CANN GROUP LIMITED

ASX ANNOUNCEMENT

1 October 2021

Shareholder update

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1 October 2021 – Melbourne based Cann Group (**Company**) is pleased to invite shareholders, investors and interested parties to today's investor update webinar and Q&A with CEO Peter Crock and COO Shane Duncan.

The webinar will be held **today**, **Friday 1 October 2021** at **11am** (Melbourne time).

For the Q&A session, investors are invited to send questions prior to the webinar to:
matt@nwrcommunications.com.au

Register for the webinar at the following link:
https://us02web.zoom.us/webinar/register/WN_DdsA9LhWQveOoAzb3CST1w

After registering, you will receive a confirmation email containing information about joining the webinar as well as dial in details for those that would prefer to join by phone. A recording will be available at the above link shortly after the conclusion of the live session.

A copy of the Company's presentation for today's update is attached.

Authorised for release by the Company Secretary, 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**

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*Overseas product - not available in Australia

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Mildura: On schedule; initial commissioning stages underway

February 2021

Building works recommence and analytical lab refit commences

May 2021

Manufacturing and extraction suite construction commences

June 2021

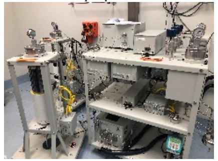
Laboratory commissioning begins

July 2021

Manufacturing and extraction suite construction complete

August 2021

Pilot scale extraction equipment installation complete & ready for planned ODC inspection



Sep / Oct 2021*

Planned TGA inspection of laboratory and extraction suite

Gelpell manufacturing line installation and qualification commences

November 2021*

Planned TGA inspection of Gelpell manufacturing line

Large scale extraction equipment installation

December 2021*

Cultivation facility commissioning begins and first plants arrive on site

Planned large scale extraction equipment TGA inspection

* Expected timelines

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Mildura – laboratory now operational

Mildura – manufacturing & extraction suites completed

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Mildura – cultivation facility progresses




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Commercial update – Southern project

- ✓ Construction complete
- ✓ TGA inspection scheduled
- ✓ Provides ability to produce cGMP packed flower at substantial cost saving over third-party supply

Cann's recently completed Southern Facility upgrade ready for GMP inspection

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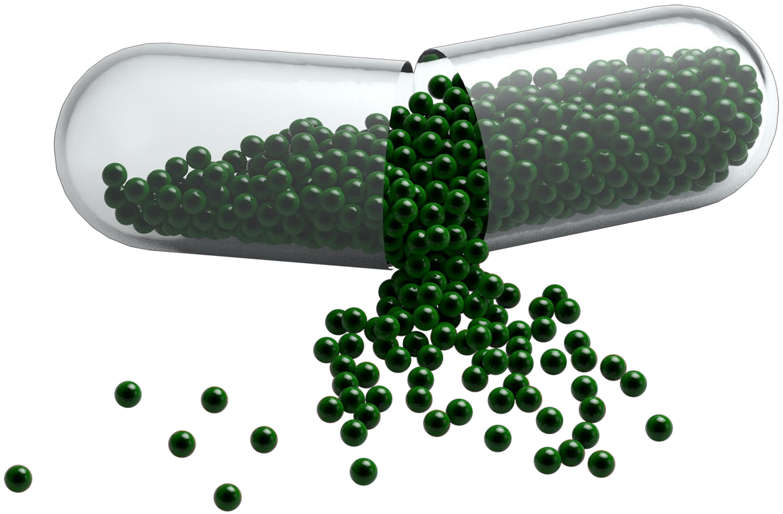
Commercial update – S3 project



- ✓ Clinical research organisation appointed
- ✓ Trial design
- ✓ Indication
- ✓ Clinical trial preparation underway

CBD only product based on unique formulation and delivery platform

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Summary

1	✓ Executing on a strategy to build world-class capability; a globally competitive cost position; and a pipeline of proprietary products that access significant and growing markets around the world
2	✓ Investing in an integrated supply chain
3	✓ Expanding market access via supply agreements in Australia and UK/Europe – with other markets now in focus
4	✓ A unique technology platform (Gelpell) to support product development across multiple market segments
5	✓ Regulatory pathways now established to facilitate export business
6	✓ Strong revenue growth expected for FY22

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Appendix

Key risks

Topic	Summary
Mildura Facility risks	Cann is in the process of building its third facility (being at an undisclosed location in the vicinity of Mildura) (**Mildura Facility**), by way of a staged construction and commissioning process, comprising three stages. Once the first stage (1A) is commissioned, Cann intends to operate this part of the Mildura Facility at full capacity whilst the remaining two proposed stages of construction are completed and commissioned. It is anticipated that the construction of stages 1B and 2 will not interfere with or impede the operations of the commissioned part of the Mildura Facility but this cannot be guaranteed. A number of other risks include, but are not limited to: • The construction of the Mildura Facility is complex in nature and involves the design, building and installation of high level automated and environmental/climate control systems and therefore, is subject to various potential problems and uncertainties; • There may be defects or other problems with the installation or operation of the new systems or plant and equipment required at the Mildura Facility; • The connections for essential services to the Mildura Facility, such as electricity, internet, water and other utilities, at the requisite capacities may not be connected within Cann's estimated timeframes; • All necessary approvals, certifications, licences and permits from the relevant regulatory authorities (including the ODC and the TGA) for research and the cultivation and production of cannabis and the manufacture of medicinal cannabis products at the Mildura Facility may not be varied and/or granted or not varied and/or granted within Cann's estimated timeframes or if varied and/or granted, may not be maintained; • Cann may have difficulties in attracting and/or retaining personnel to work at the Mildura Facility, especially given its distant location; and • COVID-19 may continue to lead to delays in construction due to material shortages, government restrictions limiting the numbers of personnel on site, and/or the inability to mobilise specialised overseas workers and some local / regional workers.
Supply agreements	Cann has entered into a number of supply agreements with various third parties, pursuant to which Cann has agreed to supply various medicinal cannabis products and/or cannabis to third parties (**Supply Agreements**). There are various risks associated with the Supply Agreements, depending on their terms. Having regard to the nature and the terms of the Supply Agreements, the following will or is likely to have a material adverse effect on the viability of Cann and Cann's business, its financial position, financial performance and prospects: • Cann is unable to produce the cannabis and/or medicinal cannabis products to supply to the various partners; • Partners do not place anticipated orders under the Supply Agreements; and / or • Cann's cannabis and/or medicinal cannabis products do not meet the specifications of the Supply Agreements. Satipharm has several distribution agreements in place with UK and Irish based pharmacy chains for supply of certain Satipharm products for retail purposes, and is seeking further agreements within other markets in Europe. Sales of Satipharm products are reliant on products being successfully marketed to consumers either through online or Point-of-Sale advertising by those distributors. There is no guarantee that the Satipharm products will be successfully marketed in the highly competitive marketing operating in the UK, Ireland and Europe, and such activities are outside the control of Cann. Failure of our distribution partners to effectively market the Satipharm products will result in lower revenues for Cann and may adversely affect Cann's profits and prospects.
Early stage growth company risks	Cann was incorporated in January 2015, admitted to the official list of the ASX in May 2017 and generated its first revenues in June 2018. Potential investors should be aware that investing in an early-stage growth company, and in a newly developing medicinal cannabis industry in Australia, should be considered highly speculative and involves numerous significant risks including under capitalisation, failure to obtain or maintain the necessary regulatory approvals, licences and permits and obstacles or delays in the implementation of Cann's business plan or revenue generation coupled with existing and future legislative and regulatory risks. Cann makes no representation that any of its research and development will be successful, that its development milestones will be achieved, or that products will be developed that are commercially exploitable. Cann continues to incur operating losses. Cann may not be able to achieve profitability and may continue to incur significant losses in the future. In addition, Cann expects to continue to significantly increase its capital expenditures and operating expenses as it implements initiatives to grow its business. If Cann's revenues do not increase to offset these expected increases in expenditures and operating expenses, it will not be profitable. Anticipated or expected sales may not be achieved, and even if achieved, may not result in Cann being profitable. There is no assurance that Cann will be successful in achieving a return on shareholders' investments and the chances of success must be considered in light of the early stage of its business and proposed expansion of its operations. There is no guarantee that Cann's growth initiatives, including to construct additional cannabis production and manufacturing facilities, and to expand its sales initiatives, will be successful. Cann's failure to successfully execute its expansion strategy may have a significant adverse effect on its financial performance and prospects.

Key risks

Topic	Summary
Medicinal cannabis industry risks	Cann's business operates in a highly regulated industry, which brings a number of industry risks common amongst those businesses that operate in this space. These include those described below, and each risk (if not mitigated successfully or appropriately) may have an adverse effect on the business, reputation, financial position, financial performance and/or prospects of a business operating in this industry: • General Regulatory Risk: Companies which operate in the medicinal cannabis industry are subject to a highly regulated environment and numerous laws, regulations and directives. Changes to such laws, regulations and directives may cause adverse effects on a business operating in this industry, its financial position, financial performance and/or prospects. • Regulatory Approvals: Cann's ability to continue its business is dependent on holding certain authorisations, licences and permits and adherence to all regulatory requirements related to such activities. Any failure to comply with the conditions of the Regulatory Approvals, or to migrate or renew the Regulatory Approvals after their expiry dates, would have a material adverse impact on Cann's business. • Product Approvals: Medicinal cannabis products are regulated as medicines in Australia. Generally, medicines imported into, supplied in, and exported from Australia must be entered in the Australian Register of Therapeutic Goods (ARTG), which is administered by the Therapeutic Goods Administration (TGA) or through the Special Access Scheme (SAS), Authorised Prescriber (AP) scheme or clinical trial exemptions. Cann cannot guarantee that any or all of its medicinal cannabis products will be approved for supply to patients under these pathways. • Clinical Trial Outcomes: There are various clinical trials being conducted in Australia and internationally in relation to medicinal cannabis. Cann cannot predict the outcome of any current or future clinical trials. Any adverse finding from an approved or recognised clinical trial is likely to or may have a material adverse effect on the medicinal cannabis industry generally and in turn on Cann's existing and proposed operations and financial position, financial performance and/or prospects. • Compliance with Licence conditions: A licence to cultivate, produce and/or manufacture under the *Narcotic Drugs Act 1967* (Cth) is subject to a number of conditions, which if not maintained may result in a suspension or revocation of the licence or permit. Such conditions exist in respect of ensuring that all staff engaged are suitable, that directors and officers (and the business itself) is a fit-and-proper person, that certain security and reporting measures are maintained, and a number of additional conditions. • Diversionary Risk and Theft: Given the nature of Cann's cannabis products and despite meeting or even exceeding the TGA and ODC security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of Cann's facilities could expose Cann to additional liability and to potentially costly fines, penalties and litigation, increased expenses relating to the resolution and future prevention of these breaches and may result in the possible suspension or revocation of licences and permits, and may also deter existing or potential customers from purchasing Cann's products. • Industry Confidence: There is a risk that incidents beyond the control of Cann could occur which would have the effect of reducing patient, medical/scientific or regulatory confidence or preferences for cannabis or medicinal cannabis products, including serious adverse effect incident involving medicinal cannabis, negative medical or scientific findings, material breach of a law or regulation by Cann or a competitor.
Export risks	Some of Cann's expected revenue is based on its expected exports of medicinal cannabis and cannabis products to foreign jurisdictions. There is no guarantee that Australian government legislation and regulations will not change in the future and prohibit export of cannabis or cannabis products from Australia. Similarly, there is no guarantee that foreign government legislation and regulations will not change in the future and prohibit the importation of cannabis or cannabis products from Australia. Any adverse legislative or regulatory change of this type would have a significant adverse effect on the viability of Cann's business, its financial position, financial performance and prospects. Cann may incur some revenue and expenditure in Canadian, US and Euro dollars, UK pound sterling or other foreign currencies. There may be circumstances where Cann is unable to sufficiently minimise its exposure to foreign exchange rate movements where the cost of appropriate financial products is not commercially viable. Such exposures could affect Cann's financial performance and/or financial position.

Key risks

Topic	Summary
Production risks	Cann's ability to continue the production of cannabis and/or the manufacture of products derived from cannabis at the same pace as it is currently producing or at all, and its ability to continue to increase both its production capacity and actual production, may be adversely affected by a number of factors, including plant design errors, non-performance by third party contractors, increases in materials or labour costs, construction performance falling below expected levels of output or efficiency, adverse agricultural outcomes, environmental pollution, contractor or operator errors, breakdowns, aging or failure of equipment or processes, labour disputes, as well as factors specifically related to indoor agricultural and processing practices, such as reliance on provision of energy and utilities to the facility, and potential impacts of major incidents or catastrophic events on any of its facilities, such as infestation, fires, explosions, earthquakes or storms. Cann's strategic plan is to bring significant aspects of the manufacturing process in-house, which will involve the installation, commissioning and operation of manufacturing equipment within the Mildura Facility and other facilities. Cann may not be able to successfully or in a timely manner ensure that the installation and commissioning of the equipment occurs. Cann may also not be able to hire suitably qualified personnel to operate this equipment. Further, Cann may not obtain the requisite approvals, licences, permits and regulatory validations to operate the equipment at its facilities. Any delays may cause Cann to incur higher costs while those matters are resolved, reducing Cann's profits. Cann's revenues are expected to be derived from the production, manufacture, sale and distribution of cannabis and cannabis-derived products. The price of production, sale and distribution of these products is dependent on several key inputs and their related costs, including raw materials and supplies related to its growing operations, as well as electricity, water and other utilities. Cann's cannabis growing operations consume considerable energy, making Cann vulnerable to rising energy costs. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact Cann's business, its financial position, financial performance and/or prospects. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on Cann's business and financial performance. We have raw material supply agreements in place with external suppliers to supplement the raw material produced by Cann. These agreements are short term and timed to end when our large-scale cultivation facility comes on-line. Risks exist should these third party suppliers not meet our demand forecasts, which may reduce Cann's revenue and adversely affect its relationships with its customers. Cann's business revolves significantly around the cultivation and processing of cannabis, an agricultural product. Risks inherent with agricultural businesses apply to Cann's business, including lower than expected yields, disease and insect pests. Although Cann currently grows and expects to grow the significant majority of its product in climate-controlled, monitored, indoor locations, there is no guarantee that changes in outside weather and climate will not adversely affect production. The glasshouse structure is also at risk of damage from extreme weather events such as high winds or hailstorms. All such losses may not be able to be adequately insured and Cann may be required to contribute to any insurance excess, pay additional premiums and/or meet replacement costs, adversely impacting Cann's costs and profits. Power failure could lead to heat build-up within the facility and subsequent damage to crops, and may have a material adverse effect on Cann's ability to produce cannabis. Any damage may delay or hinder production, which may reduce Cann's revenues and adversely affect its relationships with its customers.
Funding risks	In the future, Cann may seek to further expand its business. This includes the construction of subsequent stages of the Mildura Facility. Cann may also enter into transactions to acquire medicinal cannabis or related or synergistic businesses or companies. However, any such expansion of Cann's business is likely to require additional capital, depending on the nature of the development or expansion. The failure to raise the necessary funding, whether as debt or equity, could result in the delay or indefinite postponement of its business strategy. There can be no assurance that additional funding or other types of financing will be available if needed or that, if available, the terms of such funding will be available on favourable terms. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. In addition, funding financed, wholly or partially, with debt, which may materially increase Cann's debt levels and therefore increase the risk of Cann being in default or being unable to pay its debts in the future without further dilutionary fund raising, if at all.
R&D risks	As the Australian medicinal cannabis market matures, the competition will, or is likely to, increase as well. In order for Cann to remain competitive, it will need to invest significantly in research and development, particularly with respect to new products. If for any reason, Cann does not allocate sufficient resources to invest in this area, Cann's ability to compete in the market could be adversely affected and this could have a material adverse effect on its business, financial position, financial performance and/or prospects.

Key risks

Topic	Summary
Vertical integration risks	Part of the funds that Cann is seeking from investors are to be used by Cann to become more vertically integrated, including by installing and commissioning extraction and Gelpell manufacturing at the Mildura Facility, and building cGMP capabilities at its Southern facility. These initiatives may require the installation and commissioning of equipment and recruitment and training of staff to use such equipment. There may be delays in sourcing equipment and staff to operate the equipment, and the installation and commissioning of these may take longer than planned. These delays may have an impact on the ability for Cann to become vertically integrated within the planned timeframes.
Third party manufacturer and supply risk	Cann is currently reliant on two commercial manufacturers to manufacture some of Cann's products. Although these relationships are governed by master services agreements, there is no guarantee that the third party manufacturers will continue to have the capacity or ability to undertake manufacturing for Cann in the future. Assuming funding is obtained and Cann is able to undertake the bulk of early-stage manufacturing in-house, there will still be aspects of manufacturing (particularly regarding the filling and finishing, and final packaging of products) that will need to be outsourced to third party manufacturers. At the end of any services agreements' respective terms, there is no guarantee that the agreements will be renewed or, if renewed, will be renewed on the same or more favourable terms to Cann. If Cann identifies suitably qualified alternative manufacturers, Cann may not be able to agree on terms with such alternative manufacturers that are as favourable to Cann, or that those alternative manufacturers will be able to supply Cann in the quantities required. As a result, Cann's revenues and its relationships with its customers may be adversely affected. From time to time, Cann (either itself or its commercial manufacturers) needs to source materials and active pharmaceutical ingredients (APIs) from third party suppliers. Supply of such materials and / or APIs may be limited, or may contain defects, including latent defects. Such delays and / or defects may contribute to manufacturing delays and potentially recalls of product. If any of these risks eventuate or occur, it may have a material adverse effect on Cann's business, financial position, financial performance and/or prospects.
Technology, innovation and cyber-attack risk	Cann's business activities include the need to innovate and use techniques which can assist in both risk mitigation and cost reductions. Failure to invest in both innovation and new technology may significantly impact on Cann's operations and capacity to generate revenue, while exposing it to the risk of incurring additional costs of harming its longer term prospects. Cann's operations depend partly on how well Cann and its technology suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including cable cuts, damage to physical plants, natural disasters, fire, power loss, hacking, computer viruses, and theft. Cann's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software. The inability to manage these threats and other events could result in information system failures, production delays and/or increase in capital expenses, as well as adversely impacting Cann's business, financial position, financial performance and/or prospects. Cann may suffer material losses from cyber-attacks or other information security breaches. As cyber threats continue to evolve, Cann may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.
Overseas jurisdiction risk	With the acquisition of the Satipharm business in March 2021, Cann now has operations in overseas jurisdictions, mainly the UK and Ireland. Cann needs to ensure that its subsidiaries in those jurisdictions and Cann, as the ultimate holding company, comply with any applicable laws affecting the operation of the Satipharm business. It must also ensure that employees within those overseas operations are able to be supervised appropriately from Australia. With the continuing effect of COVID preventing Cann senior management from travelling to the UK and Ireland to oversee the business, it must rely on supervision from a distance. Cann also has limited experience in operating in those markets and initially must rely on the existing employees in that business to manage legal and other risks until that knowledge and expertise is shared more widely across the Cann group.

Key risks

General risks

Topic	Summary
Nature of investment	There are inherent risks associated with investment in any listed company. The New Shares under the Offer do not guarantee payment of dividends, return on capital or maintenance of capital or value. No assurances can be given that the New Shares will trade at or above the Offer Price at any time, or that they may be sold at any price. The value of the New Shares may vary depending on the financial and operating performance of Cann and external factors over which Cann and its directors have no control, including changes to market sentiment.
Inability to secure all funds sought under Offer	Cann is seeking to raise funds by way of a share purchase plan. Failure to secure all of the funds sought under the Offer may adversely impact Cann's ability to implement its plans to improve its operations and cash position, generate savings from those improvements or expand its marketing and sales of Satipharm products, with a resulting adverse impact on Cann's revenues and costs, and therefore financial position and prospects.
Dilution risk	If Cann needs to raise additional equity in the future, this may dilute the shareholdings of existing shareholders, who may not have the opportunity to participate in that raising.
General economic conditions	Adverse changes in economic conditions such as to interest rates, exchange rates, inflation, government policy, taxation law, investor sentiment towards particular market sectors, demand for and supply of capital, national and international economic conditions (including any trade conflicts between major countries, terrorism, war, social upheaval or other hostilities) amongst others are outside Cann's control and have the potential to have an adverse impact on Cann (including Cann's financial performance and/or financial position) and its operations.

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