



ASX ANNOUNCEMENT

Q3 – MARCH 2024

QUARTERLY ACTIVITIES REPORT & APPENDIX 4C

Sales revenue year to date (unaudited) of \$11.6m, an increase of 18% over the prior corresponding period (“PCP”).

Cash receipts from operating activities of \$3.3m received during the quarter, down 21% on the PCP.

A-grade flower yield of 84% for the quarter, the highest level reached in the Mildura facility.

Cann in the process of obtaining additional financing and proceeding with required steps for ASX suspension to be lifted.

30 April 2024 – Cann Group Limited (ASX: CAN) (**Cann** or the **Company**) is pleased to provide its March 2024 Quarterly Activities Report and Appendix 4C.



CASH FLOWS

Net cash outflows from operating activities for the quarter ending 31 March 2024, were \$3.85 million, 18% higher than the prior quarter. The increase is explained below:

- Cann collected \$3.25 million in receipts from customers, representing a 40% decrease on the previous quarter and a 21% decrease on the prior corresponding period. This quarter was impacted by the financial position of the Company as certain commercial activities were stalled pending the Company securing funding.
- Operational spend (excluding interest and other) was \$7.07 million, down 24% on the PCP and 19% on the previous quarter as

the Company commences its right-sizing initiatives and implements production efficiencies at its Mildura facility.

- Payments of \$0.083 million (included in staff costs) were made to directors (being related parties) by way of salary payments.

Cash flows from investing activities included \$1.9 million from Sativite for full and final settlement of the Southern facility asset sale.

Cash flows from financing activities for the quarter includes a total of \$1.29 million drawn down from the Company's Construction and Working Capital facilities with the NAB.

SALES & THE MARKET

Revenue for the quarter ending 31 March 2024 was \$3.122 million. Consolidated year to date unaudited revenue was \$11.609 million, representing 18% growth in comparison to the same period last year.

The medicinal cannabis market continues to grow, fuelled by a surge in value and "smalls" products, while vapes are beginning to gain market share. Patients are increasingly seeking products which not only meet quality and aesthetic benchmarks, but also offer convenient dosage formats such as edibles.

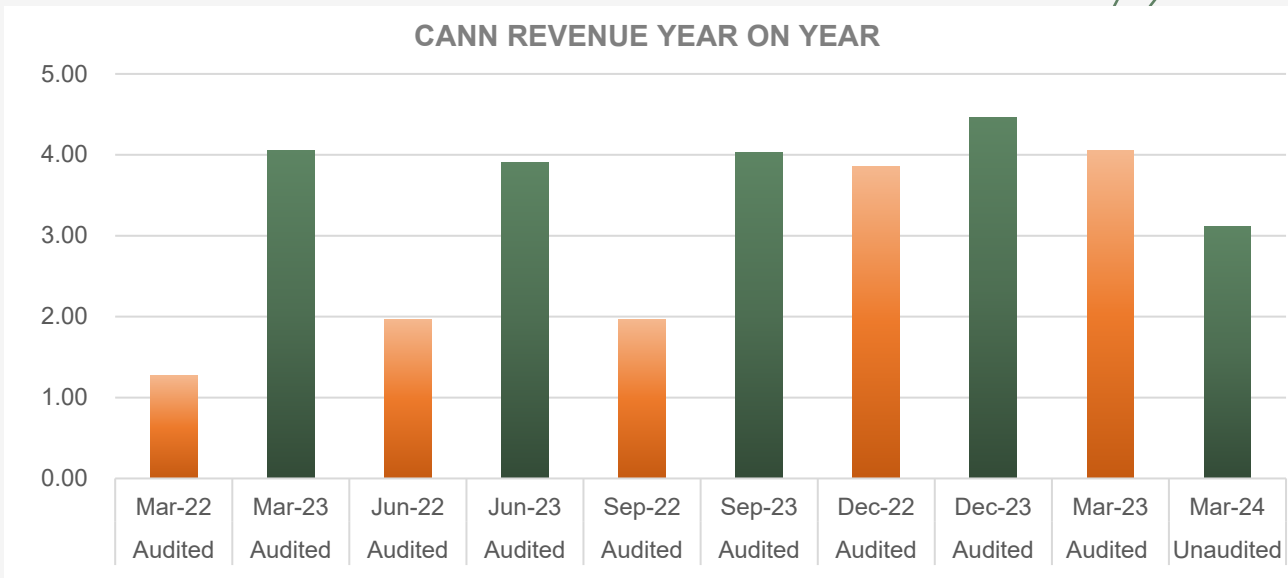
The uptake of new offerings within Cann's own Botanitech range has been strong. Cann plans to introduce additional mid-range and value options next quarter (Q4), with a new vape range also expected to be available next quarter. These initiatives further solidify Cann Group's position with one of the most comprehensive medicinal cannabis product portfolios in Australia. The high-margin Botanitech range has become the primary focus for Cann, with lower margin white-label customer sales, now being a secondary offering. In addition, Cann will continue its bulk flower offering which is a growing revenue opportunity.

Cann Group's commitment to innovation is evidenced by the transfer of newly bred genetics from its R&D facility to Mildura.

Anticipated to be commercially available from August onwards, these locally developed elite varieties are set to rival or surpass imported flowers in terms of quality, variety, and aesthetic appeal, meeting the expectations of Australian prescribers and patients.

Progress is well underway in the development of new formulations of Cann's gelatine microsphere capsule products (Sativite) tailored for the Australian market, with new formulations anticipated to be available in the second half of the year. Sales in the UK and European markets continue to be challenging. Cann is currently reassessing these markets.

The domestic market continues to face challenges with an increasingly diverse array of imported products entering the market, still predominantly originating from Canada. This ongoing trend continues to challenge both price competitiveness and quality standards for locally grown flower and other locally manufactured products. Vertically integrated companies maintain a stronghold, particularly in distribution, exerting significant influence and complicating customer projections for production and sales. Despite this, Cann believes it is well placed to compete via its expanding Botanitech range.



MILDURA FACILITY

This quarter, the Mildura facility saw the production of 840kg of inhalable flower, of which 707kg (84%) yielded A grade flower, the highest level reached in the Mildura facility to date.

A focus on quality product, closely aligned to customer requirements, has driven Mildura's output. The flexibility to have up to 22 cultivars at one time in the facility, enables enhanced customer offerings and bespoke solutions for the Botanitech range, white label, jar pack and bulk customers.

This quarter, the facility introduced three new commercial lines bred from Cann's in-house breeding program at its Northern facility, which are expected in the market during Q4 FY24. The Mildura facility is also in the process of commercialising a further eleven cultivars sourced and bred from leading North American seed suppliers. Key attributes and benefits of these new cultivars are expected to improve pest and disease resistance, improve yields (cannabinoid, terpene level and biomass), and provide better aesthetics. These are expected in the market by September 2024.

The facility introduced a new hang drying process which involved significant changes to material flow and re-tooling the drying racks. The new process is more labour efficient and delivers better customer desirables due to the inclusion of a cold curing phase, resulting in higher retention of moisture and terpenes, as well as improved trim quality.



Cann's Mildura facility is now a fully-commissioned and established world-class cultivation, manufacturing and analytical testing centre. Cann's investment in a multi-head filler will result in a threefold increase in packing capacity and resultant efficiency gains, when commissioned next quarter.

This technology allows Cann to flex with demand and provide a suite of inhalable flower products, third-party GMP packing and contract growing services.

With pressure on the industry to ensure all product is released to GMP (or equivalent) standards set by the TGA, Cann is ideally positioned to work with other industry partners to provide a suite of services to complement its own revenues from flower sales.

RESEARCH & DEVELOPMENT

Cann continues to accelerate the assessment of new genetics having novel flower bud characteristics and aromas in flowering trials at Cann's R&D facility in Bundoora, Victoria, with the aim of selecting new medicinal cannabis lines that meet production targets and allow for an expanded product catalogue for our customers.

Of the seven unique candidates delivered to the Mildura facility last quarter, three have progressed to commercial assessment with initial products expected in Q4 FY24. This quarter (Q3), a further 12 unique cultivars were progressed to a development phase at Mildura, firstly to establish healthy mother plants, and then to undertake development grows to identify elite lines. Initial products from this group are expected over the next two quarters.

Sterile, micro-propagated, tissue cultured plantlets, developed with La Trobe University as part of the ARC Research Hub for Medicinal Agriculture, were successfully transferred from the Bundoora R&D facility to the Mildura facility, from which healthy mother plants were established in this quarter. This development allows for replacement of mother plants from a sterile source and will also reduce the footprint required to maintain and replenish mother plants.

A small Phase 1 pharmacokinetic study of oral administration of Cann's CBD formulations in 12 healthy males, run by University of Newcastle as part of the CRCP funded project "*Growing the medicinal cannabis industry – precision farming to pharmaceuticals*", revealed that the maximum concentration (C_{max}) delivered by Cann's Australian and Swiss manufactured Satipharm capsules was around three times greater than that of the reference CBD oil, and this was achieved after 1.8 and 2.4 hours respectively – compared to 6.6 hours for the oil. Both capsules also produced a small increase in the bioavailability of the CBD itself, compared to the oil. This study will inform decision making by healthcare practitioners and improve treatment options for patients.

During FY24, development of Satipharm formulations containing THC has progressed using both full spectrum and highly purified extracts. This has been successful and alleviated concerns around THC stability during this formation process with THC assays aligning with predicted capsule contents. Novel colorants selected from the TGA approved register have also been trialled allowing for rapid progression to end-product formulation. As part of this work, bench-top methods have been worked on to reduce testing time and allow for screening of raw materials without pilot-scale equipment.

PERSONNEL

As announced on 21 March 2024, Peter Koetsier resigned from his position as CEO, and is currently performing limited duties during his four-month notice period. Jenni Pilcher, who has served on the Cann board of directors since September 2020, has been appointed as Executive Director & Interim CEO (full time) to manage the Company, and specifically execute a strategic and operational review. In addition, Tony Di Pietro commenced with Cann as CFO on 15 April 2024.

Commensurate with right-sizing the business and reducing the Company's cost base to a more appropriate level, Cann implemented a restructure during the quarter, impacting 11 roles, and generating approximately \$1.2 million of savings per annum. Following the restructure, Cann has 112 employees – 67 full-time, seven part-time, and 38 casuals. Of these, 47%



are male and 53% are female, which is line with our commitment to ensuring appropriate levels of gender diversity in the workplace.

In other diversity metrics, Cann has 37.5% of its staff members born outside of Australia, with this number increasing to 57% for its flagship Mildura facility. This statistic suggests that Cann has been able to attract and retain talent from diverse cultural backgrounds to benefit from various perspectives, experiences and skills brought by employees from different backgrounds.

FINANCING & ASX

Following the suspension of trading in the Company's shares on 29 February 2024, ASX has confirmed that in order to lift the suspension, ASX will require an un-disclaimed/clean audit opinion for the Company's half year financial statements, and to be satisfied that Cann meets Listing Rule 12.2 in that its financial condition is adequate to warrant quotation of its securities.

Cann has supplied updated forecasts to the Company's auditors, who are in the process of performing necessary audit procedures to determine whether they are able to sign-off on an un-disclaimed/clean audit opinion as it relates to the half-year ended 31 December 2023.

These forecasts are contingent on the Company successfully raising financing this quarter. The Company has signed a non-binding term sheet with a financier and is in the process of finalising terms and executing definitive financing agreements. The expected timing of obtaining financing is no later than mid-May. Following that, it is the Board's expectation the Company will be in a position to re-release its half year accounts with the required un-qualified audit opinion, and for the ASX suspension to be lifted thereafter.

OUTLOOK

"This quarter has undoubtedly been a challenging one, and I would firstly like to thank shareholders for their patience and support as we work through some of these challenges. Since stepping in, in an executive capacity (initially in February to assist with the finance function), the immediate priority has been to realise cash from the sale of surplus assets, to restructure the cost base to a more manageable level and to obtain new capital. We have made significant progress on all of these fronts, namely with collection of \$1.9 million from the sale of Southern facility assets, the signing of a sale and purchase agreement for \$1.7 million for surplus Mildura-based assets, the internal restructure and exit of our Port Melbourne offices which, combined, has contributed \$1.4 million savings per annum and being at the closing stages of finalising a new financing arrangement." Jenni Pilcher, Executive Director, commented.

"With additional funding now in sight, I am in the process of implementing a new commercial plan that will see us focus on our higher margin Botanitech range, which will be accelerated by new lines in the coming quarters and move away from production for white label customers which invariably has lower margins, is less predictable and contains greater credit risk. I look forward to reporting on our progress across all of these initiatives next quarter and beyond."

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

FOR ALL INFORMATION PLEASE CONTACT

Jenni Pilcher
Executive Director
Cann Group Limited
+61 3 9095 7088
contact@canngrouplimited.com

Steven Notaro
Company Secretary and
Head of Legal & Regulatory Affairs
Cann Group Limited
+61 3 9095 7088
contact@canngrouplimited.com

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 research facilities and corporate headquarters in Melbourne and operates 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.canngrouplimited.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 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,253	13,178
1.2 Payments for		
(a) research and development	(146)	(525)
(b) product manufacturing and operating costs	(2,353)	(9,479)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(3,589)	(10,315)
(f) administration and corporate costs	(984)	(4,300)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(8)	(2,192)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives ¹	-	3,468
1.8 Other (provide details if material) ²	(25)	244
1.9 Net cash from / (used in) operating activities	(3,851)	(9,920)

¹ Includes R&D Tax Incentive Rebate relating to financial year ending 2023 of \$3.468 million.

² includes GST payments of \$0.025m for the quarter ending 31 March 2024

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(151)	(2,476)
(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 (9 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	1,900	1,900
(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	(1,749)	(576)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	4,457
3.2 Proceeds from issue of convertible debt securities	-	2,000
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(304)
3.5 Proceeds from borrowings	1,294	14,951
3.6 Repayment of borrowings	-	(10,544)
3.7 Transaction costs related to loans and borrowings	(75)	(75)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	1,219	10,485

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,636	764
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,851)	(9,920)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	1,749	(576)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	1,219	10,485

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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	753	753

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	753	1,636
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (bank guarantees)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	753	1,636

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	83
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 in their capacity as directors during the quarter ending 31 March 2024

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

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	65,319
7.2	Credit standby arrangements	-	-
7.3	Other (Corporate Credit Cards)	55	12
7.4	Total financing facilities	65,805	65,331
7.5	Unused financing facilities available at quarter end		474
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 and are secured.</p> <p>The construction facility (\$49.4m) has a total drawn margin rate currently of 6.9116% p.a and a facility fee of 0.35% p.a. This facility is currently interest only and has an expiry date of 31 May 2025. The facility will be reviewed ahead of that date to assess principal repayment requirements.</p> <p>The working capital facility (\$15.6m) has a total drawn margin rate of 6.5551% pa and a facility fee of 0.35% pa. This facility is currently interest only. Repayment of the working capital facility has been extended from 30 November 2024 to 31 March 2025.</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 Group can repay each lease over a period of 24 – 60 months. The facility has an expiry date of 30 November 2024.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,851)
8.2	Cash and cash equivalents at quarter end (item 4.6)	753
8.3	Unused finance facilities available at quarter end (item 7.5)	474
8.4	Total available funding (item 8.2 + item 8.3)	1,227
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.3
	<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	<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>	

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?

Cann is in the process of securing additional funding, and is at the stage of proceeding to finalisation of binding documents. The Company expects that this funding will be secured in the coming month.

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?

Yes its does, on the basis of cash flow forecasts, customer relationships, and securing additional funding mentioned above.

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 April 2024.....

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.