \$0.39 million respectively.

The unaudited net tangible assets per quoted equity security as at 31 March 2022 was \$0.04241461. The comparative figure for the prior period as at 31 March 2021 was \$0.26476901.

For the year ended 31 March 2022, the unaudited net assets were NZ\$3.63 million, unaudited cash and cash equivalents were NZ\$0.85 million, and the unaudited property, plant and equipment were NZ\$2 million. The unaudited total revenue for the year was NZ\$0.34 million. The market capitalisation was NZ\$13.73 million as at 31/03/2021.

The unaudited result was in line with the board's expectations for the year-end and sees GFI further continue to roll-out its strategy to deliver revenue through three segmentations. GFI Chief Financial Officer (CFO) Hao Long said, "The compliance listing in October 2021 was a significant milestone for the company and has provided the platform to continue our future expansion."

Please also refer to the attached unaudited draft financial statements and Annual Results Announcement for the detailed results.

Timeline of achievements in FY21 to date

- May 2021 – First Toitu carbon netzero certified cannabis organisation in NZ
- June 2021 – Bio resource processing alliance (BPA) grant to develop hemp seed by-products into more value-added products with partner Hemp Connect Ltd
- September 2021 – Master Services Agreement signed with Australian company Cannvalate Pty Ltd
- October 2021 Compliance listing on the NZX main board

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- November 2021 – Commencement of distributing of GFI Pharma branded GMP medicines in Australia
 - December 2021 – Greenfern enter into a heads of agreement contract with Vortex limited to upgrade hydro power station
 - March 2022 – Greenfern commences the writing of clinical trial protocols in pursuit of the Australian over-the-counter low dose CBD market worth 250 million
 - March 2022 – Greenfern becomes New Zealand's first certified medicinal cannabis B-Corp Company

Outlook

The company operates in a number of business segments in New Zealand and Australia. The company has determined its operating segments into three segments which reflect the different type of industry sectors within which the company operates. The company is considered to be in the corporate segment. Information regarding the operations of each reportable operating segment is included below.

1. Cannabis therapeutics and Biotechnology

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

1.1. GMP medicine prescriptions

Our move and growth into the patient acquisition and prescriber space in Australia has seen the business enjoy a month-on-month new patient growth of 43% with returning patients at a month-on-month rate of 27%. The unaudited revenue is increasing at 43% month on month which aligns with strong medicinal cannabis patient uptake and demand in Australia.

We continue our model of creating robust and long-term partnerships with industry leaders. Cannvalate, are an established prescriber and acquirer of medicinal

cannabis patients in Australia. Greenfern have a firm commitment from Cannvalate to acquire up to 6000 new patients in a 24-month period to the GFI Pharma brand of medicines.

Greenfern are committed to creating shareholder value and see the larger and more advanced Australian market to be a key to this this and for their future growth plans. Greenfern is also striving to bring these same GMP medicines to New Zealand in FY22 and is looking at avenues in which to make this transition as the industry steadily matures in NZ.

1.2. Clinical trial pathway

Greenfern has commenced the writing of clinical trial protocols. In February of 2021 the Australian Therapeutics Goods Administration (TGA) made it legal to purchase products containing low dose (less than 150mg per day) of cannabidiol (CBD) over the counter. This down scheduled the substance from a Schedule 4 (prescription medicine) to a Schedule 3 (S3), pharmacist only medicine, meaning people with certain ailments could now go to the pharmacist and purchase CBD. However, S3 products must first be approved by the TGA and be included on the Australian Register of Therapeutic Goods (ARTG) before they can be supplied. This has created a sizable challenge for organisations pursuing S3 registration as applications must be supported by data demonstrating the quality, safety, and efficacy of the medicine.

This market is estimated to be worth up to \$250 million at market maturity and could capture up to 2 million consumers.

Greenfern will look to increase their presence in the biotechnology and clinical research space in FY22 and 23.

1.3. Medicinal cannabis cultivation

Greenfern renewed its commercial cannabis licence in December 2021 and continues with its research and development in its stage one pilot facility. Discussions with

several overseas buyers are well underway while they continue to stabilise desired genetics for the overseas market. Greenfern will look to scale this operation into their already constructed and larger stage 2 facility as demand and orders require. Further funding will be required for this fitout however the cost price power supply that Greenfern enjoys from the onsite hydro power station has been proven that cannabis can be produced at an extremely competitive price. This is projected to be reduced further at larger scale operations.

2. Electricity generation

This segment includes the generation and distribution of electricity.

Greenfern has entered into an exclusive Heads of Agreement with Rotorua-based Vortex Group to negotiate a development agreement that could see the two companies jointly develop a renewable energy hydropower generation plant at Normanby, Taranaki for their mutual benefit. Greenfern purchased the asset in December 2020 for \$750,000 and utilises it for generating renewable power to their onsite cannabis cultivation facility and selling surplus power back to the national grid for additional revenue. The development would see the asset increase generation capacity from the current 250Kw up to ~950Kw and see the asset book value increase to approximately \$3,500,000 of which Greenfern and Vortex would each own a 50% stake.

3. Corporate division

The corporate division comprises the overheads of running the listed parent company. There have been no significant movements in the segment compared to the year ended 31 March 2021.

About Greenfern

Greenfern Industries Limited is an entrepreneurial led licensed medicinal cannabis, research and biotechnology company that also has operations spanning into the industrial hemp and hemp food space. They operate primarily from their medicinal cannabis research facility in Normanby, South Taranaki which is powered by their own onsite hydropower station. They also have operations and revenue generating streams within the Australian medicinal cannabis sector. With an arm in the clinical research space Greenfern is currently writing clinical trial protocols to pursue over the counter low dose CBD registered medicines in Australia through the Therapeutic Goods Association. Having a pillar of commitment to environmental sustainability, Greenfern is both a Toitū carbon net zero certified organisation and B-corp certified.

On behalf of the Board of Directors

Dan Casey
Managing Director
30/05/2022

For Further Information
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