



ASX ANNOUNCEMENT

13 September 2021

Cann takes delivery of Gelpell® manufacturing line as Mildura commissioning ramps-up

- Gelpell manufacturing equipment received from Switzerland
 - will enable production of proprietary formulations targeting both THC medicinal cannabis and low dose CBD market segments
 - triggers deferred payment to Harvest One as part of Satipharm acquisition agreement
 - Extraction suite “clean rooms” complete and handed over by builders
 - Extraction equipment now being installed
 - Quality control and testing lab complete and commissioning commenced
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13 September 2021 – Cann Group Limited (ASX: CAN) (Cann) announced today that it has taken delivery of manufacturing equipment that will enable the company to produce its unique Gelpell capsule at the new Mildura facility. The equipment was shipped from Switzerland and arrived on-site at Mildura for inspection late last month.

The delivery and installation of the Gelpell manufacturing line, together with other equipment and commissioning activity currently underway at Mildura, represents a key milestone in the ramp-up to production at Cann’s new \$117 million state-of-the-art cultivation and manufacturing facility and a subsequent step-change in the economics of the business.

Acceptance of the Gelpell production equipment triggers a deferred payment included as consideration for the Satipharm acquisition, announced in February of this year. Accordingly, Cann has today issued 2,725,863 fully paid ordinary shares to Harvest One Cannabis Inc. (**Harvest One**) at a price of AU\$0.295 per share, representing the AU\$ equivalent of CA\$750,000 for this deferred payment milestone (~AU\$804,000), with the price per share calculated as the VWAP of Cann’s shares during the 30 full trading days on the ASX ending on 7 September 2021. In addition, following finalisation of the FY21 financial accounts for the Satipharm business, 24,083 fully paid ordinary shares at a price of \$0.403 were also issued to Harvest One, representing adjusted earnout payments. The price per share for the earnout payments was calculated based on the 30 day VWAP ending on the date before the end of the Earn Out Period (being 30 June 2021). This now concludes the deferred consideration payments to Harvest One for the Satipharm acquisition.

Cann is now in the process of installing the Gelpell manufacturing equipment into the Mildura facility. Validation and verification batches will then be produced to help meet cGMP inspection requirements and for stability testing.

While Cann will continue to have Satipharm CBD products manufactured under contract in Switzerland to meet European market requirements, formulation activity at Mildura will focus on the production of a combined THC and CBD product for medicinal purposes and a low dose CBD only product in anticipation of Australian registration approval for an over-the-counter pharmacist S3 capsule.

Cann's investment in the Gelpell manufacturing technology and equipment is expected to deliver cost savings of approximately 60% when compared to contract manufacturing costs.

In other important developments at Mildura, the GMP compliant 'clean rooms' have been handed over by the building contractors and pilot-scale super critical CO₂ extraction equipment is now being installed in that part of the facility.

Super critical CO₂ extraction enables cannabinoids to be extracted from dried cannabis flower and the process is considered to be well suited for oral formulations – and results in a consistent product. An in-house extraction capability is expected to deliver cost savings of approximately \$23 million per year (based on 12,500 kgs per annum) when compared with current externally sourced extraction services.

To facilitate the TGA inspection of the extraction facility, Cann is commissioning a pilot-scale extractor. Initial qualification activities have begun and the first validation batches of Cann materials are expected to be undertaken shortly. Large scale super critical CO₂ equipment is scheduled to arrive on site later in the calendar year, to enable commissioning and verification batches to be produced. Larger scale commercial batches are expected to commence early in CY2022. Cann has ensured sufficient cGMP extract is available through this transition phase to meet existing customer requirements.

The Mildura quality control laboratory is now equipped and undergoing validation tests. The laboratory will have the capability for analytical testing of dried flower, crude extract, raw material and finished product testing for Cann materials and can be utilised as a contract analytical laboratory.



GMP laboratory commissioning underway

Cann CEO Peter Crock said "These developments represent key milestones in the ramp-up of production activity at Mildura and have been achieved despite ongoing challenges associated with COVID-19 delays relating to delivery of equipment, on-site restrictions and the availability of specialist contractors. The new Mildura facility aims to deliver scale benefits, substantial cost savings and

improved supply chain security and we anticipate will provide the platform for strong profitable growth of the business.

“We are continuing to monitor and manage the impacts relating to COVID and will provide regular updates on progress at Mildura as we continue to track towards full commissioning of both manufacturing and cultivation activity.”



Construction continuing in cultivation area



Authorised for release by the Board of Directors of Cann Group Limited.

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About Cann Group

Cann Group Limited (ABN 25 603 949 739) is building a world-class business focused on breeding, cultivating, manufacturing and supplying medicinal cannabis for sale and use within Australia and for approved overseas export markets. Cann also owns Satipharm, a Europe-based business exclusively licensed to manufacture, develop and market the proprietary Gelpell delivery system for cannabinoids. Cann has established research and cultivation facilities in Melbourne and is developing a state-of-the-art cultivation and manufacturing facility near Mildura, Victoria. Cann Group has established a leading position in plant genetics, breeding, extraction, analysis and production techniques required to facilitate the supply of medicinal cannabis for a range of diseases and medical conditions. The Company is commercialising a range of imported and locally sourced and manufactured medicinal cannabis products.

Learn more at: www.canngrouplimited.com | www.satipharm.com