



ASX ANNOUNCEMENT

SEPTEMBER 2023

QUARTERLY ACTIVITIES REPORT & APPENDIX 4C

Unaudited year to date sales revenue of \$4.03m, representing 2.0 times the sales revenue of the prior corresponding period.

Cash receipts from operating activities of \$4.54m received during the quarter, up 87% on the prior corresponding period.

In July 2023, harvest of crops continuously planted at a scale twice that of previous crops, commenced. Crop area harvested from mid-July, equates to an annualised production level of 8 tonnes.

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



REVENUE GROWTH

Year to date unaudited sales revenue at 30 September 2023, was \$4.03 million, representing 2.0 times or 105% to the sales revenue recorded at 30 September 2022.

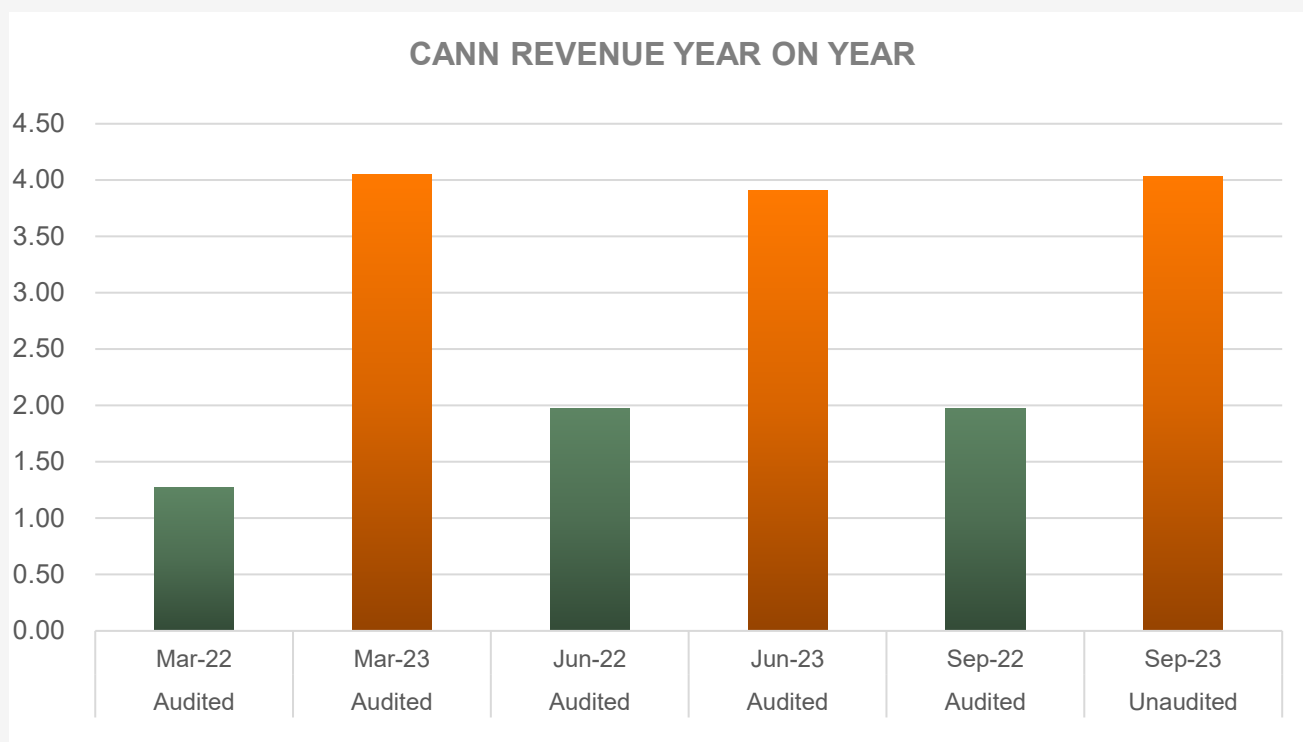
Additional revenue streams such as Cann's GMP dried flower packing has helped to see strong revenue numbers in Q1. The flower packing service, which is offered under contract manufacturing agreements, has contributed \$566,735 this quarter.

Recording year-on-year growth of over 250%, consignment sales have also contributed strongly - approximately 10% - to the Company's Q1 revenue.

The cannabis market landscape continues to shift, with demand for dried flower surging ahead of oil products. A six-fold increase in dried flower (patient-ready) products was delivered in Q1, compared to the prior corresponding period, and holding steady with quantities delivered in Q4 of FY2023. This growth is a direct result of Mildura's output having doubled recently, with a higher percentage of inhalation-grade flower from each crop coupled with improvements to bud aesthetics, trim quality and terpenes.

The number of cannabis oil products delivered in Q1 was down 18% on the corresponding period last year, with similar quantity levels to Q4 of FY2023. The cannabis oil market continues to be challenged, with new entrants flooding the market with low-cost, imported product prior to the TGO 93 amendments on 1 July 2023. Cann has identified several opportunities to further reduce the cost of the Active Pharmaceutical Ingredients (API) to remain competitive in this space.

The supply of two international dried flower cultivars will supplement the Company's current strains while the team continues the phenotyping process with recent seed imports. Cann is also preparing to add unique high-THC genetics to its flower product portfolio, with these additions beginning to flow through in Q2 and Q3.



FINANCIALS

Net cash outflows from operating activities for the quarter ending 30 September 2023, were \$5.16 million as Cann continues with the scale-up of the Mildura facility to capacity. Key cashflow items for the quarter were:

- Cann collected \$4.54 million in receipts from customers, representing an 87% increase on the prior corresponding period.
- Product and manufacturing costs of \$3.47 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 \$0.074 million were made to directors (being related parties) by way of salary payments.
- Cann withdrew an amount of \$1.2 million from the NAB Construction facility during the quarter.
- Cann received \$1.5 million from Radium Capital representing early advances of the FY23 Research and Development tax incentive.
- Cann raised \$4.46m from existing shareholders after conducting a non-renounceable rights issue during the quarter.

RESEARCH & DEVELOPMENT

Cann has identified seven new, unique, high-THC cultivars with optimal growth characteristics including bud yields and pleasant aroma profiles. The new cultivars have been transferred to the Mildura facility where they will be short-listed based on their growing attributes at the commercial facility. Concurrently, new genetics obtained from overseas breeders or via Cann's breeding program, are under assessment in flowering trials at Cann's R&D facility. We expect to have results from the new trials over the next two quarters. This program continues to support the Company's objective to be a supplier of choice globally for differentiated high-quality medicinal cannabis products.

A small clinical trial has been initiated with the University of Newcastle (our research partners in the Cooperative Research Centre Project (CRCP), "Growing the medical cannabis industry – precision farming to pharmaceuticals"), to measure the bioavailability of CBD from CBD oil versus the Satipharm CBD capsules in a cohort of patients, with results expected in the next quarter. We expect that this will provide further evidence for health practitioners to support our contention that Satipharm CBD capsules have improved bioavailability over CBD oil.



MILDURA FACILITY

Cann's Mildura facility has continued to build on the improvements seen in FY23. July saw a doubling of the glasshouse area under cultivation, with strong results seen, as the Mildura sun returned, with yield records being set and broken during September. Due to this, the September quarter has provided the best results at the Mildura facility to date, with overall yield breaking the previous record quarter's total yield by 9.7% and inhalable-quality flower yield by 51%. These results highlight the good work being put into crop yields and flower quality by the Mildura team, with 88.1% of the total flower yield being inhalable-grade quality. The quarter ended strongly with September setting a new monthly record for the site.

In addition to these records, the facility has introduced four new cultivars and produced commercial volumes of each. This has enabled a high level of engagement with potential customers and is key to facilitating new business.

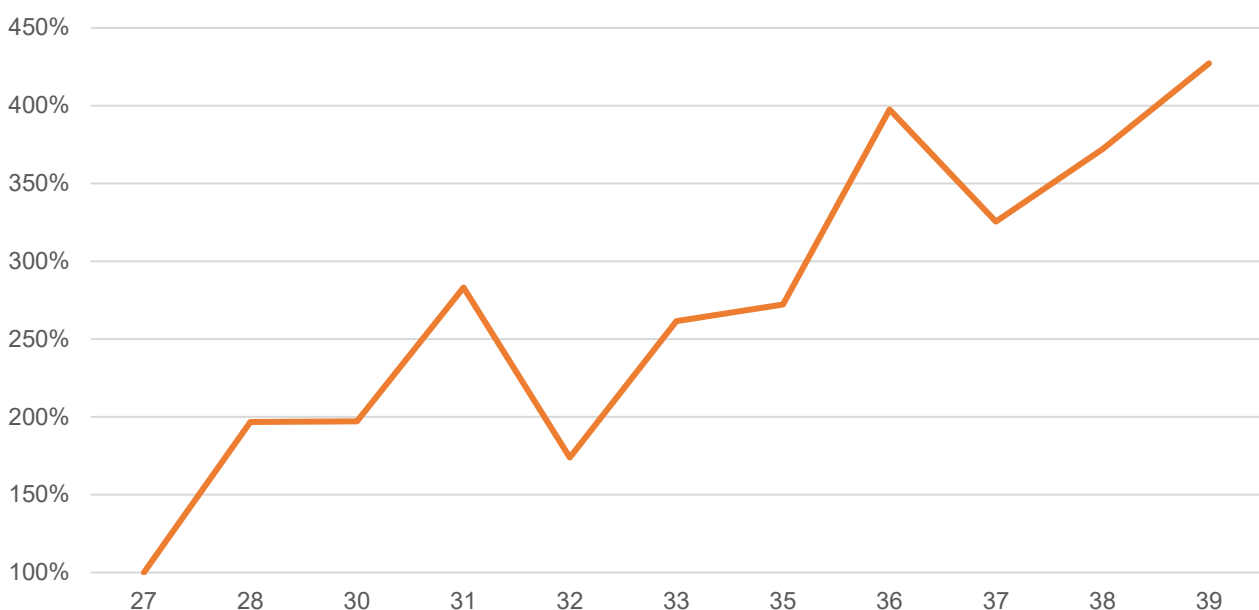
During September, the site focus has shifted to utilising the remaining glasshouse facility capacity. Detailed planning has closed and the first crops to fully utilise the remaining cultivation space are being planted in October.

Manufacturing has continued to see growth through the September quarter with new packing records set monthly. The result of this growth is a 59% increase in packed jar units on FY23 Q4. Development of THC-containing Satipharm capsules has also continued alongside this growth during the quarter.

The facility project has also made strides towards completion, with final retention sums being paid to glasshouse builders Van der Hoeven Horticultural Projects.

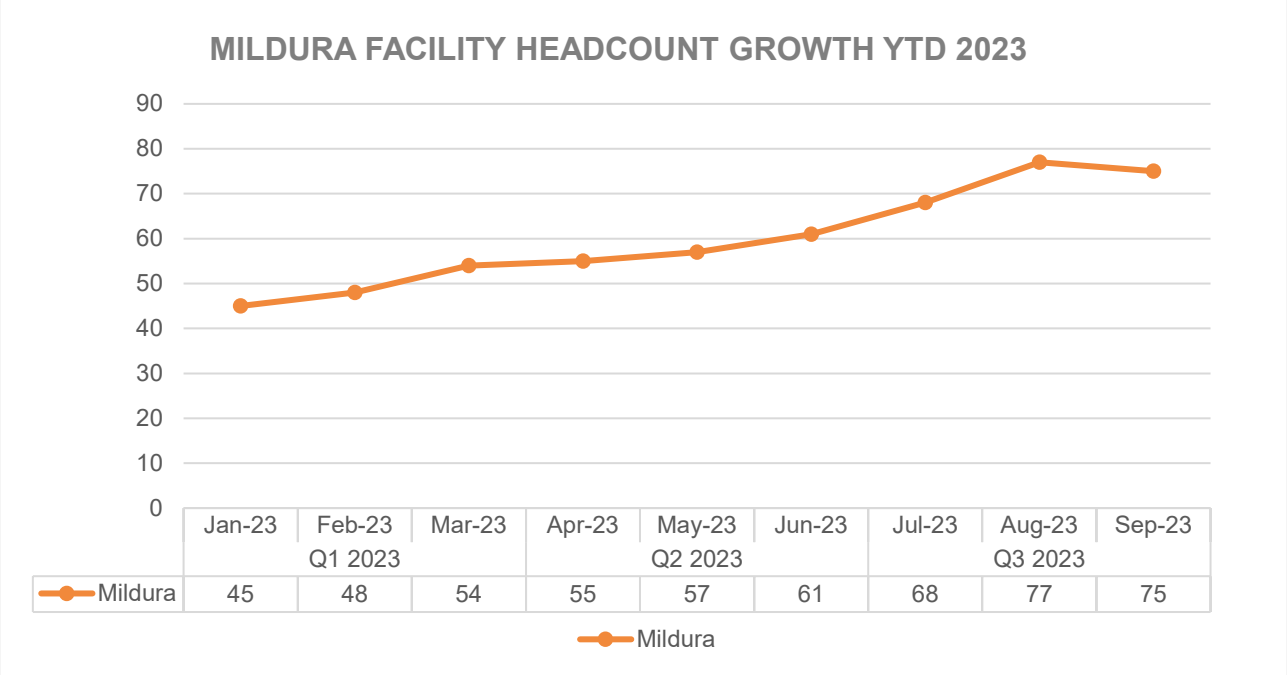
Practical completion for the last contract was also certified during this quarter, marking a key milestone as all equipment is confirmed to be operational.

**FY24 Q1 WEEKLY OUTPUT
(2023 WEEK 27 BASELINE, EXCLUDING TRIAL CROPS)**



PERSONNEL

Cann’s flagship Mildura facility continues its solid growth to support the Company’s commercial strategy of establishing stable and reliable supply as a trusted and dependable partner in the medicinal cannabis industry. The Mildura facility experienced 32% headcount growth during the course of calendar year Q3 2023 compared to calendar year Q2 2023, and 56% headcount growth compared to calendar year Q1 2023, to expand its cultivation and manufacturing capability.



Cann is an organisation where people are one of our most valuable assets and where the Company’s success is dependent on them. Cann staff recently participated in a culture and engagement survey



to provide feedback regarding their experience of working at Cann. The results of the survey assisted the executive leadership team to develop plans to provide access to additional paid leave, mental health initiatives, and leadership training. Cann is also expanding its student placement program to support students from various disciplines in gaining experience and exposure to the medicinal cannabis industry. In a new initiative, Cann is participating in Monash University’s industry experience and is offering formal experience to Master of Pharmaceutical Science students.

Cann’s people strategy focuses on four pillars; talent, diversity, leadership excellence and culture. Cann is an equal opportunity employer and is committed to providing an environment in which employees have equal access to opportunities and are not judged by reference to irrelevant attributes. We are proud to report reasonable gender distribution at Cann (45% Female | 55% Male), and an equal gender balance within our executive leadership team.

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.

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 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,541	4,541
1.2 Payments for		
(a) research and development	(69)	(69)
(b) product manufacturing and operating costs	(3,466)	(3,466)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(3,091)	(3,091)
(f) administration and corporate costs	(2,199)	(2,199)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received		
1.5 Interest and other costs of finance paid	(1,065)	(1,065)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	194	194
1.9 Net cash from / (used in) operating activities	(5,155)	(5,155)

Explanation to 1.8 Other: This amount includes net GST receipts of \$0.19m for the quarter ending 30 June 2023.

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1,553)	(1,553)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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	(1,553)	(1,553)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,457	4,457
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	(159)	(159)
3.5	Proceeds from borrowings	8,212	8,212
3.6	Repayment of borrowings	(5,879)	(5,879)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	6,631	6,631

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	764	764
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,155)	(5,155)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,553)	(1,553)

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 (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,631	6,631
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	687	687

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	687	764
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)	687	764

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	74
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 during the quarter ending 30 September 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	61,798
7.2	Credit standby arrangements	-	-
7.3	Other (Corporate Credit Cards)	55	15
7.4	Total financing facilities	65,805	61,813
7.5	Unused financing facilities available at quarter end		3,992
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 6.49% 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 6.19% 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)	(5,155)
8.2	Cash and cash equivalents at quarter end (item 4.6)	687
8.3	Unused finance facilities available at quarter end (item 7.5)	3,992
8.4	Total available funding (item 8.2 + item 8.3)	4,679
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.91
	<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?

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. Receipts from customers to 30 September 2023 were 87% higher than the prior corresponding period while revenue was 105% higher than the prior corresponding period. This growth is expected to have a positive impact on net operating cashflow as expenses stabilise.

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) As in the past the Company has utilised the Federal Government research and development tax incentives. On 17 October 2023 the Company received an amount of \$3.48 million for the 2023 tax year. The net proceeds to Cann after full repayment of all early advances received from Radium Capital are \$1.92 million.

(2) 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.

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.

(3) The Company is in advanced discussions regarding non-dilutive capital opportunities with a number of parties and will provide further updates as these discussions progress.

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:31 October 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.