

QUARTERLY
ACTIVITIES REPORT
& APPENDIX 4C

Unaudited year to date sales revenue of \$13.5m, representing 2.1 times the sales revenue of the prior corresponding period

Sales revenue of \$3.77m for the quarter, representing a 91% increase on the prior corresponding period

Cash receipts from operating activities of \$5.07m received during the quarter, up 160% on the prior corresponding period

May 2023 planted crop harvest at a scale twice that of previous harvests. Crop area harvested in July equates to an annualised production level of 8 tonnes.

28 July 2023 – Cann Group Limited (ASX: CAN) (**Cann** or the **Company**) is pleased to provide its June 2023 Quarterly Activities Report and Appendix 4C.



SALES & PRODUCTION

Year to date unaudited sales revenue at 30 June 2023 was \$13.5 million, representing 2.1 times or 113% to the sales revenue recorded at 30 June 2022. Sales revenue for the quarter ending 30 June 2023, was \$3.77 million, representing a 91% increase on the prior corresponding period.

Revenue from dried flower sales increased an impressive 503% from the prior financial year. This is significant for Cann as sales of inhalable flower currently constitute over 70% of the Australian cannabis market reaffirming Cann's strategic plans as it moves forward in FY24.

In terms of units produced and distributed, 80,165 oil bottles were sold, representing a 159% increase on units sold in FY22 along with a 308% increase to patient-ready dried flower bottles sold (81,854 units compared to 19,928 in FY22).

REVENUE GROWTH

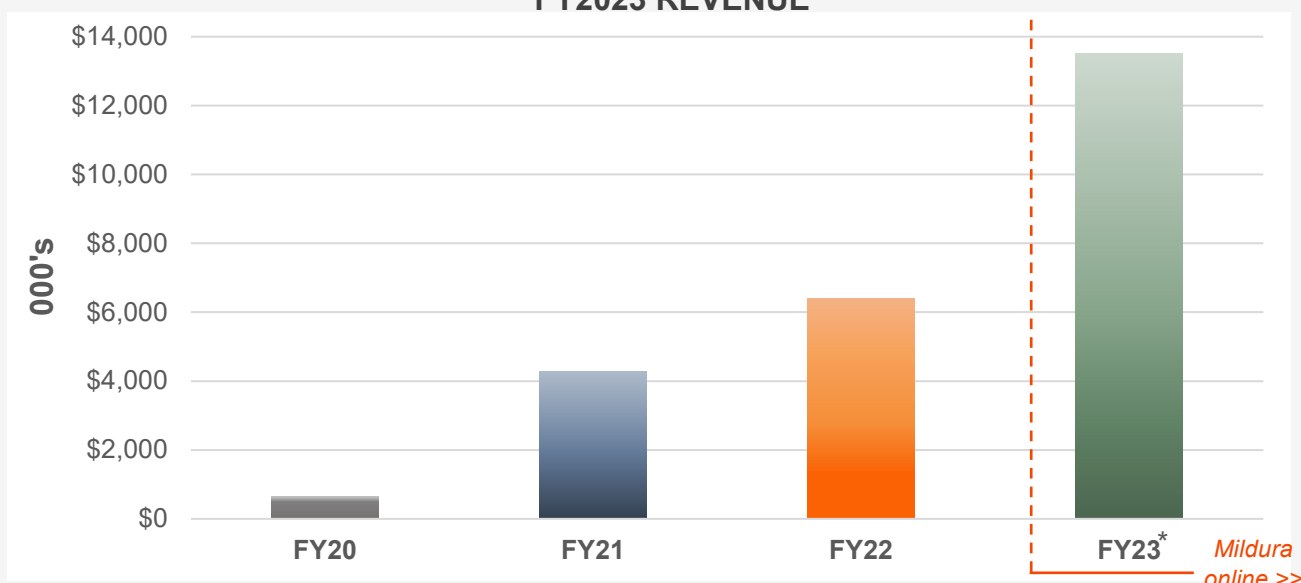
Revenue growth has remained strong from Q3 to Q4. A steady increase in consignment sales and fulfilment of repeat orders from large B2B customers for both oil and flower products contributed to the result.

Demand for dried flower products remains very high in Australia. Continuous improvement in flavour profiles, bud aesthetics and terpenes, along with diversity in cultivars, are increasingly becoming priorities for customers. This represents a significant opportunity for Cann Group given the strong improvements the Company has made to its flower quality. Cann is also well placed to meet the growing demands for product exclusivity and consistent supply via its Mildura facility.

Interim supply of two international dried flower cultivars to supplement our own strains while phenotyping of recent seed imports continues. This, combined with continuous improvement projects in areas such as canopy management and drying methods will increase yield, improve aesthetics and terpenes, and will positively position the company for growth of our market share.

Towards the end of the financial year, the oil market underwent changes which will continue in FY24 with an influx of low-cost imports flooding the market prior to 1 July 2023 and TGO 93 amendments. Cann is continuing to understand the impacts while developing opportunities to differentiate ourselves in the current market.

FY2023 REVENUE



*Note - FY23 revenue shown above represents unaudited results to 30 June 2023
- Before accounting for services revenue

FINANCIALS

Net cash outflows from operating activities for the quarter ending 30 June 2023 were \$5.28 million as Cann continues with the scale up of the Mildura facility to capacity. Key cashflow items for the quarter were:

- Cann collected \$5.07 million in receipts from customers, representing a 23% increase on the previous quarter and a 160% increase on the prior corresponding period.
- Research and development expenses of \$0.94 million were paid during the quarter as Cann finalised its CBD S3 Phase III clinical trial and continued to assess its pipeline of new and improved genetics.
- Product and manufacturing costs of \$3.59 million were incurred for the quarter as Cann continued to increase production in line with increased demand for its products.
- Staff and administration costs were in line with expectations as the company continues to scale up its Mildura facility.
- Payments of \$0.10 million were made to directors (being related parties) by way of salary payments.
- Cann utilised \$5.01 million from the NAB Working Capital facility during the quarter.
- Cann withdrew an amount of \$0.24 million from the NAB Construction Facility during the quarter.

RESEARCH & DEVELOPMENT

We continue to assess our pipeline of new, improved genetic lines developed through Cann Group's accelerated breeding program. Dried flower products of four new, high-THC lines have now been assessed by a patient group. This patient data feedback, together with cannabinoid and terpene profiles and production metrics will be reviewed to identify the next commercial lines to add to our product catalogue. Flower trials of new, improved lines from our breeding program with Agriculture Victoria are underway and we have recently introduced new and varied genetics from overseas breeders to our germplasm for assessment. This program continues to support the Company's objective to be a supplier of choice globally for differentiated high quality medicinal cannabis products.

The tissue culture program with our partners at La Trobe University has been progressing well with many of our cultivars stored as sterile tissue culture plantlets. This allows for risk mitigation of our key commercial lines and a pathway for the supply of clean plants to Mildura.



MILDURA FACILITY

Cann's Mildura facility reached a number of key milestones in the June quarter. The fourth quarter of FY2023 has seen a further bedding in of operations at Mildura. Manufacturing set a monthly production volume record in May, with 30% higher jar packing output than in the third quarter. Cultivation has seen a decrease in yields associated with the shorter winter days, but over the quarter the inhalable portion of flower harvested has increased by 73% month-on-month. Through this period, the hard work in Q3 on trim quality improvements has held, with flower output quality maintaining its strong, consistent position, which is attributed to the commissioning of the second trimmer. Drying trials, aimed at improving the patient experience

for dry flower products, are looking to be completed in Q1 FY24 as drying room modification and qualification works are completed in July.

The facility project is coming to an end, with only one vendor yet to be given practical completion. Project closeout has progressed well with the majority of defects being closed during this quarter. Project work has commenced on the new multi-head filler and a suite of small projects that will help push site performance forwards have been identified and are in planning for the new financial year.



PERSONNEL

Cann's state-of-the-art facility in Mildura offers diverse employment opportunities across technical and professional roles to people from the community and talent interested in relocating to the Mildura region. Cann Group headcount continues to experience steady growth to support the Company's accelerated scale-up initiatives and significant increase in production. In line with this, the Cultivation and Production teams at the Mildura facility are expanding as we enter FY24 to support the harvest upscale efforts.

As part of Cann's people strategy to create an inclusive workplace culture, the disability recruitment initiative expanded significantly in 2023. Cann started the program with one employee in July 2022 and welcomed eight new employees as part of this initiative during Q1 and Q2 2023, representing 13% of the overall Mildura facility workforce. Additionally, to promote this initiative further in the coming

months, a group of Cann Cultivation and Manufacturing team leaders in Mildura attended Job's Victoria's *Autism and Neurodiversity in the Workplace Workshop*, which assisted in identifying reasonable adjustments that could be made within Cann to assist in onboarding, employee induction and work-related processes for this group of talent.

Cann and La Trobe University have a long-standing student placement partnership that has traditionally been facilitated at either of Cann's Melbourne-based facilities. This program has now been expanded and includes the Mildura facility, with the first student placement commencing in July 2023.

Our passion to create an attractive employee value proposition along with our inclusive community and culture, make Cann a special place to work and grow in the Sunraysia region.



CAPITAL RAISE

On 15 June 2023, Cann Group announced a non-renounceable rights issue to raise approximately \$11.7 million. The offer had two components. Firstly, it included an entitlement offer which provided Eligible Shareholders with the opportunity to subscribe for one (1) new share for every four (4) existing shares held at \$0.12 (12 cents) per share with one (1) free attaching option for every two (2) shares subscribed for and issued, with an exercise price of \$0.22 (22 cents) per share and an exercise period of 18 months.

Secondly, Cann also offered Eligible Shareholders who subscribed for their full entitlement under the Entitlement Offer the opportunity to increase their shareholding in the Company should there be any shortfall under the Entitlement Offer.

The offer closed 25 July 2023 after strong retail support from existing shareholders raised \$4.46 million.

Shortfall shares will be offered to sophisticated and professional investors by PAC Partners Securities Pty Ltd (ACN 623 653 912) (Lead Manager) pursuant to a separate offer in accordance with the mandate between the Lead Manager and the Company.

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

FOR ALL INFORMATION PLEASE CONTACT

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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")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,073	14,968
1.2 Payments for		
(a) research and development	(939)	(4,600)
(b) product manufacturing and operating costs	(3,591)	(15,676)
(c) advertising and marketing	(36)	(421)
(d) leased assets	(22)	(62)
(e) staff costs	(4,020)	(13,565)
(f) administration and corporate costs	(1,472)	(6,065)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(866)	(2,895)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	4,559
1.8 Other (provide details if material)	596	2,060
1.9 Net cash from / (used in) operating activities	(5,277)	(21,696)

Explanation to 1.8 Other: This amount includes net GST receipts of \$0.22m for the quarter ending 31 March 2023.

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(448)	(4,469)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	3,149
(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	(448)	(1,320)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	(46)	(57)
3.5 Proceeds from borrowings	5,312	17,465
3.6 Repayment of borrowings	(17)	(3,547)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	(254)
3.10 Net cash from / (used in) financing activities	5,249	21,782

Explanation to 3.9 Other: 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	1,240	1,998
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(5,277)	(21,696)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(448)	(1,320)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,249	21,782
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	764	764

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	764	1,190
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (bank guarantees)	-	50
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	764	1,240

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	100
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

¹ Salary payments made to Directors during the quarter ending 30 June 2023.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. 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	60,964
7.2	Credit standby arrangements	-	-
7.3	Other (Corporate Credit Cards)	55	1
7.4	Total financing facilities	65,805	60,965
7.5	Unused financing facilities available at quarter end		4,840
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> <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 total drawn margin for this facility is 6.27% 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 (extended to 31 March 2023) and thereafter for rolling 12 month periods. This facility has a total drawn margin rate of 5.97% 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 November 2023.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(5,277)
8.2	Cash and cash equivalents at quarter end (item 4.6)	764
8.3	Unused finance facilities available at quarter end (item 7.5)	4,840
8.4	Total available funding (item 8.2 + item 8.3)	5,604
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.1
	<p><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></p>	

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

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?

Answer: The Company is currently scaling up its Mildura facility and expects the current level of operating cashflows to continue in the short term. Cash outflows are expected to stabilise in FY24 as the Mildura facility reaches capacity. The company's revenue and cash receipts have increased significantly in the last 12 months as the production from the Mildura facility ramps up allowing the Company to supply more of its product to the growing medicinal cannabis market.

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:

(1) Yes, the entity has taken steps to raise further funds. On 15 June 2023 Cann Group announced a non-renounceable rights issue to raise approximately \$11.7 million. The offer had two components. Firstly, it included an entitlement offer which provides Eligible Shareholders with the opportunity to subscribe for one (1) new share for every four (4) existing shares held at \$0.12 (12 cents) per share with one (1) free attaching option for every two (2) shares subscribed for and issued, with an exercise price of \$0.22 (22 cents) per share and an exercise period of 18 months.

Secondly, Cann also offered Eligible Shareholders who subscribed for their full entitlement under the Entitlement Offer the opportunity to increase their shareholding in the Company should there be any shortfall under the Entitlement Offer.

The offer closed on 25 July 2023 after raising \$4.46 million from existing shareholders.

Shortfall shares will be offered to sophisticated and professional investors by PAC Partners Securities Pty Ltd (ACN 623 653 912) (Lead Manager) pursuant to a separate offer in accordance with the mandate between the Lead Manager and the Company.

(2) The Company has in the past, and intends in the future, to utilise the Federal Government research and development tax incentives, assuming they remain available. The Company received an amount of \$4.348 million for the 2022 tax year and intends to lodge a claim based on eligible expenditure for the 2023 tax year in August 2023. The Company has established an agreement with Radium Capital to provide early access to a portion of the expected research and development tax incentive for FY23.

(3) Cann Group announced it has agreed terms with Sativite Pty Ltd on the sale of Cann's Southern cultivation and manufacturing facility for total consideration of \$5.48 million. The parties have agreed to terms on the sale of the Southern facility's land and certain business assets, the licensing of certain Cann proprietary genetics and the provision of services from Cann Group to Sativite to assist with the transfer of commercial operations.

On 1 March 2023, Cann Group completed the sale of the Southern facility land for a total consideration of \$3.1 million. The parties are yet to enter into long-form documents regarding the sale of certain business assets of the Southern facility, however it is expected that the parties will do so in the very near future and that \$1.9 million will be paid by Sativite once the applicable conditions precedents have been satisfied (which will include Sativite securing a licence from the ODC). Sativite currently operates another ODC-licensed medicinal cannabis cultivation facility which the Company believes should assist Sativite in obtaining the ODC licence approval in a timely manner.

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: Please see answer provided at 8.6.2

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.

¹: Includes NAB construction facility

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:28 July 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 – e.g., 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.