

ASX ANNOUNCEMENT

MARCH 2023

QUARTERLY ACTIVITIES REPORT & APPENDIX 4C



Year to date sales revenue of \$9.87m, representing 2.2 times the sales revenue of the prior corresponding period

Sales revenue for the quarter of \$4.05m, representing a 219% increase on the prior corresponding period

Cash receipts from operating activities of \$4.14m received during the quarter, up 24% on the prior quarter

Sale of Southern facility asset sale finalised; total consideration of \$3.1 million

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



SALES & PRODUCTION

Sales revenue for the quarter ending 31 March 2023 was \$4.05 million, representing a 219% increase on the prior corresponding period. Year to date sales revenue at 31 March 2023 was \$9.87 million representing 2.2 times the sales revenue of the prior corresponding period. Revenue growth has remained steady from Q2 to Q3 due to fulfilment of repeat orders from large B2B customers for both oil and flower products, complimented by the continued growth in Cann's consignment brands. Demand for dried flower products remains high and, with continuous cultivation improvement projects underway or completed, yields are expected to increase and achieve forecast levels during late Q4 FY23. Cann is preparing to double its current output by implementing full row crops from May 2023. This, combined with the introduction of several new cultivars in August, places Cann in a very strong position to respond to increasing demand for flowers sales.



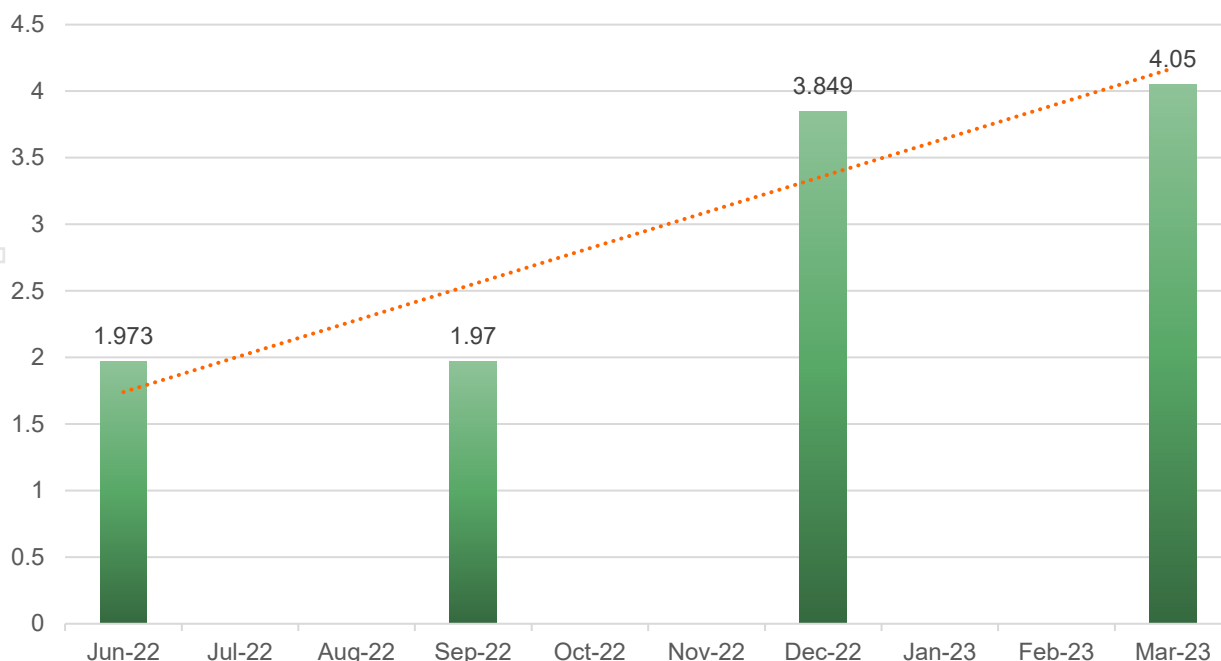
Top: an operator dispenses GMP flower into jars for customer use, and bottom: new mothers growing at Mildura, on the way to being production genetic stock. Young mother stock like this will support the coming production scale-up.

FINANCIALS

Net cash outflows from operating activities for the quarter ending 31 March 2023 were \$5.69 million. Key cashflow items for the quarter were:

- Cann collected \$4.14 million in receipts from customers representing a 24% increase on the previous quarter and a 220% increase on the prior corresponding period.
- Research and development expenses of \$0.88 million were paid during the quarter as Cann finalised its CBD S3 Phase III clinical trial.
- Product and manufacturing costs of \$3.94 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 \$0.10 million were made to directors (being related parties) by way of salary payments.
- Cash receipts from investing activities included \$2.78 million in receipts from SatiVite Pty Ltd after the asset sale of Cann's Southern facility was settled on 1 March 2023. This was offset by \$0.40 million expenditure associated with the construction and development of Cann's flagship Mildura facility.
- A net amount of \$3.0 million was repaid to the NAB Working Capital facility during the quarter.
- Cann withdrew an amount of \$0.31 million from the NAB Construction Facility during the quarter.

CANN GROUP QUARTERLY REVENUE



MILDURA FACILITY

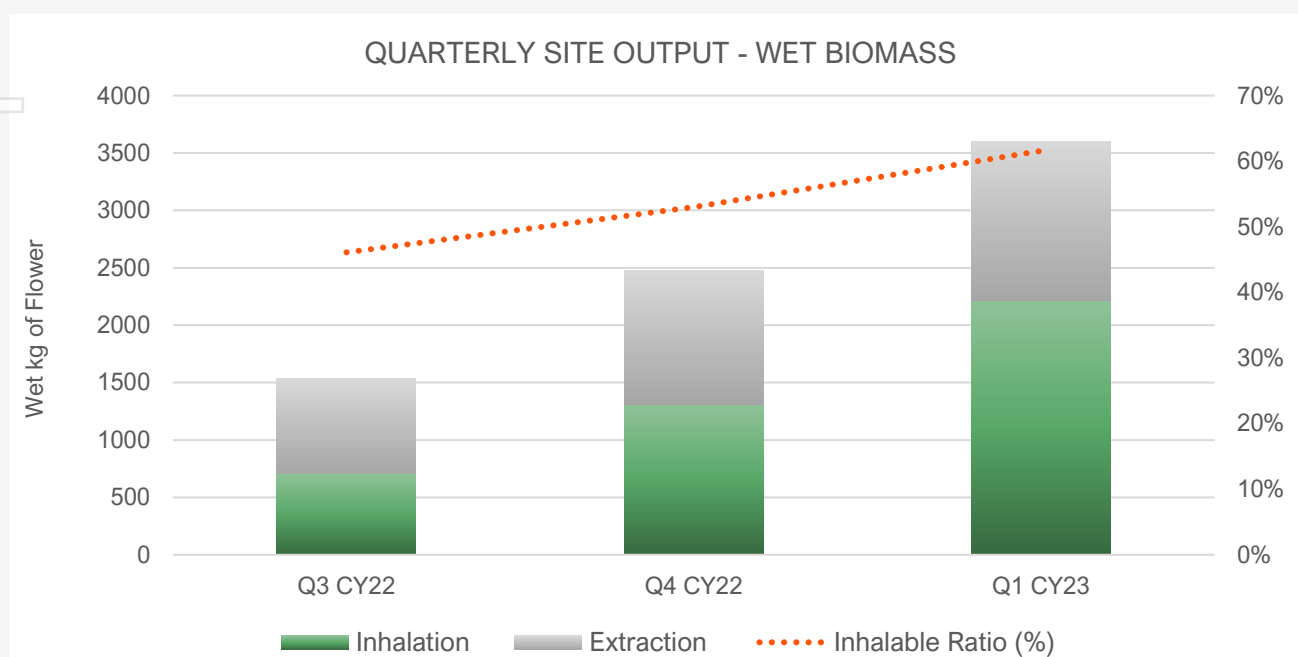
Cann's Mildura facility reached a number of key milestones in the March quarter. Two of the major contractors have completed their contractual defect and liability period and the resulting facility performance has been highlighted in passing our first operational summer with excellent temperature control. The preparatory work and commitment of staff in the last nine months has resulted in consistent weekly production to time targets and no crop losses. To implement these improvements permanently, a new cultivation structure has been established, which allows the team to focus on core activities. In addition, jar packing and labelling capabilities have been introduced, including the ability to print expiry and batch codes, a procedure which had previously been outsourced. The seemingly small change has given Cann a significant improvement in operational capabilities, efficiency and flexibility.

As a result, Q3 has seen a number of record production targets achieved. Compared with last quarter, biomass production has increased by 68.8% for inhalable flower and 18.7% for extraction grade flower – and a net improvement of inhalation quality flower yield of 17%. This has

been combined with significant improvements in trim quality with a net reduction in staff time committed. During this period Cann has also seen the three largest crops of our two main inhalable cultivars harvested. In manufacturing, jar packing output has grown by 476% vs the previous quarter, with labelling and printing both coming online to support finished good manufacture.

While these operational capabilities have been installed and realised, there remains a focus on continuous improvement, even at this early stage. Packing performance has increased and a second bulk packing line is being commissioned to support capacity as production increases. Drying trials have commenced to improve end-product quality, including terpene retention. Trim quality has also been a major focal point and a second trimmer has been handed over to operations, which is providing flower with substantially reduced undesirable elements, like shag, shake and crows-feet. The net result of this will ensure that product manufactured at Cann's Mildura facility will continue to meet and exceed the ever-increasing quality requirements of customers in this market.

HARVEST



RESEARCH & DEVELOPMENT

We continue to assess our pipeline of new, improved genetic lines developed through Cann Group's accelerated breeding program. Flowers of four of the new lines that were harvested at the Mildura facility are now ready for assessment by patients. To date, we have received 13,000 seeds from our partners at Agriculture Victoria that have been generated from 26 breeding events targeting improved yields and enhanced cannabinoid profiles. This program continues to support the Company's objective to be a supplier of choice globally for differentiated high quality medicinal cannabis products.

Scientists from our key external partners, including La Trobe University and Southern Cross University, presented their research on shorter flowering cycles, trichome development and the use of tissue culture at the ACannabis Conference held in Melbourne in March. As a key industry partner, Cann Group will have specific IP rights over the use of the key developments in the specific programs.

S3 CLINICAL TRIAL

The key end-point results from our CBD S3 clinical trial became known in January. In this trial, which focused on the treatment of sleep disorders, daily doses of 25mg, 50mg or 100mg CBD capsules were tested against a matched placebo in a parallel group design, which is considered the gold standard in clinical trial methodology. When calculating the results for the co-primary efficacy parameters, we referred to the change from baseline on the Insomnia Severity Index (ISI) questionnaire score and Patient-Reported Outcomes Measurement Information System (PROMIS) sleep disturbance questionnaire score at Day 31. The patients in this trial showed a clinically significant reduction in sleep disturbance. Over that time, all ISI scores for all patients fell from clinical insomnia to subthreshold insomnia and the PROMIS scores showed a decrease from moderate sleep disturbance to none or slight. The results from this trial showed a decreased insomnia severity from moderate to subthreshold levels, indicating potential clinical benefits of daily CBD supplementation as a sleep aid for primary insomnia. Unfortunately, the results did not show a statistical difference to the placebo group, which is required for registration as a medicine.

These results match those reported by two other trials of CBD against placebo for sleep disturbances or insomnia. In the trial conducted at Swinburne University, a daily dose of 150mg CBD oil was compared to placebo. In that trial all patients showed a similar reduction in the ISI scores and a high placebo response. Ecofibre's Ananda Health S3 Sleep study did not show statistically significant improvement compared to placebo. High placebo responses with medical cannabis trials are commonly reported in the literature. Similarly, placebo effects are commonly observed in insomnia clinical trials and such effects appear to be both robust and durable over longer trials.

When received the final trial report and full data will be carefully reviewed by both Cann and Haeon, but we expect the trial results will delay submission of an S3 registration application to the Therapeutic Goods Administration (TGA) for sleep disturbance. In the light of these results, we are reviewing our S3 product registration strategy with Haeon and will make further announcements about the outcome of those discussions in due course. The Satipharm delivery platform remains a valuable and unique product development opportunity for Cann, with a number of other cannabinoid formulations to be delivered on that platform.



SALE OF SOUTHERN FACILITY

On 1 March 2023, Cann Group completed the asset sale of its Southern facility in Melbourne to SatiVite Pty Ltd for a total consideration of \$3.1 million. SatiVite has provided Cann with a lease to continue operating at the site on behalf of SatiVite.

Long-form documentation is currently being finalised and a further update will be provided at completion.



PERSONNEL

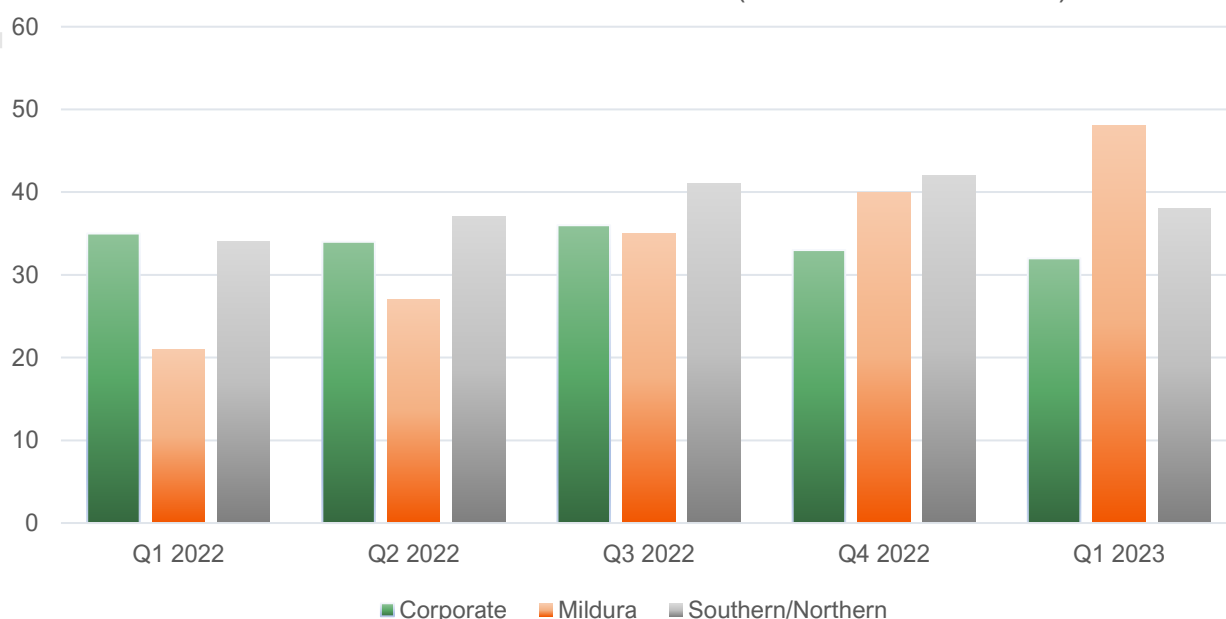
Since February 2020, headcount across all Cann Group sites has increased by 98%, largely driven by the commissioning of Cann's Mildura facility. Headcount increased by 95% at Cann's flagship Mildura facility during the calendar year 2022 and continued to be consistent throughout the first quarter of 2023, increasing by 20% from 1 January to 31 March 2023.

A key focus area of Cann's people and culture strategy is diversity in our workforce, taking into consideration the needs of our community and people and seeking new pathways to improve

our recruitment and retention practices and policies. The company continues to identify ways to make Cann Group an attractive workplace for people with disabilities, from minority groups and people living in rural and regional Victoria to support their career progression.

Cann Group was selected to participate in the Career Revive initiative developed by the Department of Education and Workplace Relations. The initiative supports employers to develop a program to attract people returning to work after a career break.

STAFF HEADCOUNT Q1 2022 - Q1 2023 (QUARTERLY AVERAGE)



BOARD & MANAGEMENT CHANGES

On 10 January 2023, the company announced the appointment of Peter Koetsier as the new Chief Executive Officer (CEO), replacing outgoing CEO, Peter Crock. Mr. Koetsier commenced the role on 16 January 2023.



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.cann grouplimited.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 2023

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	4,137	9,895
1.2 Payments for		
(a) research and development	(875)	(3,661)
(b) product manufacturing and operating costs	(3,935)	(12,085)
(c) advertising and marketing	(80)	(385)
(d) leased assets	(21)	(40)
(e) staff costs	(3,018)	(9,545)
(f) administration and corporate costs	(1,422)	(4,593)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(830)	(2,029)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	4,559
1.8 Other (provide details if material)	353	1,464
1.9 Net cash from / (used in) operating activities	(5,690)	(16,419)

Explanation to 1.8 Other: This amount includes net GST receipts of \$0.35m for the quarter ending 31 December 2022.

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(404)	(4,021)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	2,839	3,149
	(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	2,435	(872)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	8,175
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	(9)	(11)
3.5	Proceeds from borrowings	809	12,153
3.6	Repayment of borrowings	(3,517)	(3,530)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(28)	(254)
3.10	Net cash from / (used in) financing activities	(2,745)	16,533

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	7,240	1,998
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,690)	(16,419)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	2,435	(872)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2,745)	16,533
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,240	1,240

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	1,190	7,190
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (bank guarantees)	50	50
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,240	7,240

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	100
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 31 March 2023.

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	55,664
7.2	Credit standby arrangements	-	-
7.3	Other (Corporate Credit Cards)	55	1
7.4	Total financing facilities	65,805	55,665
7.5	Unused financing facilities available at quarter end		10,140
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.		
	<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 5.85% 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 5.55% 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 June 2023.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(5,690)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,240
8.3	Unused finance facilities available at quarter end (item 7.5)	10,140 ¹
8.4	Total available funding (item 8.2 + item 8.3)	11,380
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.0
	<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: Not applicable	

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: Not applicable

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: Not applicable

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:27 April 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 – eg 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.