

ASX ANNOUNCEMENT**30 January 2023****December 2022 Quarterly Activities Report
and Appendix 4C**

- **Share Purchase Plan raises \$8.18 million**
- **Agreed terms for sale of Southern facility; total consideration of \$5.48 million**
- **Sales for the quarter of \$3.85M, with a strong December**

30 January 2023 – Cann Group Limited (ASX: CAN) (**Cann** or the **Company**) is pleased to provide its December 2022 Quarterly Activities Report and Appendix 4C.

Financials

Net cash outflows from operating activities for the quarter ending 31 December 2022 were \$3.900 million. Key cashflow items for the quarter were:

- Cann collected \$3.325 million in receipts from customers representing a 37% increase on the previous quarter and an 88% increase on the prior corresponding period.
- Research and development expenses of \$1.598 million were paid during the quarter as Cann finalised its Phase III clinical trial.
- Cann received a \$4.348 million R&D Tax Incentive Rebate for the 2022 financial year.
- Product and manufacturing costs of \$4.446 million were incurred for the quarter as Cann continued to increase production.
- Staff and administration costs were in line with expectations as the company continues to scale up its Mildura facility.
- Payments of \$0.102 million were made to directors (being related parties) by way of salary payments.
- Cash outflow from investing activities included \$1.290 million in expenditure associated with the construction and development of Cann's flagship Mildura facility. This was offset by the deposit receipt of \$0.310 million after Cann entered into an agreement to sell its Southern facility to SatiVite Pty Ltd.
- An amount of \$0.990 million was drawn down from the Company's NAB Construction Facility for the Mildura development.
- Cann withdrew an amount of \$1.200 million from the NAB Working Capital Facility during the quarter.

Sales and production

After a strong month of sales in December where Cann billed approximately \$2.0 million, unaudited sales revenue for the quarter ended 31 December 2022 was \$3.849 million representing a 100% increase to the prior corresponding period. YTD revenue at 31 December 2022 was \$5.817 million representing 91% of the full year revenue recorded in FY22. Revenue

growth has continued to accelerate this quarter across Cann's portfolio, including large repeat orders for oil and flower products, and the largest single domestic order for an oil product received by the Company so far. This has been enabled through the continuous improvement of cultivation and manufacturing processes at the Mildura facility. The first finished dried flower products cultivated and manufactured in Mildura were released to the market during the quarter.

Facilities

On 4 October 2022 Cann Group announced that the Therapeutic Goods Administration had extended the Mildura facility's GMP licence to cover additional capabilities. The licence extension allows Cann Group to manufacture and release finished dried flower products at Mildura for patient use. This is in addition to the GMP licence capabilities announced 30 June 2022 covering the manufacture of dried flower as an Active Pharmaceutical Ingredient and hard capsule manufacturing.

On 23 December 2022, Cann Group announced it had reached terms with SatiVite Pty Ltd on the sale of Cann's Southern cultivation and manufacturing facility for total consideration of \$5.48 million. The divestment of the Southern facility is a significant part of Cann's streamlining and efficiency program that will consolidate the majority of Cann's operations at its new Mildura facility. The parties have come to terms on the sale of the Southern facility's land and business assets, the licensing of certain Cann proprietary genetics, and the provision of services from Cann to SatiVite to assist with the transfer of commercial operations.

Share Purchase Plan

On 25 October 2022 Cann Group announced that it would conduct a Share Purchase Plan (SPP) to raise between \$8 million and \$10 million. The SPP closed on 30 November 2022, having successfully raised \$8.18 million. Funds from the SPP will contribute to the Company's strategic investment in expanding GMP manufacturing capabilities at Mildura, including:

- Commercial scale encapsulation and packaging
- The development of THC-containing Satipharm products
- Increasing capacity and efficiency for GMP dried flower packing

Funds will also be used to assist with working capital over the medium term.

R&D highlights

Several new genetic lines created through Cann Group's accelerated breeding program have undergone commercial evaluation and are being assessed as potential additions to the Company's dried flower inhalable range. Developments have also been made in Cann's tissue culture research collaboration with La Trobe University, which has identified key improvements in the ability to micro-propagate Cann's commercial lines. These innovations are anticipated to further improve cultivation speed and quality at the Company's Mildura facility.

Board and management changes

On 3 October 2022, Ms Geraldine Farrell resigned as Company Secretary effective 25 October 2022, with Cann Group's Chief Financial Officer, Ms Deborah Ambrosini being appointed to the role effective 25 October 2022 after the Company's Annual General Meeting.

On 24 October 2022 Cann Group announced that the Company's CEO, Peter Crock, had given notice of his resignation from the position of CEO, and that a search for a new CEO had commenced.

Subsequent events

On 10 January 2023, Cann Group announced that Peter Koetsier had been appointed to the role of Chief Executive Officer (CEO) and would commence in the role on 16 January 2023. Mr Koetsier replaces outgoing CEO, Peter Crock, who led Cann Group's management team since April 2016. Mr Koetsier brings to Cann more than 30 years of general management, marketing and commercial leadership roles within global pharmaceutical companies. He has most recently been Head of Asia Pacific for French biopharmaceutical company, Ipsen, where he developed and led the implementation of a successful growth strategy which included the commercial launch of new brands.

On 21 November 2022 Cann announced that the final participant of the Company's Phase III clinical trial had attended their last study visit, and data entry for the trial had been completed. A total of 257 participants completed the trial.

The study is a placebo-controlled, randomised clinical trial investigating the efficacy of low doses of CBD for treating sleep disturbances. On 19 January 2023 Cann provided a summary of the preliminary results including the following detail:

- Three doses of Satipharm® CBD capsules were compared to placebo in a randomised, double-blind, placebo-controlled, multi-centre clinical trial which included a total of 257 participants with sleep disturbances.
- A preliminary review of the analysis of the primary end-points has not shown a statistically superior response compared to placebo.
- Cann Group expects these trial results will delay submission of the registration application to the Therapeutic Goods Administration (TGA) for this indication.

Once the full data set (including the secondary end-points) and report of the clinical trial is delivered to the company, Cann Group will evaluate the data and review its approach for this indication. A market update will be published once that review is complete

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 enhancing patients' lives by developing, producing, and supplying innovative cannabis medicines. The Company has built world-class research, cultivation and GMP manufacturing facilities in Melbourne, and a state-of-the-art large-scale cultivation and GMP manufacturing facility near Mildura, Victoria. Cann Group supplies a range of dried flower and oil products, as well as active pharmaceutical ingredients and extracts, to customers in Australia and around the world. Cann Group also owns Satipharm and its patent-protected capsule technology.

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

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Cann Group Limited

ABN

25 603 949 739

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,325	5,758
1.2 Payments for		
(a) research and development	(1,598)	(2,786)
(b) product manufacturing and operating costs	(4,446)	(8,150)
(c) advertising and marketing	(141)	(305)
(d) leased assets	(16)	(19)
(e) staff costs	(3,568)	(6,527)
(f) administration and corporate costs	(1,686)	(3,171)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(728)	(1,199)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives ¹	4,559	4,559
1.8 Other (provide details if material) ²	399	1,111
1.9 Net cash from / (used in) operating activities	(3,900)	(10,729)

¹ Includes R&D Tax Incentive Rebate of \$4.348 million.

² includes GST receipts of \$0.4m for the quarter ending 31 December 2022.

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1,290)	(3,617)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	310	310
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(980)	(3,307)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	8,175	8,175
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2)	(2)
3.5	Proceeds from borrowings	2,285	11,344
3.6	Repayment of borrowings	(13)	(13)
3.7	Transaction costs related to loans and borrowings		-
3.8	Dividends paid		-
3.9	Other (provide details if material) ¹	(113)	(226)
3.10	Net cash from / (used in) financing activities	10,332	19,278

¹ Repayment of lease liabilities.

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,788	1,998
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,900)	(10,729)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(980)	(3,307)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	10,332	19,278
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	7,240	7,240

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	7,190	1,703
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (bank guarantees)	50	85
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,240	1,788

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 ¹	102
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

¹ Salary payments made to Directors during the quarter ending 31 December 2022.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	65,750	58,369
7.2	Credit standby arrangements	-	-
7.3	Other (Corporate Credit Cards)	55	15
7.4	Total financing facilities	65,805	58,384
7.5	Unused financing facilities available at quarter end		7,421
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <div style="border: 1px solid black; padding: 10px; margin-top: 10px;"> <p>The loan facilities have been provided by the National Australia Bank.</p> <p>The construction draw down facility (\$50m) base rate is the BBSY and the drawn margin is 5.42% p.a. The facility fee is calculated at 0.35%p.a. Amortisation of the loan commences on 31 May 2024 on a quarterly basis for 10 years and it is a secured facility.</p> <p>The working capital facility (\$15m) had an initial period with review on 30 November 2022 and thereafter rolling 12 month periods. This facility has a drawn margin rate of 5.12% pa and a facility fee of 0.35% pa and it is a secured facility.</p> <p>The leasing facility has a revolving leasing limit (MAFA) of \$0.75m which will decrease when goods are financed but increase again when repayments are made. Each financing lease covered under the MAFA will have a different rate, determined by the Reserve Bank of Australia's then current rate, and the nature of the item that is being leased. Cann can repay each lease over a period of 24 – 60 months. The facility has an expiry date of 30 June 2023.</p> </div>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,900)
8.2	Cash and cash equivalents at quarter end (item 4.6)	7,240
8.3	Unused finance facilities available at quarter end (item 7.5)	7,421 ¹
8.4	Total available funding (item 8.2 + item 8.3)	14,661
¹ Includes NAB construction facility		
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.76
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?</p> <div style="border: 1px solid black; padding: 10px; margin-top: 10px;"> <p>Answer: Yes the Company expects that it will continue to have the current level of net operating cash flows.</p> </div>	

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The Company expects to receive a further \$5.17m for the sale of its Southern facility. As announced on 23 December 2022 the Company has agreed terms for the sale of the facility to SatiVite Pty Ltd.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, the company expects to be able to continue its operations and meet its business objectives on the basis that it can draw on the facilities it has in place with the National Australia Bank and with the receipt of the proceeds from the sale of its Southern facility.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:30 January 2023.....

Authorised by: the Board of Cann Group Limited

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.