

17 May 2024

Chairman's Letter to Shareholders

Dear Shareholder,

The past few months has been a period of significant changes at Cann. Although there have been challenges during this period, we believe the structural changes we have made will provide the foundation from which we can grow a robust and profitable, leading cannabis business in this growing industry. With this letter, we now provide greater insight into these improvements and ongoing activities within the company.

Change in management

On 21 March 2024, Mr Peter Koetsier resigned from his position as CEO and is currently serving out his four-month notice period in a limited capacity. The board and I would like to thank Peter for his contribution to growing the business over the past 18 months.

Following Peter's resignation, Ms Jenni Pilcher has transitioned from a non-executive director to Executive Director & Interim CEO to implement an internal restructure as we focus the business on becoming a profitable, sustainable business. Jenni has extensive experience in public growth companies and re-structuring as a CFO. Jenni's experience will ensure revenue growth remains a priority while implementing necessary cost-saving measures, such that Cann is able to supply high-quality products into the growing cannabis market whilst ensuring we are conservative on costs. We have already reduced our underlying cost base by more than \$2 million per annum without detriment to the overall business operations.

Tony Di Pietro commenced as CFO on 15 April 2024. Having spent the past two decades at ASX-listed companies, Mr Di Pietro boasts extensive experience as CFO/Company Secretary in the med-tech industry, with his last three roles at Sienna Cancer Diagnostics Limited, INOVIQ Limited and Genetic Technologies Limited.

ASX trading suspension

Post the release of its initial half-year report on 29 February 2024, Cann was placed into trading suspension by the ASX due to the disclaimer of conclusion contained in the independent auditor's review report relating to Going Concern.

Since then, the Company has undertaken a number of initiatives to both reduce operational costs as well as optimise revenue. These include:

- securing \$5 million of debt funding (announced on 7 May 2024),
- an internal company re-structure and cost savings program that has already generated >\$2 million of savings per annum,
- the sales of superfluous fixed assets (reported in March 2024),
- bulk sales of existing finished product inventory,
- leveraging its state-of-the-art glasshouse facilities to produce high quality, GMP products for the medicinal cannabis market, and
- defining a clear vision and pathway forward to becoming a viable, successful business supported by cash flow forecasts demonstrating the business is self-funding for at least the next 12 months.

As a result of these activities and following a review of the Company's 12-month forecasts, the Company re-released its half year report on 7 May 2024, with a now unmodified ("clean") audit review conclusion from the Company's independent auditors.

Since the re-release of the half-year report, the Company has been responding to various requests for information from the ASX such that they can assess Cann's financial condition under Listing Rule 12.2. Cann will continue to respond to such information requests with speed, as this assessment continues following the ASX confirming the continuation of suspension from quotation of the Company's shares yesterday.

Cann moving forward

Cann has recently undergone an internal restructure and has reduced its permanent staff numbers by more than 10% and continues to find further efficiencies in the production facility, thus reducing the need for casual labour. A restructure is never easy for staff but was absolutely necessary for Cann to keep control of its operating costs and provide the company with a clear knowledge of its baseline operating costs so that it can target sales to firstly cover these costs and then become profitable.

In terms of capital requirements, having now secured an additional \$5 million of debt funding, the board and management continue to work on longer-term capital solutions to ensure that Cann is optimally financed to execute on its strategy.

Over the past few months, the Cann team has been revising its sales strategy. The focus is now on the production of high quality, GMP medical cannabis products of various forms to meet market demands. This will see us place greater priority on some product lines, whilst reducing production on less profitable products, allowing us to maintain and potentially increase our average revenue per gram.

Cann now has a clear strategy to becoming a profitable, successful business. We continue to develop high-quality cultivars and aim to maximise the existing expertise within the Company across its state-of-the-art facilities. The Company will have a number of revenue streams through the production of high-quality, GMP produced medicinal cannabis products as well as leveraging its current infrastructure to provide services to the medical cannabis industry, such as finished product packing services and analytical testing services.

Over the coming months and the rest of 2024 and beyond, we intend to provide shareholders with more regular updates on the Company's progress. In the past few months, there has been a major internal focus on how to continue Cann's growth with the resources we have. Our Mildura facility remains a major asset and the Company is extremely fortunate to have a fantastic team of dedicated people. For Cann Group shareholders, all the pieces to make Cann a viable business remain in place with the team and facilities, so the focus is to execute our current plan and show shareholders and the broader market that we are a significant presence in the global medicinal cannabis market.

Your sincerely,
Julian

A handwritten signature in black ink, appearing to read 'Julian Chick', with a stylized, cursive script.

Dr Julian Chick
Chairman