



ASX ANNOUNCEMENT

DECEMBER 2023

QUARTERLY ACTIVITIES REPORT & APPENDIX 4C

Unaudited year to date sales revenue of \$8.49m, representing 1.5 times the sales revenue of the prior corresponding period.

Cash receipts from operating activities of \$5.38m received during the quarter, up 62% on the prior corresponding period.

The December quarter saw full-scale production implemented.

31 January 2024 – Cann Group Limited (ASX: CAN) (**Cann** or the **Company**) is pleased to provide its December 2023 Quarterly Activities Report and Appendix 4C.



REVENUE GROWTH

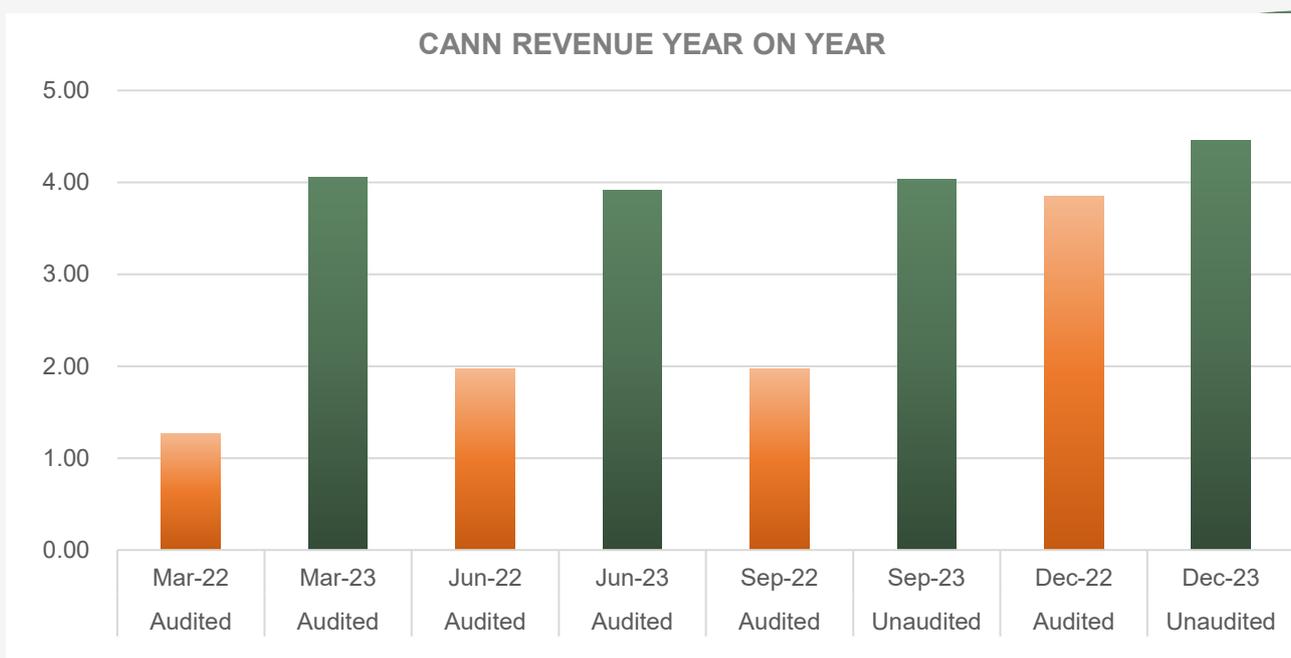
Consolidated December sales were \$1.28 million and revenue for the quarter ending 31 December 2023 was \$4.46 million, representing 16% growth in comparison to the same period last year. Consolidated year to date unaudited revenue at 31 December was \$8.49 million, representing 46% growth in comparison to the same period last year.

The Australian market for inhalable flower continues to grow and it has seen greater focus by overseas companies importing products primarily from Canada and more recently from other markets such as South Africa. However, much of this imported flower stems from excess production in Canada and can come with a premium cost associated with freight and onshore processing to meet TGO 93 regulations, and may be susceptible to unreliable supply and a longer timeline from harvest to patient access.

This market pressure has contributed to the more modest Q2 growth with impacts felt from revised white label customer forecasts and softer sell-through rates for flower and oils as part of the Botanitech brand. However, Cann has adeptly navigated these changes by recognising the importance of working with quality genetics that contribute to higher THC levels, terpenes and aesthetics. Cann’s R&D facility has continued its successful in-house breeding program incorporating exclusively

sourced, elite, modern, exotic varieties which is resulting in a pipeline of exciting new strains emerging from Mildura in 2024. With ongoing process improvements in the Mildura operations over the calendar year, most notably the introduction of hang-drying techniques for all crops from January 2024, and increased capacity, Cann is strategically positioned to match or exceed the quality and variety of imported flowers. The introduction of new products in 2024, combined with growth prospects from the relaunch and expansion of Botanitech, new GMP-packing agreements, and ongoing progress in multiple long-term supply arrangements, is expected to create significant business development opportunities for Cann. These changes also provide a platform for export in the second half of 2024.

Satipharm experienced a decline in revenue following notification of the collapse of Cann Group’s European agent, Dragonfly Biosciences Limited, in October. December sales were \$0.023 million and sales for the quarter ending 31 December 2023 were \$0.087 million. YTD revenue of \$0.246 million fell short of the forecasted \$0.264 million, however implementation of a new marketing partnership in the UK since late December is projected to drive revenue growth from mid-Q3 with renewed focus on high volume sales channels in the UK and Europe.



FINANCIALS

Net cash outflows from operating activities for the quarter ending 31 December 2023, were \$0.91 million as Cann continues with the scale-up of the Mildura facility to capacity. Key cashflow items for the quarter were:

- Cann collected \$5.38 million in receipts from customers, representing a 19% increase on the previous quarter and a 62% increase on the prior corresponding period.
- \$3.47 million R&D tax incentive rebate for the 2023 financial year was received in October 2023.
- \$2 million proceeds from convertible note issue were received during the quarter.
- Product and manufacturing costs of \$3.67 million were paid 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 \$0.083 million were made to directors (being related parties) by way of salary payments.
- Cann withdrew an amount of \$4.37 million from the NAB Working Capital Facility during the quarter.
- An amount of \$1.08 million was drawn down from the Company's NAB Construction Facility for the Mildura development, as three of the four primary build partners' defect & liability periods ended.
- Net cash outflows from operations would be \$4.38 million when excluding the annual R&D rebate received in the quarter, with current available cash reserves (including debt facilities) providing coverage of 1.1 quarters on this basis. The Company is currently evaluating various funding solutions.

RESEARCH & DEVELOPMENT

Identified through Cann Group's breeding program at the Company's Bundoora R&D facility, seven new, unique, high-THC cultivars are now under assessment for production traits, at our Mildura facility. We have also progressed assessment of further new genetics in flowering trials at Cann's R&D facility and plan to select new lines to be added to the pipeline of medicinal cannabis lines which meet production targets and allow for an expanded product range for our customers.



The CBD trial undertaken with the University of Newcastle, to measure the bioavailability of CBD from a common CBD oil presentation as compared to our unique Satipharm CBD capsules in a cohort of patients, has been completed and we expect the final report in the next quarter. The University of Newcastle is our research partner in the Cooperative Research Centre Project (CRCP), "Growing the medical cannabis industry – precision farming to pharmaceuticals".

MILDURA FACILITY

Q2 of FY24 saw the realisation of projected yields at Cann's Mildura facility and continued improvements in flower quality.

Yield records continued to be broken through the quarter, with 10 of the 14 crops grown yielding higher dry flower weights than any crop from previous quarters. During the quarter, 1.94 tonnes of dry flower was packed. The quarter saw continuous month-on-month growth of dry inhalable flower being produced, with over 500kg being manufactured in December alone.

This was capped with transition to full-scale harvests in January 2024, following two months of planting and managing crops at this scale. The second week of January saw all commissioned glasshouses full for the first time in Cann history. The net result of this work is that dry flower yields are expected to increase by 50% over the coming quarter.

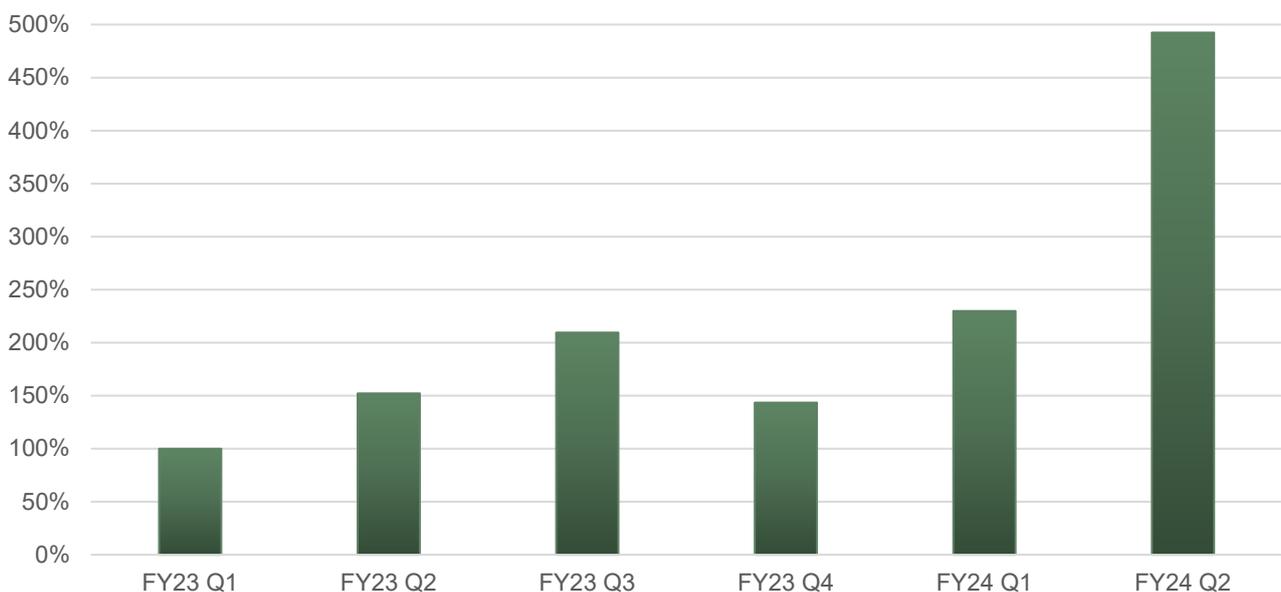
Manufacturing output continued to grow with a 16% increase in jar packing and labelling activities. Further, THC capsule development has been undertaken with novel colorants trialled and proven.



The quarter also saw the introduction and validation of a hang-drying process, delivering world-class product with improved aroma and appearance. These attributes raise the product quality above regulatory standards to ensure Cann's product offering is superior to that of its competitors.

This is further backed by ongoing on-site R&D work to establish new cultivars at Mildura and ensure Cann's full-scale production stays ahead of emerging market trends.

DRY FLOWER YIELD - NORMALISED TO FY23 Q1



PERSONNEL

Cann’s commitment to embracing diversity and promoting gender equality in the workplace has guided our people and recruitment strategy over the years. It’s a crucial aspect of Cann’s organisational culture which plays a pivotal role in our growth and success. We’re pleased to report that we have reached a significant milestone of having equal gender distribution across the business. In addition, 40% of our executive leadership team (ELT) is comprised of females. As we celebrate this achievement, we remain focused on sustaining this positive momentum.

In recent years, there has been a growing recognition of the importance of gender equality in the workplace. We understand that achieving equal gender distribution is not only a matter of fairness but also a strategic priority for our success. Diverse teams bring a variety of perspectives and ideas, enhancing our ability to innovate, problem-solve, and adapt in an ever-evolving medicinal cannabis landscape. For the Company, diversity refers to all characteristics which make our people individual and different from each other. We’re proud to report 38% of Cann staff were born outside of Australia, and 9% of Mildura facility staff members identify as having a disability.

Across the organisation, 60% of our team members possess a bachelor’s degree/undergraduate certificate, or higher, qualification (Level 7 and above per Australian Qualifications Framework). This is testament to the high level of education and expertise within our workforce, reflecting our commitment to maintaining a highly skilled and knowledgeable team. Additionally, 88.89% of Cann’s executive leadership team hold postgraduate degrees and we’re proud to report that 33.33% of our ELT are PhD graduates.

Throughout our journey of expansion and development, we have strived to create a workplace which not only fosters professional growth but also prioritises the well-being and satisfaction of our team members. As part of our wellness initiatives, Cann has introduced new paid leave categories, in addition to legal entitlements of staff, as part of the Company’s competitive employment benefits program. The new leave categories include Wellness Leave and Christmas Leave, which were both introduced in 2023. Study Leave and Birthday Leave were introduced in 2021.

We believe these enhancements provide our valued team members with greater flexibility, support to address various aspects of work-life balance and cater to the diverse needs of our workforce, ultimately benefiting both our employees and the overall success of our organisation.



Mildura Facility Growth

Cann’s flagship Mildura facility experienced 62.22% headcount growth over the course of the year, from January to December 2023. Additionally, when comparing the fourth quarter of 2023 to the same period in 2022, our facility achieved an impressive 82.5% increase in headcount.

The Mildura facility’s continuous growth is evidence of Cann’s commitment to remaining an employer of choice within the Mildura region.

GENDER DISTRIBUTION



■ Male ■ Female

CAPITAL RAISE

On 17 October 2023, Cann Group received a \$3.5 million R&D tax incentive rebate for the 2023 financial year, related to eligible R&D activities.

On 21 November, the Company announced that it raised A\$2 million via entry into a convertible securities facility with Obsidian Global GP, LLC (**Obsidian**). The Company will have access to further drawdowns of up to A\$13 million in total (with no one drawdown being more than A\$3 million), subject to agreement between the parties. Under the facility, Cann will also issue Obsidian with securities convertible into fully paid ordinary shares in the Company based on the agreed calculation described previously.

The funds raised will provide working capital to assist the Company in achieving its target of an annual rate of production of 12.5-tonne, which is forecast to be delivered during FY25.

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 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.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 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	5,384	9,925
1.2 Payments for		
(a) research and development	(310)	(379)
(b) product manufacturing and operating costs	(3,660)	(7,126)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(3,635)	(6,726)
(f) administration and corporate costs	(1,117)	(3,316)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received		
1.5 Interest and other costs of finance paid	(1,119)	(2,184)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives ¹	3,468	3,468
1.8 Other (provide details if material) ²	75	269
1.9 Net cash from / (used in) operating activities	(914)	(6,069)

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

² includes GST receipts of \$0.075m for the quarter ending 31 December 2023

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(772)	(2,325)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(772)	(2,325)

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	(145)	(304)
3.5	Proceeds from borrowings	5,445	15,657
3.6	Repayment of borrowings	(4,665)	(10,544)
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	2,635	9,266

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	687	764
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(914)	(6,069)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(772)	(2,325)

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 (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,635	9,266
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,636	1,636

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	1,636	687
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)	1,636	687

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	83
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

¹ Salary payments made to Directors during the quarter ending 31 December 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	64,078
7.2	Credit standby arrangements	1,500	-
7.3	Other (Corporate Credit Cards)	55	23
7.4	Total financing facilities	67,305	64,101
7.5	Unused financing facilities available at quarter end		3,204
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 (\$49.4m) base rate is the BBSY and the total drawn margin for this facility is 6.7329% 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 (\$15.6m) has a total drawn margin rate of 6.4174% pa and a facility fee of 0.35% pa and it is a secured facility. It was reviewed on 13 December 2023 and has a rolling 12-month review period.</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. Canna can repay each lease over a period of 24 – 60 months. The facility has an expiry date of 30 November 2024.</p> <p>National Australia Bank has also provided a \$1.5m Temporary Excess, which has not been utilised at 31 December 2023.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(914)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,636
8.3	Unused finance facilities available at quarter end (item 7.5)	3,204
8.4	Total available funding (item 8.2 + item 8.3)	4,840
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.3
	<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?	
	N/A	

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?

N/A

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?

N/A

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 January 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.