



ASX ANNOUNCEMENT

Q4 – JUNE 2024

QUARTERLY ACTIVITIES REPORT & APPENDIX 4C

Sales revenue for the year ended 30 June 2024 (unaudited) of \$15.38m, an increase of 12% over the prior corresponding period (“PCP”).

Cash receipts from operating activities of \$3.33m received during the quarter, up 2% on the PQ, down 24% on the PCP.

Net cash outflows from operating activities \$5.34m, in line with previous guidance of \$5.06m to \$5.52m.

Receipt of \$1.78m from surplus asset sales in the quarter as expected.

Receipt of \$5m in secured debt financing from a private credit lender.

31 July 2024 – Cann Group Limited (ASX: CAN) (**Cann** or the **Company**) is pleased to provide its Quarterly Activities Report and Appendix 4C for the fourth quarter ended 30 June 2024 (**Current Quarter** or **CQ**). The prior quarter is 31 March 2024 (**Prior Quarter** or **PQ**) and the previous corresponding period is the quarter ended 30 June 2023 (**PCP**).



QUARTERLY WRAP-UP

The Current Quarter was undoubtedly a reset quarter and included the following significant achievements:

- Producing a quarterly result in-line with guidance made on 3 June.
- Receiving the final instalment of \$1.5 million (exc. GST) from the sale of surplus assets – 30 June.
- Reinstatement to quotation of the Company's securities by the ASX – 4 June.
- Reissue of the Company's half year results with a review conclusion containing an emphasis of matter regarding going

concern (as opposed to the previous disclaimer which triggered the suspension from trading of the Company's securities), from the Company's auditor – 8 May.

- Obtaining debt financing of \$5 million – 6 May.
- Restructuring the Company's cost-base realising savings of minimum \$2 million per annum – 15 April (and continuing).

In addition, the Company announced the appointment of Jenni Pilcher to the role of CEO & Managing Director.

CASH FLOWS

Net cash outflows from operating activities for the Current Quarter were \$5.34 million, 39% higher than the prior quarter. The increase is explained below:

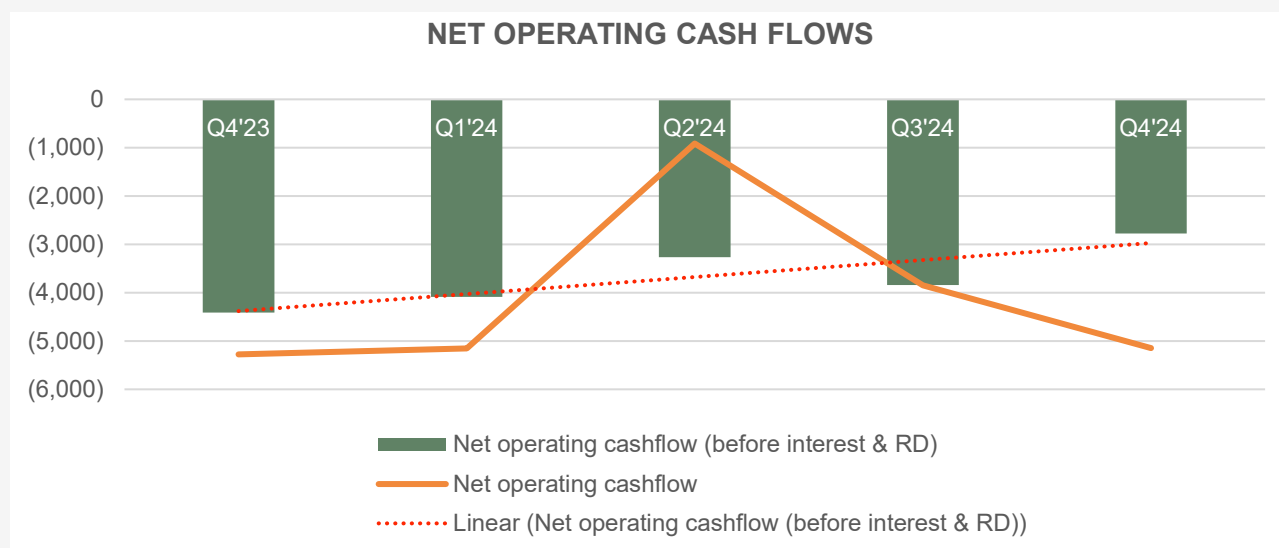
The Current Quarter includes items that will not recur as follows:

- two quarters (six months) of interest payments to NAB totalling \$2.32 million. Going forward, interest payments will be made quarterly and are expected to be approximately \$1.4 million per quarter at current interest rates.
- restructuring payments to employees of approximately \$0.35 million.
- a reallocation (non-cash) of an expense of \$75k from financing costs to administration.

Despite the above, payments to suppliers and employees were down 8% and 15% respectively evidencing the recent cost-efficiency program.

Net cash outflows from operating activities include \$143k of payments to Directors, being related parties.

The chart below demonstrates the steady improvement in operating cash flows (excluding interest and R&D tax refunds) over the past five quarters, which the Company expects will continue into FY2025:



Cash flows from investing activities for the quarter included \$1.7 million for the sale of surplus fixed assets, as previously guided.

Cash flows from financing activities for the quarter included \$5 million (before costs) of secured debt funding from a private credit lender as announced to the ASX on 7 May 2024.

SALES & THE MARKET

Sales revenue for the year ended 30 June 2024 was \$15.38 million (unaudited), representing a 12% growth over the prior financial year.

Sales revenue (unaudited) for the month of June and the Current Quarter were \$1.67 million and \$3.77 million respectively, consistent with the same period last year.

Cann continued to expand its in-house Botanitech product portfolio, launching five new products during the quarter. There was high demand for 'value' products, particularly the new Botanitech INC labels, driving increased sales and a review of crop scheduling to meet demand. Further Botanitech product launches are planned over the next 12 months, including flowers, oils, vapes, and capsules.

Commercial cultivation of unique genetics transferred from Cann's Northern R&D facility to the Mildura facility has commenced. These cultivars, expected to be available from September, mark the beginning of an era of competitive offerings available as new Botanitech labels, bulk flower, and white label. These varieties have been bred and pheno-

typed at our R&D facility and selected for their patient desirables and commercial potential.

Satipharm product development continues with two new product formulations on track to be commercially available by the end of Q2 (FY2025). Medical interest in Satipharm is growing due to its pharmaceutical form, particularly among cannabis-naïve healthcare professionals and patients. This interest is supported by the availability of clinical evidence demonstrating the efficacy of Satipharm formulations in specific conditions.

Cann remained dedicated to its white label and contract manufacturing commitments, working closely with commercial partners to support new opportunities in the Australian market.

During the quarter, Cann successfully completed the expansion of its commercial team. This team, with extensive business knowledge and customer management skills, is dedicated to supporting customers, enhancing Cann's market presence, and driving business growth across the Eastern seaboard.



MILDURA FACILITY

This quarter, the Mildura facility has been focusing on the following activities and initiatives:

- Actively differentiating flower quality to provide products to meet various price points in the market.
- The use of tissue culture versus traditional vegetative replacement of mother stock resulted in improved plant vigour and higher than expected yields.
- Introduction of new cultivars focusing on customer desirables, and production efficiencies, are receiving positive customer feedback.
- Installation of a new multi-head filler, which is expected to be commissioned next quarter (Q1 FY2025).
- Continued focus on labour efficiencies and process improvements to lower cost per gram produced.
- Shortlisting of solar energy providers to reduce the cost of electricity. This will allow the utilisation of the land adjacent to the facility as a solar farm and contribute to a lower cost per gram of flower.



FINANCING & ASX

On 7 May 2024, the Company executed a facility agreement with a prominent Australian private credit fund to provide a secured debt facility of \$5 million (Facility). The full \$5 million has been drawn down in one lump sum and funds (net of costs) were received during the Current Quarter. A summary of the material terms of the Facility can be found in the announcement to the ASX on 7 May.

On 4 June 2024, the ASX reinstated the quotation of the Company's securities. This followed the re-release of the Company's half year results on 7 May, including a revised review opinion from the Company's auditor.

OUTLOOK

With a reset cost base and reinstatement to trading of the Company's securities, the Company is now firmly focused on scaling up production in the two (2) commissioned zones of its Mildura facility to ~10 tonne per annum in order to deliver a positive EBITDA result for FY2025, followed by a cash flow positive result in FY2026.

The Company has the option to expand its current facility (subject to funding) by fitting out additional zones to further accelerate future revenue growth and profitability. Today, the facility has only two out of 10 zones (~20%) operational.

Further information on the Company's strategic plan can be found in the investor update presentation released to the ASX on 24 July.

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

FOR ALL INFORMATION PLEASE CONTACT

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

Tony Di Pietro
Company Secretary & CFO
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

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 2024

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	3,330	16,507
1.2 Payments for		
(a) research and development	(231)	(755)
(b) product manufacturing and operating costs	(1,682)	(11,161)
(c) advertising and marketing	(44)	(44)
(d) leased assets	-	-
(e) staff costs	(3,038)	(13,353)
(f) administration and corporate costs	(1,252)	(5,553)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	16	17
1.5 Interest and other costs of finance paid	(2,370)	(4,561)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives ¹	-	3,468
1.8 Other (provide details if material) ²	(66)	178
1.9 Net cash from / (used in) operating activities	(5,337)	(15,257)

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

² GST payments of \$0.066m for the quarter ending 30 June 2024

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(28)	(2,505)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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	1,780	3,680
	(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	1,752	1,175

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	5,564	20,516
3.6	Repayment of borrowings	(896)	(11,440)
3.7	Transaction costs related to loans and borrowings	(197)	(272)
3.8	Dividends paid	-	-
3.9	Other (net cash from finance leases)	-	-
3.10	Net cash from / (used in) financing activities	4,471	14,957

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	753	764
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,337)	(15,257)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1,752	1,175
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,471	14,957

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
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,639	1,639

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	1,639	753
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)	1,639	753

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	143
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, including the CEO & Managing Director, in their capacity as directors being related parties for the current quarter.

7.	Financing facilities <i>Note: the term “facility” includes all forms of financing arrangements available to the entity.</i> <i>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	64,895																					
7.2	Credit standby arrangements	-	-																					
7.3	Other (Corporate Credit Cards)	55	10																					
7.4	Total financing facilities	65,805	64,905																					
7.5	Unused financing facilities available at quarter end		900																					
7.6	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.																							
	<table><tr><th>Facility</th><th>Limit</th><th>Expiry Date</th><th>Interest Rate (per annum)</th><th>Interest Payment Terms</th></tr><tr><td>NAB Construction Facility (secured)</td><td>\$49.4m</td><td>31 May 2025</td><td>BBSY + 2.64% (+0.35% facility fee) effective 24 May 2024</td><td>90 days in arrears</td></tr><tr><td>NAB Working Capital Facility (secured)</td><td>\$15.6m</td><td>31 May 2025</td><td>BBSY + 2.34% (+0.35% facility fee) effective 1 June 2024</td><td>90 days in arrears</td></tr><tr><td>Private Credit Lender (secured)</td><td>\$5m</td><td>6 May 2025</td><td>15%</td><td>Monthly in arrears</td></tr></table>				Facility	Limit	Expiry Date	Interest Rate (per annum)	Interest Payment Terms	NAB Construction Facility (secured)	\$49.4m	31 May 2025	BBSY + 2.64% (+0.35% facility fee) effective 24 May 2024	90 days in arrears	NAB Working Capital Facility (secured)	\$15.6m	31 May 2025	BBSY + 2.34% (+0.35% facility fee) effective 1 June 2024	90 days in arrears	Private Credit Lender (secured)	\$5m	6 May 2025	15%	Monthly in arrears
Facility	Limit	Expiry Date	Interest Rate (per annum)	Interest Payment Terms																				
NAB Construction Facility (secured)	\$49.4m	31 May 2025	BBSY + 2.64% (+0.35% facility fee) effective 24 May 2024	90 days in arrears																				
NAB Working Capital Facility (secured)	\$15.6m	31 May 2025	BBSY + 2.34% (+0.35% facility fee) effective 1 June 2024	90 days in arrears																				
Private Credit Lender (secured)	\$5m	6 May 2025	15%	Monthly in arrears																				
	In addition, Cann has a leasing facility which 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.																							

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(5,337)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,639
8.3	Unused finance facilities available at quarter end (item 7.5)	900
8.4	Total available funding (item 8.2 + item 8.3)	2,539
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.5
	<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>	

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?

No, the entity expects net operating cash flows to improve from next quarter onwards. The improvements are expected to come from the following:

The Current Quarter includes items that will not recur as follows:

- two quarters (six months) of interest payments to NAB totalling \$2.32 million. Going forward, interest payments will be made quarterly and are expected to be approximately \$1.4 million per quarter at current interest rates.
- restructuring payments to employees of approximately \$0.35 million.
- a reallocation (non-cash) of an expense of \$75k from financing costs to administration.

In addition

- The Company is expecting to receive an R&D tax credit refund in Q1 FY2025 of approximately \$1.8 million as previously outlined.
- Cash receipts are expected to increase in subsequent quarters following the anticipated launch of several new product ranges late in the current quarter (Q4), and into next quarter (Q1 FY2025).

The current quarter net operating cash outflows result improves to approximately \$3.9 million and 1.1 quarters of cash coverage when allowing for the normalisation of the items noted in the bullet points above. Cash coverage will further improve with the receipt of the R&D Tax Credit next quarter and the expected increase to sales from the launch of new Botanitech product lines near the end of Q1 FY2025. Further detail can be found in the quarterly activities report accompanying this Appendix 4C.

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?

Going forward, the Company expects to bolster its cash reserves as follows:

- The Company is expecting to receive an R&D tax credit refund in Q1 FY2025 of approximately \$1.8 million as previously outlined. This is considered highly likely.
- Growth in cash receipts as a result of increased production from the Company's specialised medical cannabis GMP facility and importation of specialised products to fill demand for the Company's curated range. The Company considers this growth in cash receipts highly likely based on recent demand and new product lines becoming available via its Botanitech brand.

In addition,

- The Company is considering completing a small equity raising from its existing shareholders later this year if required. The Company believes this is likely to generate additional cash reserves, if undertaken.
- The Company continues to have support from private lenders who have indicated a willingness to provide short term lending for specific projects.
- The Company has launched a sale and leaseback marketing campaign for its Mildura facility to assess interest. This is not yet at a stage whereby the Company can reliably assess the likelihood of whether this will be successful and hence is not placing any reliance on this outcome.

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. This quarterly result is as expected and in line previous guidance which indicated expected net operating cash outflows for Q4 FY2024 of \$5.06 - \$5.52 million.

The Company is continuing to execute its business strategy which is further outlined in the investor update presentation dated 24 July 2024, and is consistent with previous correspondence provided to the ASX on 3 June 2024.

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:31 July 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.