

ASX ANNOUNCEMENT

28 February 2025

Cann Group results for half year ended 31 December 2024

- **Sales Revenue Shift in Mix:** Sales revenue of \$6.5 million for the half-year ended 31 December 2024 (down 24% on PCP) due to sales mix transition to higher margin product.
 - **Significant Cost Efficiency:** Operating expenses reduced by 40% to \$10.5 million.
 - **Positive EBITDA Trend:** EBITDA loss of \$4.1 million - 36% improvement on PCP.
 - **Enhanced Cash Flow Management:** 25% improvement in cash outflows from operations, reducing them to an outflow of \$4.5 million.
 - **Successful Capital Raising:** Cann Group successfully raised \$2 million through a non-renounceable rights issue during the period.
 - **Refinancing:** NAB extends facility expiry dates to 30 September 2025, capitalises three quarters of interest on the construction loan, and provides an extension for the payment of working capital interest to April/May 2025.
-

28 February 2025 – Cann Group Limited (ASX: CAN) (**Cann** or the **Company**) today released its financial results for the six months ending 31 December 2024. The prior corresponding period is the six months ending 31 December 2023 (**PCP**), whereas the last half year is the most recent comparative six months ending 30 June 2024 (**2HY24**).

Financial highlights

Cann Group achieved sales revenue of \$6.5 million for the half-year ended 31 December 2024 (down 24% on PCP) due to sales mix transition to higher margin product. Sales for the Company's medicinal cannabis oil products – which require external production and carry a lower gross margin, have fallen by 66% compared to PCP reflecting the Company's decision to transition away from oil production as a focus. The shift towards medicinal cannabis flower production at its facility, a higher margin product, has partially offset the reduction in oil sales, particularly Cann's Botanitech range which has increased by 108% compared to PCP and continues to grow. Cann continues to focus on the Botanitech range with the introduction of new cultivars all produced at Cann's GMP facility, and several new resulting products on the market.

The company made significant strides in reducing operating expenses by 40%, bringing them down to \$10.5 million. This follows the Company's major restructure and right-sizing exercise which commenced in April 2024. The Company continues to find operational efficiencies which inevitably lead to a decrease in labour, which is evidenced by a 29% decrease in operational expenditure this half year compared to 2HY24.

The Company continues to make progress to its stated goal of EBITDA positive, and has reported an EBITDA loss of \$4.1 million, an improvement of 36% over the PCP, reflecting the Company's effective cost control measures and strategic initiatives.

Cash outflows from operating activities improved (reduced) by 25% over the PCP, and 59% when excluding R&D tax incentive refunds and interest.

The Company reported an operating loss after tax of \$10.7 million, an improvement of 25% over the PCP (1H FY24: \$14.3 million loss).

Equity Financing

Cann Group successfully raised \$2 million through a non-renounceable rights issue during the period.

Since the end of the period, the Company formally agreed to draw down \$750k ('special purchase') on its Convertible Note facility with Obsidian Global GP, LLC with \$150k to be received no later than 28 February 2025 and the remainder of \$600k to be received following the lodgement of an applicable prospectus, which is expected to be lodged in the coming days.

Debt Financing

On 11 February 2025, the Company announced its major financier, National Australia Bank (NAB) had agreed to defer (capitalise) a further two quarters of interest payments for the Company's construction loan, due approximately on 22 February 2025 and 22 May 2025 totalling approximately \$1.8 million. This follows the previously capitalised interest for the quarter ended 22 November 2024. In addition, NAB has agreed to a payment plan arrangement for the interest & facility fee on its working capital facility from March to April and May.

NAB has also agreed to extend the maturity dates for its working capital facility and construction loan from 31 May 2025 to 30 September 2025.

Production

A total of 2.29 tonnes (dry weight) of cannabis flower has been produced across 17 cultivars for the half year, and the company is on track to meet its 5.5 tonne objective for the full year with ramp up occurring in Q3 and Q4. This ramp up is occurring via increasing the number of rows planted and harvesting techniques.

The Company continues to extract efficiencies in its production process at its regional cultivation facility near Mildura. The multi-head filler plant has enhanced production efficiency so that product can be delivered at a faster rate to the market, new techniques are being tested in the bucking and trimming area which have already since strong double digit increased in output, and hang drying continues to be superior to tray drying on many levels. The Company expects to derive cost benefits from the use of these new techniques in its Mildura facility.

Outlook

Jenni Pilcher, CEO and Managing Director, said: "Our Mildura facility is now a well-established medicinal cannabis GMP facility that is delivering consistent quality product, ultimately to

patients. We continue to ramp up production in a methodical manner, increasing the confidence of our customer base for reliable supply, which is expected to drive revenue growth growing forward. This, combined with the now much more stable and predictable cost base, will ensure Cann is well positioned to target profitability and positive cash flows in the near to medium term.

“Coupled with the above commercial opportunity and platform for growth, we are now firmly focussed on restructuring Cann’s financial position, which is a high priority over the next six months. This is a critical step towards to providing a sound platform for the Company to achieve its growth plans and generate shareholder value.”

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

For all other information please contact:

Jenni Pilcher
CEO & Managing Director
Cann Group Limited
+61 3 9095 7088
contact@canngrouponlimited.com

Steven Notaro
Company Secretary
Cann Group Limited
+61 3 9095 7088
contact@canngrouponlimited.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.canngrouponlimited.com | www.satipharm.com