

**ASX ANNOUNCEMENT****24 February 2023****Cann Group results for six months to 31 December 2022**

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- **Revenue from sales of \$5.8 million, representing an 83% increase to the first half of FY22**
  - **Administration and corporate costs increase as Mildura facility scales up production**
  - **Increase in research & development costs associated with S3 clinical trial**
  - **Agreed terms for sale of Southern facility; total consideration of \$5.48 million**
  - **Successful capital raise of \$8.18 million completed during the reporting period**
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**24 February 2023** – Cann Group Limited (ASX: CAN) (**Cann** or the **Company**) today released its financial results for the six months ending 31 December 2022.

The Company reported revenue from sales of \$5.8 million, representing an 83% increase to the prior corresponding period. The Company reported an operating loss after tax of \$18.84m (1H FY22: \$8.3 million loss). Higher than usual administration, corporate and R&D costs reflected the scale up of production activity at Cann's Mildura facility and costs associated with the Company's S3 Phase 3 clinical trial. The final trial participant completed the trial in November 2022 and the Company expects that costs directly attributable to the clinical trial may be claimable under the Research and Development Tax Incentive program for the current financial year.

Finance costs were also higher, driven by increased interest rates and the draw-down of a working capital facility which was established in May 2022. Depreciation expense also increased significantly from the prior period with the amortisation of the Mildura facility commencing from April 2022.

As previously announced, Cann received an R&D tax rebate of \$4.3 million during the period.

The company's revenue growth was achieved through significant increases in sales and production during the half year, compared with the prior comparative period. Most of this improvement was seen in domestic sales where the company's sales model gained significant traction, with new clients entering into supply agreements and several existing clients cycling repeat orders.

The ability to supply quality product 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 December quarter.

In-line with Cann's strategic plan to centralise operational activities at the Mildura site, the Company announced on 23 December 2022 that it had reached terms with SatiVite Pty Ltd on the sale of Cann's Southern cultivation and manufacturing facility for a total consideration

of \$5.48 million which is expected to settle this year. 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.

On 30 November 2022 the Company completed a capital raising of \$8.2 million by way of a Share Purchase Plan (SPP). The proceeds from share purchase plan will contribute to the Company's strategic investment in expanding GMP manufacturing capabilities at Mildura.

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

Data entry for Cann's Phase 3 clinical trial, investigating the efficacy of low doses of CBD for treating sleep disturbances, was completed in November. Three doses of Satipharm® CBD capsules were compared to placebo in the randomised, double-blind, placebo-controlled, multicentre clinical trial that included a total of 257 participants with sleep disturbances.

The Company announced on 19 January 2023 that a preliminary review of the analysis of the primary end-points has shown that trial participants responded positively to CBD treatment, but that the positive response was not statistically superior 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.

The completed study report and full data set will be reviewed closely by Cann and by Haleon, which has 60 days after receiving the final report to indicate whether it intends to take up its option to commercialise an S3 CBD product. A market update will be released once that review is complete.

Cann's CEO, Peter Koetsier, commenced with the Company in January and said *"We are making positive progress towards optimising our production efficiencies at the Mildura facility and building confidence with our customers around the supply of quality medicinal cannabis products in the volumes they require."*

*"Sales in the December quarter showed strong growth and I expect to be able to build on that growth over the balance of this financial year. As we continue to scale up production and secure production efficiencies, this will be reflected in improved margins."*

*"My initial discussions with customers indicate that we have the opportunity to grow market share in a market that is continuing to expand."*

*"Our focus now is on continuing to streamline operations, to secure those scale-based efficiencies and to build profitable revenues."*

### **Investor webinar**

Cann will hold a half year results investor webinar and Q&A session Tuesday, 28 February 2023 at 11:00am (Melbourne time).

Investors are invited to send questions prior to the webinar to [matt@nwrcommunications.com.au](mailto:matt@nwrcommunications.com.au)

Register for the webinar at the link below:

[https://us02web.zoom.us/webinar/register/WN\\_DWREEx9zRBqMNudrwVog1w](https://us02web.zoom.us/webinar/register/WN_DWREEx9zRBqMNudrwVog1w)

**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 a proprietary delivery system for cannabinoids. Cann has established research, cultivation and GMP manufacturing 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.canngrouponlimited.com](http://www.canngrouponlimited.com) | [www.satipharm.com](http://www.satipharm.com)