

## 1. Company details

Name of entity: Cann Group Limited  
 ABN: 25 603 949 739  
 Reporting period: For the year ended 30 June 2022  
 Previous period: For the year ended 30 June 2021

## 2. Results for announcement to the market

	30 June 2022 \$'000	30 June 2021 \$'000	Change \$'000	Change %
Revenue and other income from ordinary activities	11,238	8,568	2,670	31%
Net (loss) from ordinary activities after tax attributable to members	(26,468)	(25,103)	(1,365)	5%
Net (loss) attributable to members	(26,468)	(25,103)	(1,365)	5%

### Dividends

There were no dividends paid, recommended or declared during the current financial period.

### Comments

The loss for the Group after providing for income tax amounted to \$26.47 million (30 June 2021: \$25.10 million).

## 3. Net tangible assets

	Reporting period \$	Previous period \$
Net tangible assets per ordinary security	0.24	0.32

## 4. Control gained over entities

Not applicable.

### 5. Dividends

There were no dividends paid, recommended or declared during either the current or the previous financial periods.

## 6. Foreign entities

Not applicable.

## 7. Audit qualification or review

The Appendix 4E is based on the consolidated financial statements which have been audited by William Buck and an unmodified opinion has been issued.

## 8. Attachments

Additional Appendix 4E disclosure requirements can be found in the attached Directors' Report and the Financial Statements and accompanying notes for the year ended 30 June 2022.

## 9. Signed

  
**Allan McCallum, AO**

Chairman

Melbourne

Date: 25 August 2022

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**CANN**  
GROUP LIMITED



Poised for Growth

Annual Report  
2022

For  
Personnel  
Only

# Contents

How we Operate	4
2022 Highlights	6
Letter from the Chairman and Chief Executive Officer	8
Year in Review	12
Looking Ahead	16
Directors' Report	20
Auditor's Independence Declaration	38
Consolidated Statement of Profit or Loss and Other Comprehensive Income	39
Consolidated Statement of Financial Position	40
Consolidated Statement of Changes in Equity	41
Consolidated Statement of Cash Flows	42
Notes to the Consolidated Financial Statements	43
Directors' Declaration	70
Independent Auditor's Report	71
Corporate Governance Statement	75
Shareholder Information	76
Corporate Directory	78



Enhancing patients' lives by developing,  
producing, and supplying innovative  
cannabis medicines.



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We are innovating  
cannabis medicines,  
supporting the  
health and wellbeing  
of patients and their  
families.

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# How we Operate

Cann Group is bringing medicinal cannabis into the mainstream through developing cutting-edge therapeutics. The Company is investing in agricultural science, novel extraction methods, clinical evaluation and drug-delivery technologies to commercialise cannabis pharmaceuticals. This work is supported by Cann Group's investors and strategic partners, facilitating access to growing markets in Australia and around the world. All of this is enabled by in-house capabilities that reach across the supply chain, from plant genomics to medicine manufacturing.

## Plant breeding and cultivation

Cann Group is harnessing R&D collaborations with La Trobe University and Agriculture Victoria to accelerate the Company's plant breeding programs and generate proprietary, resilient, high-yielding cultivars. These genetic lines are first developed in Cann Group's Northern research facility and then grown across the Company's commercial sites, including the flagship Mildura facility, which is currently capable of producing over 12,500kg of dried flower per year.



## Manufacturing

Plants are harvested, dried and trimmed on-site. The Mildura facility currently houses pilot-scale extraction and the first stage of the Company's proprietary Satipharm capsule production line. Mildura is able to produce products according to Good Manufacturing Practice (GMP) standards for human therapeutic use under Office of Drug Control (ODC) and Therapeutic Goods Administration (TGA) licences.



## Products

The Company produces a wide variety of wholesale and white-label products, from finished dried flower, GMP API (Active Pharmaceutical Ingredients), cannabis extracts and isolates, and full-spectrum oral oils with a range of cannabinoid ratios, as well as Satipharm CBD capsules. Cann Group is developing new products in response to scientific evidence and market demands.





**1.34x**

more bioavailable  
than CBD taken as  
an oro-buccal spray.<sup>1</sup>

## Distribution

Cann Group products are supplied to a range of clients for distribution throughout Australia and around the world. Products are prescribed and dispensed through clinic, pharmacy, and hospital networks in Australia. Cann Group products are also present in key international markets via the Company's global distribution partners.

## R&D

Science drives Cann Group's commercial strategy. The Company has invested in new technologies to continually enhance operational efficiency such as hyperspectral imaging systems and big data linkages with bioinformatics researchers at La Trobe AgriBio. The Company's research collaborations include projects focused on novel formulations and delivery technologies with leading institutions including Monash Medicines Innovation Centre.

## Clinical trials

The Company's drug development and approval pipeline includes an ongoing phase III, placebo-controlled, randomised clinical trial using Satipharm CBD capsules, to which Haleon (formerly GSK Consumer Healthcare) has secured exclusive evaluation rights. Cann Group also supports clinical research programs at the Olivia Newton-John Cancer Centre, and Murdoch Children's Research Institute.



**Unlocking the potential of  
cannabis medicines through  
innovative research.**

<sup>1</sup> Clinical Pharmacology in Drug Development 2017, 00(0) 1–8 C2017, The American College of Clinical Pharmacology DOI:10.1002/cpdd.408.

# 2022 Highlights

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## Satipharm registration program

Following Cann Group's 2021 acquisition of Satipharm and its patent-protected cannabinoid formulation, the Company launched a registration program which includes a phase III, double-blind, placebo-controlled clinical trial targeting the short-term treatment of sleep disturbances in support of a registration dossier for a Schedule 3 over-the-counter product in Australia. Recruitment commenced in February 2022 and the trial is expected to conclude in the first half of the 2023 financial year.



### Helping patients

live better lives through quality medicines



### Developing capabilities

for efficient and reliable production



### Supporting partners

to reach their target markets

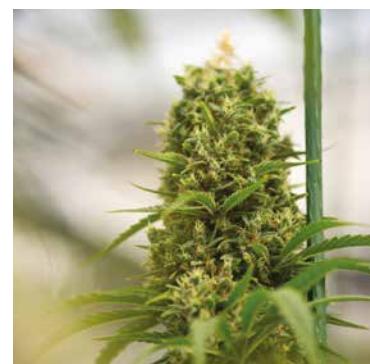


### Pursuing our vision

by growing for the future

## Exclusive evaluation agreement with Haleon (formerly GSK Consumer Healthcare)

In April 2022 Cann Group announced that Haleon had secured exclusive evaluation rights to commercialise Satipharm CBD capsules for Australia and potentially other international markets. Cann Group is seeking to develop new manufacturing capacity to produce these capsules in-house and at scale.





## Mildura commences operations

During the 2022 financial year, Cann Group successfully completed the construction of stage 1A of the Mildura facility and installed pilot-scale extraction and Satipharm manufacturing capabilities. The Company also secured the necessary permits and licences from the ODC and TGA to commence cultivation and GMP extraction and manufacturing activities at Mildura. The first commercial crop at Mildura was harvested in June 2022, and subsequent crops have progressed through vegetative and flowering stages, including new elite high-THC cultivars developed through the Company's accelerated breeding program.

**\$18.69m**

raised in H1  
FY 2022

**49%**

increase in revenue  
from FY 2021

## Additional capital and financing

Cann Group's Share Purchase Plan, which closed in October 2021, raised \$8.69m. Combined with the successful July 2021 placement of \$10m, a total of \$18.69m was raised in the first half of the 2022 financial year.

In April 2022, the Company secured a new \$15m working capital facility with the NAB, and successfully renegotiated the terms of the existing \$50m construction facility, which had its drawn margin rate reduced from 3.2% to 2.3% p.a., and its facility fee reduced from 1.8% to 0.35% p.a.



## Sales

Sales revenue for the year ended 30 June 2022 was \$6.4 million representing a 49% increase to the prior corresponding period.

Recent revenue growth has been driven by strong and increasing domestic demand for dried flower and extracted oil products. With Cann Group's Mildura facility now operational, the Company is well positioned to leverage its scale and capacity to take advantage of emerging market trends.

The Company has grown its customer base throughout FY22 and is now seeing regular orders from more customers, providing a strong foundation to build on in FY23.

We have laid the groundwork to continue executing on our commercial goals.

## Letter from the Chairman and Chief Executive Officer



**Allan McCallum, AO**  
Chairman



**Peter Crock**  
Chief Executive Officer

The medicinal cannabis market in Australia has grown rapidly over the past year, driven in part by increased demand for dried flower products. We are in a strong position to respond to this opportunity by allocating additional dried flower cultivation capacity at our facilities.



Dear Shareholders,

Over the past 12 months, our corporate strategy has delivered on several key objectives and uncovered new opportunities, strengthening our Australian leadership position in large-scale cultivation and technology, and establishing a solid foundation on which we are building the next phase of our business operations.

We are proud to report that our flagship Mildura facility is now fully operational. Starting genetics were transferred to Mildura in April 2022 after the Office of Drug Control (ODC) issued the necessary permit, and by June the first commercial crop was harvested at the site. This was shortly followed by the Therapeutic Goods Administration (TGA) issuing a Good Manufacturing Practice (GMP) licence, allowing the Mildura facility to cultivate, extract, manufacture, test and supply medicinal cannabis products for human therapeutic use in-house.

Extraction equipment and Satipharm manufacturing lines have been installed, validated, and are operational, and Mildura's analytical chemistry and microbiology labs are now GMP-licensed to conduct product quality and regulatory compliance tests. With this commercial capacity now in place, we are focusing solely on revenue generation to take advantage of this investment.

Sales revenue for the year ended 30 June 2022 was \$6.411 million representing a 49% increase to the prior corresponding period. We have grown our customer base over the FY22 financial year and are now seeing regular orders from more customers. Global demand remains strong for high quality medicinal cannabis products with a reliable supply chain, and we are well positioned to leverage the scale and capacity at Mildura to take advantage of these trends.

The medicinal cannabis market in Australia has grown rapidly over the past year, driven in part by increased demand for dried flower products. We are in a strong position to respond to this opportunity by allocating additional dried flower cultivation capacity at our facilities. In March 2022, the first batch of our elite high-THC flower products – genetically developed, cultivated, dried, and packaged in-house – 'was made available to Australian patients.

Providing a reliable, local source of GMP-compliant medicinal cannabis products will help to address supply continuity issues being faced by patients, which will likely become more pronounced following the changes to import quality standards announced by the TGA. These changes will require imported products to be manufactured to GMP-equivalent standards by July 2023. We remain committed to ensuring a ready supply of Australian-made, GMP-compliant medicines for patients.

We have leveraged our acquisition of the Satipharm patent-protected CBD capsules by investing in a phase III, randomised, placebo-controlled clinical trial investigating the short-term treatment of sleep disturbances. In April 2022, we announced an agreement to grant Haleon (formerly GSK Consumer Healthcare), a global leader in over-the-counter medicines, exclusive evaluation rights for the distribution of Satipharm CBD capsules in Australia.

During the period of exclusivity, Haleon will undertake an evaluation of commercial potential and will review the results of the trial. In parallel with this evaluation both parties will enter into negotiations on a definitive exclusive

agreement for the marketing, sale and distribution of the Satipharm CBD product in Australia. Haleon also has potential interest in first rights to negotiate exclusivity periods for other international markets

We have made notable progress with our accelerated plant breeding program which has now developed and commercialised new elite high-THC cultivars with greatly improved cannabinoid and flower yields. This will soon be supplemented with a new high-CBD cultivar that is proceeding through commercial trials. Our R&D partner, La Trobe University, was recently awarded a \$5m grant from the Australian Government's *Regional Research Collaboration Program* to fund a number of projects including the implementation of new hyperspectral imaging and data collection technology at our Mildura facility. These agronomic innovations have a direct impact on operational efficiencies, which will continue to improve through iterative enhancements as commercial cultivation data is fed back into our breeding program.

Our ability to execute on these important strategic projects has been supported by our investors and the preferable terms we have been able to negotiate with our banker, the NAB. In April 22, we secured a new \$15m working capital facility which will facilitate operational growth as we complete the further construction and fit-out of Mildura. We also successfully renegotiated the terms of our existing \$50m debt facility with the NAB, reducing the drawn margin rate and facility fee.

Moving forward, we will be focusing on three key strategic areas for the next financial year: streamlining our existing operations, registering Satipharm capsules for the over-the-counter market, and accelerating sales growth.

With the Mildura facility now online, our focus will be on the efficient utilisation of its capabilities. That will include a review of how we conduct the various stages of our commercial activities, with a view towards reducing duplication through centralisation.

A considerable portion of Mildura's manufacturing capacity will be utilised should our current phase III clinical trial prove successful. While the existing extraction and manufacturing lines at Mildura can satisfy short-term demand for Satipharm capsules in the unregistered medicines space, a registered Schedule 3 over-the-counter product will require a step-change in manufacturing capacity. In addition to providing a new revenue stream, scaling up Satipharm production will also allow us to better leverage our fixed capital investments.

Mildura's completion will enable us to offer more competitive products and services, such as higher volume supply agreements with improved margins, which will be supported by us directing more plant breeding and cultivation activities towards the dried flower market. Cann Group is developing new commercial offerings such as contract cultivation, R&D, and analytical testing services, to take advantage of any capacity not allocated to wholesale or white label cultivation. We believe that focusing on these three strategic areas will give us the best opportunity to improve our revenue and cost positions and deliver long-term value to our investors.

We would like to take the opportunity to thank the Cann Group team for their dedication and hard work, as well as our investors and commercial partners for their ongoing support. We look forward to a productive and successful year ahead.

**Allan McCallum, AO**  
Chairman

*Peter Crock*

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We are leading through collaboration, supporting our partners and communities to achieve positive change, together.

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# Year in Review

## Regulatory changes benefit Australian producers

The 2022 financial year has seen several industry developments that are relevant to Cann Group's commercial strategy. In December 2021, the ODC simplified the narcotic drugs licensing scheme, creating a single, unified licence which has reduced regulatory burdens for Australian producers. In March 2022, the TGA amended Therapeutic Goods Order 93 (TGO93) which will increase barriers to entry for imported products by requiring them to conform to GMP-equivalent quality standards from July 2023.

These reforms coincided with improvements made to Australian patient access processes in November 2021, reducing the time and effort required to prescribe medicinal cannabis products. These changes will benefit companies supplying the rapidly growing Australian market, especially local producers operating at scale, such as Cann Group.

## Satipharm clinical trial pursues over-the-counter CBD opportunity

The Australian government created a significant commercial opportunity in February 2021 by legalising low-dose over-the-counter CBD. Regulations stipulate that these products must be registered as pharmaceutical medicines, requiring clinical trials to prove efficacy before they can be sold directly from pharmacies without a prescription. As part of Cann Group's science-driven value creation strategy, the Company acquired Satipharm and its patent.

The Mildura facility is one of the most technologically advanced, large-scale, operational medicinal cannabis facilities in Australia. The cultivation area incorporates a closed system micro climate-controlled glasshouse to optimise plant growth cycles and has multiple integrated automation systems.

protected cannabinoid formulation, which is proven to be more bioavailable than CBD taken as an oro-buccal spray<sup>2</sup>. Satipharm products are now being investigated for the short-term treatment of sleep disturbances in a phase III, double-blind, placebo-controlled clinical trial that is scheduled to conclude in the first half of the 2023 financial year. It is expected that Satipharm's proven superior bioavailability will assist in demonstrating a low-dose therapeutic effect.

**\$15m**

working capital facility secured

Cann Group's acquisition of Satipharm and the Company's clinical trial strategy has now been validated, with Haleon securing exclusive evaluation rights to the Satipharm low-dose CBD product in April 2022. During the period of exclusivity, Haleon will undertake an evaluation of commercial potential and will review the results of the clinical trial. In parallel with this evaluation both parties will enter into negotiations on a definitive exclusive agreement for the marketing, sale and distribution of the Satipharm CBD product in Australia. Haleon also has potential interest in first rights to negotiate exclusivity periods for other international markets.

## Mildura facility commences operations

Cann Group's flagship Mildura facility reached practical completion in March 2022 with the ODC granting the necessary permit to commence cultivation activities. Plants were transferred to Mildura and the first

2. Clinical Pharmacology in Drug Development 2017, 00(0) 1–8 C2017, The American College of Clinical Pharmacology DOI:10.1002/cpdd.408.



**Fully licensed**  
to cultivate, extract,  
manufacture, test,  
and supply

**Pharma focused**  
drug development  
and approval  
strategy



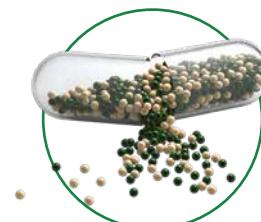
commercial crops were harvested in June 2022. In parallel, pilot-scale CO<sub>2</sub> extraction and Satipharm manufacturing equipment was installed and validated at Mildura. Also in June 2022, the TGA issued a Good Manufacturing Practice (GMP) licence for the facility. Mildura now has the infrastructure, capability, and approvals necessary to cultivate, extract, and manufacture medicinal cannabis products for human therapeutic use. This represents a key milestone in relation to Cann Group's strategy of achieving efficient vertical integration.

The Mildura facility is one of the most technologically advanced, large-scale, operational medicinal cannabis facilities in Australia. The cultivation area incorporates a closed system micro climate-controlled glasshouse to optimise plant growth cycles, and has multiple integrated automation systems. The facility can produce 12,500kg of high-quality dried flower per year, and has been designed to allow staged expansion of its cultivation capacity, that will be initiated in response to growing demand. Facility construction and supply-chain integration will continue to be approached in a stepwise fashion to smooth capital expenditure. Commercial cultivation has continued at Cann Group's Southern facility, which in January 2022 received GMP approval to manufacture dried flower as both Active Pharmaceutical Ingredient (API) and finished product.

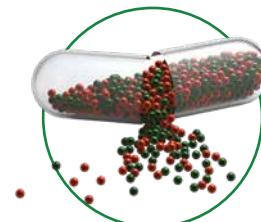


Scan QR code to watch a short video update from our executive team about the Company's commercial activities

## Australian S3 opportunity



## New Satipharm formulations



## Global distribution and sales



Successful registration in Australia will drive new distribution and sales agreements in international markets.

# Year in Review

Continued

# \$6.4 million

Sales revenue for the year ended 30 June 2022

## Revenue and sales

Sales revenue for the year ended 30 June 2022 was \$6.4 million representing a 49% increase to the prior corresponding period. Recent revenue growth has been driven by strong and increasing domestic demand for medicinal cannabis products including oils, capsules and dried flower products.

Global demand remains strong for high quality medicinal cannabis products with a reliable supply chain. With Cann Group's Mildura facility now operational, the Company is well positioned to leverage its scale and capacity to take advantage of emerging global market trends and demand.



## High-yield proprietary strains developed through R&D breeding program

Cann Group's agricultural science research collaborations continue to support the Company's commercial objectives. As the key industry member of Australia's first Research Hub for Medicinal Agriculture, Cann Group has been able to leverage multiple ag-science research projects that have contributed to the Company's accelerated plant breeding program.

This has provided Cann Group with a suite of exclusive, novel, high-yielding cultivars that have expressed THC levels of 25-28% as well as improved resilience and plant health, expanding the Company's dried flower inhalable product selection and decreasing production costs. Compared to the previous generation of strains developed through the breeding program, R&D trials of the new elite high-THC cultivars have seen a 90% improvement in bud yield in

addition to higher cannabinoid levels. An elite high-CBD cultivar is also undergoing commercial trials.

Cann Group's partnership with La Trobe University has been further strengthened by the successful grant of \$5m from the Australian Government's *Regional Research Collaboration Program* in April 2022, to fund a number of projects including the implementation of new hyperspectral imaging and data collection technology at the Mildura facility to improve crop yield. Meanwhile, Mildura's dedicated analytical chemistry and microbiology laboratories are being well utilised for the iterative enhancement of cultivation parameters, informing further improvements in cannabinoid yields across commercial and research sites.

## Investment and financing

Cann Group's strategy of large-scale, vertical integration and the ability to execute on long-term infrastructure projects has been supported by the

Company's investors and commercial partners. In July 2021, the Company was able to generate \$10m in new funding through a placement and in September 2021, Cann Group announced a Share Purchase Plan which closed in October 2021 having raised a further \$8.69m.

In April 2022, Cann Group reached two important agreements with the NAB, securing a new \$15m working capital facility to support the next phase of the Company's growth strategy. Cann Group also successfully renegotiated the terms of its existing \$50m debt facility which had its drawn margin rate reduced from 3.2% to 2.3% p.a., and its facility fee reduced from 1.8% to 0.35% p.a. Amortisation of the loan will commence 31 May 2024 on a quarterly basis and the amortisation period has been renegotiated for a period of 10 years compared to an eight year amortisation for the original facility.

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R&D trials of our new elite high-THC cultivar have seen a 90% improvement in bud yield in addition to higher cannabinoid levels compared to previous genetic lines.



# Looking Ahead

In the 2023 financial year, Cann Group's growth strategy will be focused on three key areas: operational streamlining, Satipharm registration, and accelerating sales growth.

## Operational streamlining

With the Mildura facility now fully licensed and operational, Cann Group will pivot to the next phase of its corporate strategy, shifting focus away from facility construction and towards the scaling-up and streamlining of commercial operations. The continuous improvement of cultivation and manufacturing processes at Mildura will deliver cumulative benefits over time and the Company will work to centralise various operational activities currently occurring at multiple sites, reducing duplication. Administrative processes are also being reviewed to accelerate client onboarding and order fulfilment timeframes. This should increase output, improve operating costs, and improve client satisfaction.

**100%**

capacity utilisation for Mildura is being targeted by the Company



## Growth Strategy



### Operational streamlining

Deliver efficiencies through improved and centralised processes



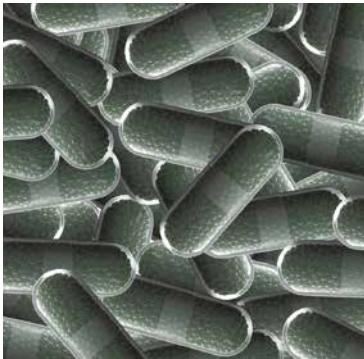
### Satipharm registration

Register and commercialise the Satipharm range



### Accelerating sales growth

Expand market presence in Australia and key export markets



### Satipharm registration

Should the current phase III clinical trial prove successful, Cann Group will move forward with its product registration strategy, which will require a step-change in manufacturing capacity. Pilot scale extraction and Satipharm manufacturing lines are now installed and operational at the Mildura facility, allowing the Company to produce sufficient volume to meet short-term domestic demand via the Special Access Scheme pathways available for unregistered medicines. To meet domestic demand for over-the-counter CBD sales of a registered medicine, the Company expects to expand manufacturing output considerably. This will utilise more of the Mildura facility's existing capacity, further leveraging the Company's fixed capital investments.

In parallel with the commercialisation of Satipharm CBD capsules for over-the-counter sale, the Company will extend its proprietary microsphere encapsulation technology to develop the next generation of medicinal cannabis products. New manufacturing R&D programs will feature THC-containing Satipharm capsules for the prescription market, making the Satipharm range more attractive to prescribers and patients.

### Accelerating sales growth

Cann Group aims to maximise the revenue potential afforded by Mildura's considerable cultivation and manufacturing capacity. With Mildura now fully operational, the Company will be able to offer high-volume supply agreements for wholesale and white label customers at improved margins. Production will be directed primarily towards high quality, cost competitive dried flower products and cultivation parameters will be targeted towards flower-relevant outputs such as cannabinoid and terpene yields and desirable plant architecture. New services offerings are also being considered to accelerate capacity utilisation at Mildura, such as contract cultivation and R&D activities, as well as analytical testing and microbiology services using the facility's GMP-approved laboratories.

Upcoming regulatory changes, combined with the ongoing growth in demand will strengthen Cann Group's strategic position. By July 2023, imported products will be required to adhere to GMP-equivalent quality standards. For many overseas producers, this will either prevent them from exporting products to Australia or require them to conduct additional manufacturing steps within Australia. The Company expects this will benefit domestic cultivators capable of producing high-quality medicinal cannabis products at scale, such as Cann Group.



UK products – not available in Australia.



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We are building the future of the medicinal cannabis industry, integrating our operations to harness the potential of the entire value chain.

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# Directors' Report

30 JUNE 2022

The Directors present their report, together with the financial statements, on the consolidated entity (Group) consisting of Cann Group Limited (Company or parent entity) and the entities it controlled at the end of, or during, the year ended 30 June 2022.

## Information on Directors

The names and details of the Directors in office during the year and until the date of this report are as follows. Directors have been in office for this entire year unless otherwise stated.

<b>Name:</b>	Allan McCallum, AO
<b>Title:</b>	Non-executive Chairman
<b>Qualifications:</b>	Dip. Ag Science, FAICD
<b>Experience and expertise:</b>	Allan has broad experience as a public company director in agribusiness and healthcare who has strong ethics, proven leadership capabilities and extensive experience in strategy development and implementation, and mergers and acquisitions. Allan is the immediate past Chair of Tassal Group Ltd (ASX:TGR) from 7 October 2003 to 28 October 2021, Australia's largest producer of Atlantic salmon and prawns. Allan is also a member of Rabobank Australia Limited's Advisory Board (wholesale banking).  He has previously been a director of ASX listed companies Medical Developments International Ltd (ASX:MVP) from 27 October 2003 to 17 December 2018, Incitec Pivot Ltd (ASX:IPL) from 30 January 1998 to 19 December 2013 and Graincorp Ltd (ASX:GNR) from 26 February 1998 to 26 August 2005.  Director since 30 January 2015.
<b>Other current directorships:</b>	n/a
<b>Former directorships (last 3 years):</b>	Tassal Group Ltd (ASX:TGR) (left 28 October 2021)
<b>Special responsibilities:</b>	Member of Audit and Risk Committee and Chairman of the Remuneration and Nomination Committee.
<b>Interests in shares:</b>	6,700,455 fully paid ordinary shares
<b>Name:</b>	Douglas John Rathbone, AM
<b>Title:</b>	Non-executive Director
<b>Qualifications:</b>	FATSE, FI ChemE, ARMIT B Comm, TTC
<b>Experience and expertise:</b>	An experienced public company director, he is the former Managing Director and CEO of Nufarm Limited (ASX:NUF) from 21 August 1987 to 4 February 2015.  He is Chairman of the Rathbone Wine Group, Director of Cotton Seed Distributors, Leaf Resources Ltd (ASX:LER) from 1 November 2016 and Chairman since 1 April 2018, Go Resources, Queenscliff Harbour Pty Ltd and AgBiTech. He is also a Chairman of Fancy Plants Australia Pty Ltd and Delta Agribusiness Pty Ltd.  Doug is a former Director of CSIRO, an Honorary Life Governor of the Royal Children's Hospital and a former Director of the Burnett Centre for Medical Research. He is President of My Room Children's Cancer Charity Limited and founder of Children's Cancer Foundation.  Doug brings to the Board experienced management and corporate governance skills together with a passion to grow the business.  Director since 16 March 2015.
<b>Other current directorships:</b>	Leaf Resources Ltd (ASX:LER)
<b>Former directorships (last 3 years):</b>	n/a
<b>Special responsibilities:</b>	Member of Remuneration and Nomination Committee and Chair of Capital Committee.
<b>Interests in shares:</b>	3,185,217 fully paid ordinary shares



<b>Name:</b>	Jenni Pilcher
<b>Title:</b>	Non-executive Director
<b>Qualifications:</b>	Member of the Chartered Accountants of Australia & New Zealand, BBS (Accounting)
<b>Experience and expertise:</b>	<p>Jenni has senior executive experience in the medical and biotechnology sectors and is currently the Chief Financial Officer of technology company, Whispir Ltd (ASX:WSP).</p> <p>Most recently, she was CFO and Company Secretary of Mach7 Technologies Ltd (ASX:M7T). She has previously held executive roles with Alchemia Limited (ASX:ACL) and Mesoblast Limited (ASX:MSB), as well as senior finance roles at ASX200 company Spotless Group, and in finance teams at Cadbury Schweppes plc, and international pharmaceutical group Medeva plc., based in London, UK.</p> <p>Jenni is a member of Chartered Accountants Australia &amp; New Zealand; a Graduate of the Governance Institute of Australia; and has a Bachelor of Business Studies (majoring in accounting) from Massey University in New Zealand.</p> <p>Director since 8 September 2020.</p>
<b>Other current directorships:</b>	n/a
<b>Former directorships (last 3 years):</b>	n/a
<b>Special responsibilities:</b>	Chair of Audit and Risk Committee, Member of Remuneration and Nomination Committee
<b>Interests in shares:</b>	125,000 fully paid ordinary shares
<b>Name:</b>	John Sharman
<b>Title:</b>	Non-executive Director
<b>Qualifications:</b>	B.Ec., CA, Master App Fin
<b>Experience and expertise:</b>	<p>John has extensive international business experience as a Managing Director, CEO, CFO and non-executive director with public and private companies, including several ASX listed entities. John is not, and has not in the past three years been, a director of any other ASX-listed companies. He has a comprehensive understanding of the medical manufacturing industry as well as the pharmaceutical and nutraceutical sectors.</p> <p>John is currently the CEO of Universal Biosensors Inc (ASX:UBI). Prior to that he served 10 years as CEO of Medical Developments International (ASX:MVP). Previous roles included Managing Director of CVC Venture Managers (private equity managers), Managing Director of Vita Life Sciences (ASX:VSC) and Cyclopharm (ASX:CYC), as well as roles at PriceWaterhouseCoopers, National Australia Bank and KPMG in both London and Melbourne.</p> <p>He has a Bachelor of Economics from Monash University and a Master of Applied Finance from Macquarie University. He is a Member of the Institute of Chartered Accountants in Australia and a Member of the Australian Institute of Company Directors.</p> <p>John has been a director since 27 April 2021.</p>
<b>Other current directorships:</b>	n/a
<b>Former directorships (last 3 years):</b>	n/a
<b>Special responsibilities:</b>	Member of Audit and Risk Committee (from 13 December 2021) and Remuneration and Nomination Committee
<b>Interests in shares:</b>	72,728 fully paid ordinary shares

# Directors' Report

(CONTINUED)

<b>Name:</b>	Geoffrey Ronald Pearce
<b>Title:</b>	Non-executive Director
<b>Experience and expertise:</b>	<p>Geoff is a successful entrepreneur and businessman with more than 40 years' experience in the personal care industry. He established and owned Scental Pacific Pty Ltd and grew the business to become Victoria's largest manufacturer of personal care products before selling it to the Smorgon Family. He later built a contract manufacturing business, Beutiworx Australia Pty Ltd, which formed part of BWX Limited (ASX:BWX).</p> <p>Geoff currently owns The Continental Group, which supplies pharmaceutical packaging and raw materials and has developed alliances with some of the world's leading herbal extract manufacturers. He has extensive experience in areas including manufacturing, procurement, distribution and regulatory affairs.</p> <p>Geoff is currently Chairman of Ellume Limited. He has also held the role of Chairman of Probiotec Ltd (ASX:PBP) from November 2016 until 30 June 2020 and Non-executive Director of BWX Ltd (ASX:BWX) from 2 January 2014 to 13 May 2015. He has been a Director of McPherson's Limited (ASX:MCP) since 20 February 2018.</p> <p>Director since 11 April 2016.</p> <p>Resigned 17 February 2022.</p>
<b>Other current directorships:</b>	McPherson's Limited (ASX:MCP)
<b>Former directorships (last 3 years):</b>	Probiotec Ltd (ASX:PBP) (left 30 June 2020)
<b>Special responsibilities:</b>	Member of Remuneration and Nomination Committee and Capital Committee (until 17 February 2022)
<b>Interests in shares:</b>	1,936,014 fully paid ordinary shares
<b>Name:</b>	Philip Robert Nicholas Jacobsen
<b>Title:</b>	Deputy Chairman
<b>Qualifications:</b>	CPA
<b>Experience and expertise:</b>	<p>An experienced public company director, he co-founded Premier Artists in 1975 and The Frontier Touring Company in 1979. He serves as a Director of Premier Artists, The Harbour Agency and Jacobsen Bloodstock. Former Chair of MCM Entertainment Group, Philip brings to the Board a 45 plus year history of applying solid fiscal accounting perspectives to an emerging business model in a constantly changing, high demand marketplace. Philip is also an Associate of Chartered Institute of Secretaries (ACIS).</p> <p>Director since 30 June 2015.</p> <p>Retired 10 November 2021.</p>
<b>Other current directorships:</b>	n/a
<b>Former directorships (last 3 years):</b>	n/a
<b>Special responsibilities:</b>	Member of Audit and Risk Committee; Member of Remuneration and Nomination Committee (until retirement on 10 November 2021)
<b>Interests in shares:</b>	9,046,791 fully paid ordinary shares

## Company secretary

### Geraldine Farrell

*B.Sc., LLB, LLM (Intellectual Property), GAICD, M Corp Gov, FGIA, FCIS*

A senior executive, lawyer and Company Secretary in listed environments (ASX and NASDAQ), with over 25 years' working as a corporate and technology/intellectual property lawyer (in private practice and in-house), nine years of Company Secretary experience, and more than 14 years of non-executive director experience. Gerry is a Fellow and Graduate of the Governance Institute of Australia and a fellow of Chartered Secretaries and Administrators. She has a Masters in Corporate Governance, and an extensive background in corporate governance, capital raisings, and risk and compliance in the education and biotechnology sectors.

## Chief Executive Officer

### Peter Crock CEO,

*B.Ag.Sci (Hons); MBA*

Peter Crock joined Cann Group as CEO in 2016 and led the company through its successful initial public offering and listing on the Australian Stock Exchange. An experienced executive across marketing, business and technology development, as well as mergers and acquisitions, Peter has overseen the growth and advancement of Cann Group to be a vertically integrated business with strong capabilities across genetics, cultivation, manufacturing and supply and a leader in the Australian medicinal cannabis industry. Peter previously held senior management roles during a three decade long career at global agribusiness company Nufarm Limited (ASX:NUF). Peter is also the inaugural Chairman of Australia's peak industry group, Medicinal Cannabis Industry Australia, where he has led the development of an industry Code of Conduct and helped represent industry-related interests and issues to Government.

## Chief Financial Officer

### Deborah Ambrosini

*BCom (Acc and Business Law), FCA, GIA (Cert)*

Deborah commenced at Cann as Chief Financial Officer in September 2021. She is a Fellow of Chartered Accountants Australia and New Zealand with over 20 years' experience in leading financial strategies to facilitate growth plans. Her experience spans the biotechnology, mining, IT communications and financial services sectors. Deborah possesses extensive experience in debt and equity capital raising activities, regulatory compliance, process improvement, investor relations, large contract management and leading all aspects of accounting, budgeting, forecasting and financial analysis. She also has significant experience both nationally and internationally in financial and business planning, compliance and taxation. Deborah has held Director roles in both listed and unlisted entities. Deborah has been a state finalist in the Telstra Business Woman Awards. She was also named as one of the Top 40 pre-eminent business leaders in the highly prestigious WA Business News 40 under 40 awards.

## Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

## Principal activities

The principal activities of the Group during the year consisted of cultivation of medicinal cannabis for both medicinal and research purposes pursuant to the licences and permits issued to the Group, the development and manufacture (via third party arrangements) of finished product formulations and the pursuit and execution of various supply agreements with third parties.

# Directors' Report

(CONTINUED)

## Review of operations

Cann Group's FY22 core focus was to progress the construction of the Mildura facility, leverage the acquisition of the Satipharm business and expand sales into local and global markets. The Directors believe that all of these have been well executed, demonstrated by generating growth in sales to European and Australian clients, establishing Satipharm manufacturing at Mildura and commencing the phase III clinical trial and securing all necessary licences and permits at Mildura to engage in commercial cultivation, extraction, manufacturing and packaging. Each of these are discussed in more detail below.

The loss for the Group after providing for income tax was \$26.47 million for the year ended 30 June 2022 (2021: \$25.10 million).

The Group's basic and diluted loss per share is \$0.079 or 7.90 cents (2021: \$0.097 or 9.75 cents). The weighted average number of shares used to calculate the basic and diluted earnings per share is 335,091,009 (2021: 257,388,229).

The net assets of the Group are \$84.90 million as at 30 June 2022 (2021: \$91.87 million).

## Production and sales

Sales revenue increased by \$2.12 million to \$6.41 million for the year ended 30 June 2022 (30 June 2021: \$4.29 million) representing a 49% increase to the prior corresponding period.

Revenue growth was driven by strong and increasing domestic demand for dried flower products. Cann completed its first GMP release of dried flower products from its Southern facility. These products were all cultivated, harvested, packaged and released from Cann's GMP Southern facility, which was licensed by the Therapeutic Goods Administration in January. Demand for the dried flower product form remains high and Cann has increased production of its high tetrahydrocannabinol (THC) cultivars to help meet this demand. With Cann's Mildura facility now operational, the Company is well placed to consistently supply the market with meaningful volumes of locally cultivated and quality-assured products.

Satipharm sales growth was slower than expected due to the delay in the UK FSA validating products for sale, however this recovered following the validation of Satipharm in April 2022. Revenue increased 54% over the prior period and Satipharm is now the number two over the counter CBD brand in the UK by value within pharmacy, hospital and GP surgeries according to IQVIA wholesale data (period MAT to June 2022).

## Mildura and Southern facilities

Mildura reached practical completion in March 2022 with the Office of Drug Control (ODC) granting the necessary permit to commence cultivation activities. Plants were transferred to Mildura and the first commercial crop was harvested in June 2022. In parallel, pilot-scale CO<sub>2</sub> extraction and Satipharm manufacturing equipment was installed and validated at Mildura. Also in June 2022, the Therapeutic Goods Administration (TGA) issued a Good Manufacturing Practice (GMP) licence for the facility. Mildura now has the infrastructure, capability, and approvals necessary to cultivate, extract, and manufacture medicinal cannabis products for human therapeutic use.

This represents a key milestone in relation to Cann Group's strategy of achieving efficient vertical integration. At full capacity, the Mildura facility can produce 12,500kg of high-quality dried flower per year. The facility has been designed to allow staged expansion of its cultivation capacity, that will be initiated in response to growth in demand.

Commercial cultivation has continued at Cann Group's Southern facility which in January 2022 received GMP approval to manufacture dried flower as both Active Pharmaceutical Ingredient (API) and finished product. This is another important internal capability for the Company that will further reduce costs and accelerate supply schedules for local and international clients.

Cultivation at the Company's Southern facility was unaffected by COVID-19 restrictions as the medicinal cannabis industry is classified as an essential service. The Company was able to continue harvesting and then utilise third party manufacturers to process raw material into various stages of resin, oils and finished product. The largest impact that COVID-19 has had on the business is through significant delays in various licensing and permitting processes that had to be met to ship product offshore.

## Research and development

Cann Group's agricultural science research projects have produced a suite of exclusive, novel, high-yielding cultivars that have expressed THC levels of 25-28% as well as improved resilience and plant health. This has expanded the Company's dried flower inhalable product selection and decreased production costs. Compared to the previous generation of strains developed through the breeding program, R&D trials of the new elite high-THC cultivars have seen a 90% improvement in bud yield in addition to higher cannabinoid levels. An elite high-CBD cultivar is also undergoing commercial trials.

Cann Group's partnership with La Trobe University benefited from the successful grant of \$5m from the Australian Government's *Regional Research Collaboration Program* in April 2022, to fund a number of projects including the implementation of new hyperspectral imaging and data collection technology at the Mildura facility to improve crop yield and sustainability. Mildura's dedicated analytical chemistry and microbiology laboratories are being well utilised for the iterative enhancement of cultivation parameters. These data will lead to further improvements in cannabinoid yields across the Company's cultivation sites.

### **Satipharm – application for S3 registration of Satipharm CBD capsules**

Following Cann Group's acquisition of Satipharm on 10 March 2021 and its patent-protected cannabinoid formulation, the Company launched a phase III, double-blind, placebo-controlled clinical trial. The trial is investigating low-dose Satipharm CBD capsules for the short-term treatment of sleep disturbances and is scheduled to conclude in the first half of the 2023 Financial Year. It is expected that Satipharm's proven superior bioavailability will assist in demonstrating a low-dose therapeutic effect.

Cann Group's acquisition of Satipharm and the Company's clinical trial strategy has now been validated, with Haleon plc (formerly GSK Consumer Healthcare) securing exclusive evaluation rights to the Satipharm low-dose CBD product in April 2022. During the period of exclusivity, Haleon will undertake an evaluation of commercial potential and will review the results of the clinical trial. In parallel with this evaluation both parties will enter into negotiations on a definitive exclusive agreement for the marketing, sale and distribution of the Satipharm CBD product in Australia. Haleon also has potential interest in first rights to negotiate exclusivity periods to assess its interest in taking up commercialisation rights for markets outside of Australia.

Pilot scale extraction and Satipharm capsule manufacturing is now underway at Cann Group's Mildura facility. Under the Company's newly-acquired GMP licence, products manufactured at Mildura, including Satipharm capsules, can now be made available for human therapeutic use.

### **Funding**

On 7 September 2021, the Company announced that, following shareholder approval received at an Extraordinary General Meeting, it would be proceeding with a Share Purchase Plan (SPP) to raise up to \$10 million. The SPP offer closed on 15 October 2021 with \$8.69 million raised. The SPP was in addition to the Company's successful \$10 million placement announced to the market on 26 July 2021 (Placement) and, together with the Placement funds, completed the total capital raising of \$18.69 million. The proceeds from the capital raising have been used to invest in initiatives which are expected to deliver substantial cost savings as Cann moves to large scale production with the commissioning of its new manufacturing facility near Mildura. Funding has expedited and strengthened Cann's in-house extraction, laboratory and manufacturing capabilities, which are expected to de-risk Cann's supply chain and lower cost of goods sold by reducing the Company's reliance on third party manufacturers and service providers.

In April 2022 Cann executed final documentation to enter into a \$15 million working capital facility with the National Australia Bank (NAB). The working capital facility was used by Cann to support the scale-up of the business and assist Cann in implementing the next phase of its long term growth strategy. The facility terms have been negotiated for an initial period with review on 30 November 2022 and thereafter for rolling 12 month periods. The drawn margin rate will be 2.00% pa with a facility fee of 0.35%pa.

In addition, Cann also renegotiated its \$50 million construction draw down facility with the NAB. This facility was put in place in December 2020 to help fund construction of the Company's new state of the art large scale manufacturing facility near Mildura. The Base interest rate will be the BBSY and the drawn margin rate was reduced to 2.30%pa from 3.20%pa. The facility was reduced to 0.35% from 1.80%. Amortisation of the loan will commence 31 May 2024 on a quarterly basis for a period of 10 years.

### **COVID-related impacts**

Throughout the year ended 30 June 2022 and to the date of this report, both the Australian and global economies have experienced disruption related to COVID-19 triggered lockdowns and restrictions. The Group has not experienced a significant impact on its cultivation operations. However, COVID has had an impact on the timing of sales (with COVID-related delays affecting regulatory clearances) and on the logistics for sourcing overseas personnel with expertise in glasshouse construction for the Company's Mildura facility.

The Group did not receive any Government subsidies by way of JobKeeper.

The Group continues to manage its operations to navigate through the uncertainty that the COVID-19 pandemic has brought and will continue to adapt to address any further challenges which may arise.

# Directors' Report

(CONTINUED)

## Significant changes in the state of affairs

The Company has altered its capital structure during the year by issuing 73,443,200 at an average price of \$0.26 per share. Refer to note 22 in the financial statements for further details.

On 13 August 2021 the Company announced that it had terminated its collaboration agreement with Emyria Limited relating to the planned registration of a Schedule 3 medicine. Following a detailed review both parties agreed to formally terminate the arrangement.

On 13 August 2021 Cann announced that it would proceed with a registration program aimed at securing approval for a Schedule 3 over-the-counter CBD only product based on Cann's proprietary Satipharm microsphere technology. Recruitment for the trial began in March 2022. At least 212 patients will be placed into four cohorts receiving one of three different doses of the Satipharm CBD formulation.

On 25 August 2021 the Company announced the appointment of Ms Deborah Ambrosini to the role of Chief Financial Officer effective 1 September 2021.

On 30 November 2021 Cann Group Limited announced that Zalm Therapeutics Limited, an entity which Cann held 8.36%, would be acquired by Rua Bioscience Limited. The total value of the transaction was NZ \$10 million of which Cann would benefit on a pro rata basis in accordance with its shareholding in Zalm representing a premium to Cann's carrying value.

On 6 December 2021 Cann Group Limited received a \$2.186 million Research and Development Tax Incentive Rebate.

On 21 December 2021 1,000,000 Performance Rights were issued to Mr Peter Crock. Performance Shares will be issued once the Mildura facility has been commissioned. Further, 1,758,362 Performance Rights were issued to Key Management Personnel. Performance Shares will be issued on a pro rata basis to those employees if certain performance conditions are met within three (3) years of the grant date.

On 21 December 2021 an additional 200,000 Performance Rights were issued to Key Management Personnel of Satipharm as part of the post integration of the business into Cann. Performance Rights will vest in two tranches while the employees remain employed by the Satipharm business with 50% vesting on 10 March 2022 and a further 50% vesting on 10 March 2023.

On 25 January 2022 Cann Group Limited achieved an important regulatory milestone after it was granted a licence by the Therapeutic Goods Administration to manufacture therapeutic goods from its Southern facility. The licence enables to Cann to manufacture Active Pharmaceutical Ingredient and medicinal cannabis products under GMP conditions for sale in Australia and overseas.

On 15 March 2022 the Company's new state-of-the-art production facility near Mildura received practical completion and the Office of Drug Control granted the necessary permit to allow commercial cultivation to commence.

On 1 April 2022 the UK Food Standards Agency announced that the Satipharm range of Advanced CBD capsules had been included on the list of approved CBD products permitted to be sold in the UK presenting a major opportunity for Cann to substantially grow sales of Satipharm within the UK market as key retailers have been awaiting publication of this list.

On 6 April 2022 Cann Group Limited signed an option and evaluation agreement with Haleon in relation to the potential commercialisation of Cann's Satipharm CBD capsules for over-the-counter distribution in Australia and potentially other markets globally.

On 7 April 2022 the Office of Drug Control granted Cann the necessary permit to allow the manufacture of medicinal cannabis products at its Mildura facility. Cann will utilise this permit for its extraction suite on site.

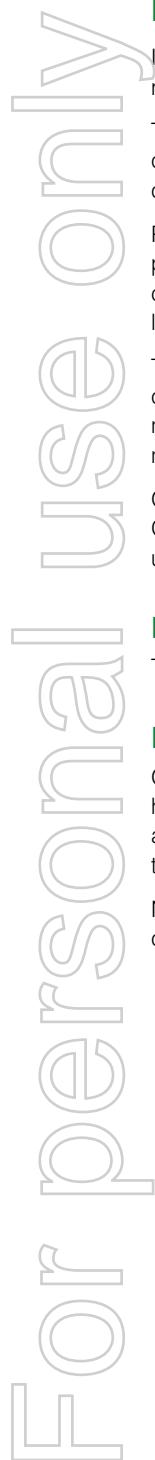
On 22 April 2022 Cann Group Limited executed final documentation to enter into a \$15 million working capital facility with the National Australia Bank. In addition Cann also renegotiated its \$50 million construction draw down facility.

On 1 June 2022 Cann Group Limited received the second milestone payment from the Victorian government's Regional Jobs Fund program. The funds are being paid over three milestone periods, with the most recent payment of \$0.5m being received in recognition of Cann meeting the necessary requirements.

On 2 June 2022 Cann began harvesting its first commercial medicinal cannabis crop at its Mildura facility.

On 30 June 2022 the Therapeutic Goods Administration granted Cann a GMP licence to manufacture therapeutic goods including GMP testing at Cann's Mildura facility. In combination with other licences and permits issued by the Office of Drug Control the licence enables Cann to manufacture Active Pharmaceutical Ingredients and hard capsules and to conduct GMP approved activities at the facility's existing chemistry and microbiology laboratories.

There were no other significant changes in the state of affairs of the Group during the financial year.



## Future developments, prospects and business strategies

In the 2023 financial year, Cann Group's growth strategy will be focused on three key areas: operational streamlining, Satipharm registration, and accelerating sales growth.

The Company will be shifting its focus away from facility construction and towards the scaling up and streamlining of commercial operations. This will include the centralisation of commercial activities at key sites, reducing duplication and improving operating costs of Cann Group's offerings.

Pilot scale extraction and Satipharm manufacturing lines are now installed and operational at the Mildura facility. Should the current phase III clinical trial prove successful, Cann Group will move forward with its product registration strategy, which will require a step-change in manufacturing capacity. This expansion will allow Cann Group to utilise more of the Mildura facility's existing capacity, leveraging the Company's fixed capital investments.

The Company is continuing to experience growth in demand for dried flower and extracts. With the Mildura facility commercially operational, Cann Group is now able to leverage its competitive advantage to offer high-volume supply agreements at improved margins. The Company is well positioned to increase its revenue streams across the product portfolio in the Australian and international markets.

Other than matters referred to elsewhere in this report and above, further information as to likely developments in the operations of the Group and the expected results of operations have not been included in this report as the Directors believe it would be likely to result in unreasonable prejudice to the Group.

## Environmental regulation

The Group's operations comply with all relevant environmental standards and regulations.

## Matters subsequent to the end of the financial year

On 20 July 2022 Cann Group limited finalised arrangements with the National Australia Bank for a new leasing facility. The facility will have a revolving leasing limit of \$750 thousand which will decrease when goods are financed but increase again when repayments are made. Each financing lease covered under the facility 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.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

# Directors' Report

(CONTINUED)

## Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2022, and the number of meetings attended by each Director were:

	Board Meetings		Remuner- ation and Nomination Committee Held	Remuner- ation and Nomination Committee Attended	Audit and Risk Committee	
	Held	Attended			Held	Attended
Allan McCallum	<b>17</b>	<b>17</b>	–	–	<b>4</b>	<b>4</b>
Philip Robert Nicholas Jacobsen (retired 10 November 2021)	<b>9</b>	<b>8</b>	–	–	<b>2</b>	<b>2</b>
Douglas John Rathbone	<b>17</b>	<b>17</b>	–	–	–	–
Geoffrey Ronald Pearce (resigned 17 February 2022)	<b>12</b>	<b>11</b>	–	–	–	–
Jenni Pilcher	<b>17</b>	<b>16</b>	–	–	<b>4</b>	<b>4</b>
John Sharman	<b>17</b>	<b>16</b>	–	–	<b>2</b>	<b>2</b>

Held: represents the number of meetings held during the time the Director held office and was eligible to attend.

Remuneration and Nomination committee matters were subsumed within board meetings during FY22. There were no separate Capital Committee meetings held.

## Remuneration report (audited)

This Remuneration Report outlines the Company's remuneration strategy for the financial year ended 30 June 2022 and provides detailed information on the remuneration outcomes for the year for the Directors, the Chief Executive Officer (CEO) and other Key Management Personnel.

For the purpose of this report, Key Management Personnel are defined as persons having authority and responsibility for planning, directing and controlling the Group's activities, directly or indirectly, and include all Directors of the Company.

The Directors of the Company are pleased to present the Remuneration Report (Report) for the Company and its subsidiaries (Group) for the financial year ended 30 June 2022. This Report forms part of the Directors' Report and has been prepared and audited in accordance with the requirements of the *Corporations Act 2001*.

## Key Management Personnel

The following changes are noted to the KMP for the year ended 30 June 2022:

- Mr Philip Robert Nicholas Jacobsen retired as a Non-executive Director, effective 10 November 2021;
- Mr Geoffrey Ronald Pearce resigned as a Non-executive Director, effective 17 February 2022;
- Ms Deborah Ambrosini replaced Mr Gregory Bullock as the Chief Financial Officer, effective 1 September 2021; and
- Mr Geoff Aldred and Ms Geraldine Farrell are no longer considered to be Key Management Personnel of the Company as their roles are considered to have an operational focus, rather than strategic, given the growth of the Company.

The KMP whose remuneration is disclosed in this year's report are:

### *Non-executive Directors*

<b>Name</b>	<b>Title</b>
A. McCallum	Chairman
P. Jacobsen (retired 10 November 2021)	Deputy Chairman
D. Rathbone	Non-executive Director
G. Pearce (resigned 17 February 2022)	Non-executive Director
J. Pilcher	Non-executive Director
J. Sharman	Non-executive Director

### *Chief Executive Officer (CEO) and Disclosed Executives*

<b>Name</b>	<b>Title</b>
P. Crock	Chief Executive Officer
S. Duncan	Chief Operating Officer
D. Ambrosini	Chief Financial Officer

## Principles used to determine the nature and amount of remuneration

### **Remuneration philosophy**

The Remuneration and Nomination Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to Directors, the CEO and other Key Management Personnel and consists of all members of the Board. The Remuneration and Nomination Committee is subject to the Company's Remuneration Policy, with that policy having the objectives to provide a competitive, benchmarked and flexible structure, being tailored to the specific circumstances of the Company and which reflect the person's duties and responsibilities so as to attract, motivate and retain people of the appropriate quality.

The Company's Remuneration Policy is reviewed at least once a year and is subject to amendment to ensure it reflects best market practice.

# Directors' Report

(CONTINUED)

Remuneration levels are competitively set to attract appropriately qualified and experienced Directors and executives. The Remuneration and Nomination Committee obtains market data on remuneration levels. The remuneration packages of the Chief Executive Officer and Senior Executives may include a short-term incentive component that is based on specific Company goals pertaining to financial and operational performance. The Chief Executive Officer and Senior Executives may also be invited to participate in the Company's Long-term Incentive Plan, the benefits of which are conditional upon the Company achieving certain performance criteria, the details of which are outlined below.

In accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the structure of Non-executive Director remuneration is separate from executive remuneration.

## Relationship between the Remuneration Policy and Company performance

Currently, the consolidated entity assesses its performance from achievement of operational goals and shareholder value. The performance measures for both the Company's Short-term Incentive Plan (STI Plan) and Long-term Incentive Plan (LTI Plan) will be tailored to align at-risk remuneration and performance hurdle thresholds to the delivery of operational and future financial objectives and sustained shareholder value growth.

## Components of remuneration – Non-executive Directors

The Constitution of the Company and the ASX Listing Rules require that the aggregate remuneration of non-executive Directors shall be determined from time to time by a resolution approved by shareholders at a general meeting. Currently the aggregate remuneration threshold is set at \$500,000 per annum as approved by shareholders at the AGM held on 14 November 2018.

Legislated superannuation conditions made on behalf of non-executive Directors are included within the aggregate remuneration threshold.

Non-executive Directors receive a cash fee for their service and have no entitlement to any performance-based remuneration or any participation in any share-based incentive schemes. An additional fee for being a member of a Board committee is paid to non-executive Directors.

Fees payable to the non-executive Directors for the 2022 financial year inclusive of superannuation contributions were as follows:

	\$
Chairman	120,000
Non-executive Directors	60,000
Chair of Audit and Risk Committee (in addition to Non-executive Director fee)	15,000
Member of Audit and Risk Committee or Remuneration and Nomination Committee	5,000

## Components of remuneration – Chief Executive Officer and other senior executives

### (a) Structure

The Company aims to reward the Chief Executive Officer and Senior Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group, so as to:

- reward them for Company and individual performance against targets set by reference to appropriate benchmarks and key performance indicators;
- align their interest with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Remuneration consists of both fixed and variable remuneration components. The variable remuneration consists of the STI Plan and the LTI Plan.

The proportion of fixed and variable remuneration is established for the Chief Executive Officer by the Board and for each Senior Executive by the Board following recommendations from the Chief Executive Officer and the Remuneration and Nomination Committee.

The Chief Executive Officer's and Senior Executives' remuneration packages are all subject to Board approval.

## **(b) Fixed remuneration**

The fixed remuneration component of the Chief Executive Officer and Senior Executives' total remuneration package is expressed as a total package consisting of base salary and statutory superannuation contributions.

Fixed remuneration reflects the complexity of the individual's role and their experience, knowledge and performance. Internal and external benchmarking is regularly undertaken, and fixed remuneration levels are set with regard to the external market median, with scope for incremental increase for superior performance.

Fixed remuneration is reviewed annually, taking into account the performance of the individual and the Group. There are no guaranteed increases to fixed remuneration in any contracts of employment.

The Chief Executive Officer and Senior Executives have the option to receive their fixed annual remuneration in cash and a limited range of prescribed fringe benefits. The total cost of any remuneration package, including fringe benefits tax, is taken into account in determining an employee's fixed annual remuneration.

## **(c) Variable remuneration – STI Plan**

The STI Plan component of an Executive's total remuneration is an annual cash incentive plan. The STI Plan links a portion of executive remuneration opportunity to specific financial and non-financial measures.

From a governance perspective, all performance measures under the STI Plan must be clearly defined and measurable. The Remuneration and Nomination Committee approves the targets and assesses the performance outcome of the Chief Executive Officer. The Board and the Chief Executive Officer set the targets and assess the performance of Senior Executives. The Board approves STI Plan payments for the Chief Executive Officer and Senior Executives. Under the STI Plan, the Board has discretion to adjust STI Plan outcomes based on the achievements which are consistent with the Group's strategic priorities and, in the opinion of the Board, enhance shareholder value.

One hundred percent (100%) of awarded STI is paid in cash at a time determined by the Board, however for future years the timing will be upon Board approval of the audited year-end accounts. In future years the financial performance measures will be assessed and, for the Executives to qualify for a payment of an STI, a pre-agreed level of Group profit must first be achieved. Once this has been achieved, the level of payment the Executive receives is determined based on the achievement of their pre-determined financial and non-financial measures.

For the financial year ended 30 June 2022, required performance achievements for the STI Plan were not obtained and therefore no STI payments were awarded.

## **(d) Variable remuneration – LTI Plan**

The long term incentive plan (LTI Plan) component of an Executive's total remuneration is based on performance based rights over the ordinary shares of the Company. The LTI Plan links a portion of executive remuneration opportunity to specific financial and non-financial measures. The LTI Plan was approved at the Annual General Meeting on 24 November 2020 and currently incorporates measures linked to share price performance, completion of business critical operational and strategic objectives whilst also considering term of service.

### **Chief Executive Officer (CEO) and Disclosed Executives – Current**

<b>Name</b>	<b>LTI range calculated on fixed annual remuneration</b>
P. Crock	20% – 40%
S. Duncan	10% – 20%
D. Ambrosini	10% – 20%

## **(e) Contract for services – Chief Executive Officer**

The structure of the Chief Executive Officer's remuneration is in accordance with his employment agreement. The Chief Executive Officer's employment agreement is for an indefinite term. The Company may terminate the agreement by providing four months' notice and the Chief Executive Officer may terminate the agreement by providing four months' notice. There are no termination benefits beyond statutory leave and superannuation entitlements associated with termination in accordance with the above notice requirements or in circumstances where notice is not required pursuant to the employment agreement.

The Chief Executive Officer is entitled to participate in the Company's long term incentive LTI Plan. Further details of the LTI Plan are outlined in section (d) of "Components of remuneration – Chief Executive Officer and other senior executives".

# Directors' Report

(CONTINUED)

## (f) Contract for services – senior executives

The terms on which the senior executives are engaged provide for termination by the Company on up to four months' notice, or the minimum entitlements contained in the National Employment Standards – whichever is greater. Similar notice periods apply in the event of termination by the senior executives.

The senior executives are entitled to participate in the Company's LTI Plan, approved at the Annual General Meeting on 24 November 2020. Further details of the LTI Plan are outlined in section (d) of "Components of remuneration – Chief Executive Officer and other senior executives".

In accordance with best practice corporate governance, the structure of non-executive Director and executive Director remuneration is separate.

## Voting and comments made at the Company's 2021 Annual General Meeting ('AGM')

At the 10 November 2021 AGM, 88.46% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

## Additional information

The performance of the group for the five years to 30 June 2022 are summarised below:

	2022 \$000	2021 \$000	2020 \$000	2019 \$000	2018 \$000
Sales revenue	<b>6,411</b>	4,293	647	2,348	1,503
Net loss before income tax	<b>(26,468)</b>	(25,103)	(16,939)	(10,926)	(4,726)
Net loss after income tax	<b>(26,468)</b>	(25,103)	(16,939)	(10,926)	(4,726)
Loss per share (cents)	<b>(7.90)</b>	(9.75)	(11.91)	(7.82)	(3.8)

## Details of remuneration

### Amounts of remuneration

During the course of the year the Key Management Personnel was defined as the Directors; the Chief Executive Officer; Chief Operating Officer; and Chief Financial Officer.

	Post-employment benefits				
	Salary and Fees \$	Termination payments \$	Super- annuation \$	Equity settled share based payments \$	Total \$
<b>Non-executive directors</b>					
A. McCallum	<b>2022</b> 109,091	—	<b>10,909</b>	—	<b>120,000</b>
	2021	109,589	—	10,411	—
P. Jacobsen	<b>2022</b> 19,787	—	<b>1,979</b>	—	<b>21,766</b>
	2021	54,795	—	5,205	—
D. Rathbone <sup>(i)</sup>	<b>2022</b> 75,083	—	<b>7,508</b>	—	<b>82,591</b>
	2021	54,795	—	5,205	—
G. Pearce	<b>2022</b> 37,183	—	<b>3,718</b>	—	<b>40,901</b>
	2021	54,795	—	5,205	—
J. Pilcher	<b>2022</b> 70,455	—	<b>7,045</b>	—	<b>77,500</b>
	2021	56,479	—	5,365	—
J. Sharman	<b>2022</b> 59,091	—	<b>5,909</b>	—	<b>65,000</b>
	2021	9,740	—	925	—
<b>Total</b>	<b>2022</b> 370,690	—	<b>37,068</b>	—	<b>407,758</b>
<b>Total</b>	<b>2021</b> 340,193	—	<b>32,316</b>	—	<b>372,509</b>

Post-employment benefits						
		Salary and Fees \$	Termination payments \$	Super-annuation \$	Equity settled share based payments \$	Total \$
<b>Other Key Management Personnel and Executive Officers</b>						
P. Crock <sup>(i)</sup>	<b>2022</b>	<b>310,922</b>	–	<b>25,945</b>	<b>354,974</b>	<b>691,841</b>
	2021	291,191	–	22,278	51,500	364,969
S. Duncan	<b>2022</b>	<b>276,153</b>	–	<b>25,020</b>	<b>34,454</b>	<b>335,627</b>
	2021	265,731	–	21,971	26,250	313,952
D. Ambrosini	<b>2022</b>	<b>196,615</b>	–	<b>19,092</b>	<b>8,012</b>	<b>223,719</b>
	2021	–	–	–	–	–
<b>Total</b>	<b>2022</b>	<b>783,690</b>	–	<b>70,057</b>	<b>397,440</b>	<b>1,251,187</b>
<b>Total</b>	<b>2021</b>	<b>556,922</b>	–	<b>44,249</b>	<b>77,750</b>	<b>678,921</b>
<b>Disclosed Executives – Former</b>						
G. Bullock <sup>(iii)</sup>	<b>2022</b>	<b>65,744</b>	<b>101,867</b>	<b>5,892</b>	–	<b>173,503</b>
	2021	217,192	–	20,174	26,250	263,616
G. Aldred <sup>(iv)</sup>	<b>2022</b>	–	–	–	–	–
	2021	200,731	–	19,069	26,250	246,050
G. Farrell <sup>(iv)</sup>	<b>2022</b>	–	–	–	–	–
	2021	197,154	–	18,629	26,250	242,033
<b>Total</b>	<b>2022</b>	<b>65,744</b>	<b>101,867</b>	<b>5,892</b>	–	<b>173,503</b>
<b>Total</b>	<b>2021</b>	<b>615,077</b>	–	<b>57,872</b>	<b>78,750</b>	<b>751,699</b>

- (i) D Rathbone fees include 19k of fees received in FY21.
- (ii) One million performance rights were issued to P Crock as a replacement for rights that had lapsed in January 2021 after the last performance condition, namely the commissioning of the Mildura facility had not been met. The Board recognised that the delay in commissioning Mildura had occurred due to matters outside Mr Crock's control. These rights vested on 22 June 2022 and were converted to performance shares currently held as restricted shares.
- (iii) G Bullock left the organisation on 1 September 2021.
- (iv) G Aldred and G Farrell are no longer considered to be KMP within the organisation as their roles are now considered to be more operational than strategic.

# Directors' Report

(CONTINUED)

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk – STI		At risk – LTI	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021
<b>Non-Executive Directors:</b>						
A. McCallum	100%	100%	–	–	–	–
P. Jacobsen	100%	100%	–	–	–	–
D. Rathbone	100%	100%	–	–	–	–
G. Pearce	100%	100%	–	–	–	–
J. Pilcher	100%	100%	–	–	–	–
J. Sharman	100%	100%	–	–	–	–
<b>Other Key Management Personnel:</b>						
P. Crock	46%	86%	–	–	54%	14%
S. Duncan	86%	92%	–	–	14%	8%
D. Ambrosini	84%	–	–	–	16%	–
G. Bullock <sup>(i)</sup>	–	90%	–	–	–	10%

(i) G. Bullock left the organisation 1 September 2021.

## Additional disclosures relating to Key Management Personnel

### Equity holdings

The number of shares in the Company held during the financial year by each Director and other members of Key Management Personnel of the Group, including their personally related parties, is set out below:

	Balance as at 1 July 2021	Balance as at date of appointment	Received as part of remuneration	Acquisitions, disposals or transfers*	Cessation as director	Balance at 30 June 2022	Balance held nominally
<b>Non-Executive Directors:</b>							
A. McCallum	6,155,000	–	–	545,455	–	6,700,455	–
P. Jacobsen	6,319,518	–	–	2,727,273	(9,046,791)	–	–
D. Rathbone	2,821,580	–	–	363,637	–	3,185,217	–
G. Pearce	1,754,195	–	–	181,819	(1,936,014)	–	–
J. Pilcher	125,000	–	–	–	–	125,000	–
J. Sharman	–	–	–	72,728	–	72,728	–
<b>Other Key Management Personnel:</b>							
P. Crock	404,898	–	1,203,449	36,263	–	1,646,610	1,203,449
S. Duncan	26,546	–	103,449	–	–	129,995	103,449
D. Ambrosini	–	–	3,449	16,129	–	19,578	3,449
	<b>17,606,737</b>	<b>–</b>	<b>1,310,347</b>	<b>3,943,304</b>	<b>(10,982,805)</b>	<b>11,879,583</b>	<b>1,310,347</b>

The Directors increased their shareholding in the Company by participating in the placement undertaken in July 2021.

Mr P Jacobsen retired on 10 November 2021 and Mr G Pearce resigned 17 February 2022. Accordingly their holdings have been removed.

Each employee received \$1,000 of gift shares and these amounts are included in the amounts disclosed as shares received as part of remuneration in the table above.

Nominally held shares are held in trust during the restriction period.

### Performance rights holdings

The number of performance rights over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	<b>Balance at the start of the year</b>	<b>Granted</b>	<b>Vested</b>	<b>Expired/forfeited / other</b>	<b>Balance at the end of the year</b>
<b>Performance rights over ordinary shares</b>					
P. Crock	200,000	1,371,952	(1,200,000)	–	371,952
S. Duncan	100,000	165,176	(100,000)	–	165,176
D. Ambrosini	–	141,176	–	–	141,176
	<b>300,000</b>	<b>1,678,304</b>	<b>(1,300,000)</b>	<b>–</b>	<b>678,304</b>

The Performance Rights 2020 Series vested upon the harvesting of the first commercial crop from the Mildura facility, which occurred in June 2022. Upon that harvest occurring, the rights were converted to performance shares which are subject to restrictions on transfer until the earlier of two years or the employee ceasing employment with the Company.

On 21 December 2021 Mr Peter Crock received 1,000,000 performance rights during the year. The rights vested upon the commissioning of the Mildura facility in March 2022. Mr Crock was also granted 200,000 performance rights that will vest upon the achievement of certain performance milestones as set by the Board.

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

<b>Name</b>	<b>Number of rights granted</b>	<b>Grant date</b>	<b>Expiry date</b>	<b>Share price hurdle for vesting</b>	<b>Fair value per right at grant date</b>
<b>Performance Rights 2021 Series</b>					
P. Crock	371,952	21 December 2021	21 December 2024	\$0.00	\$0.28
P. Crock	1,000,000	21 December 2021	21 December 2024	\$0.00	\$0.28
S. Duncan	165,176	21 December 2021	21 December 2024	\$0.00	\$0.28
D. Ambrosini	141,176	21 December 2021	21 December 2024	\$0.00	\$0.28

The Performance Rights 2021 Series vest upon the achievement of certain performance milestones as set by the Board.

In December 2021, 1,200,000 2021 Additional Performance Rights were issued. 1,000,000 performance rights were issued to Mr Peter Crock with the performance condition being the commissioning of the Mildura facility. With that commissioning occurring in March 2022, the Board determined that the performance condition had been met and therefore these rights vested, resulting in the issuing of one million shares to Mr Crock on 22 June 2022. Further, two employees of Satipharm were each issued 100,000 performance rights. The first tranche of these performance rights vested in March 2022 and 50,000 shares were issued to each of these employees on 27 April 2022. All of the shares that have issued to date upon vesting of the 2021 Additional Performance Rights are held in trust as restricted shares for a period of two years after their issue date or until the employee leaves the employment of Cann.

**This concludes the remuneration report, which has been audited.**

# Directors' Report

(CONTINUED)

## Shares under option

There were no unissued ordinary shares of Cann Group Limited under option outstanding at the date of this report.

## Shares issued on the exercise of options

There were no ordinary shares of Cann Group Limited issued on the exercise of options during the year ended 30 June 2022 and up to the date of this report.

## Shares under performance rights

Unissued ordinary shares of Cann Group Limited under performance rights at the date of this report are as follows:

Grant date	Expiry date	Number under rights
21 December 2021	21 December 2024	1,786,362

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

## Shares issued on the exercise of performance rights

There were 1,930,000 Performance shares issued on the exercise of performance rights during the year ended 30 June 2022 and up to the date of this report. LTI plan shares are issued as ordinary shares, but are subject to transfer conditions for a period of two years from their date of issue or until the employee ceases employment with the Company.

## Indemnifying officers and auditors

No indemnities have been given, however, a Directors and Officers insurance premium of \$367 thousand has been paid during the year for any person who is or has been an officer of the Group. No indemnities have been given during or since the end of the year for any person who has been an auditor of the Group.

## Proceedings on behalf of the Group

There were no proceedings entered into by the Company during the year.

## Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

## Auditor

William Buck Audit (Vic) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

## Non-audit services

The Company's Audit and Risk Committee (Committee) is responsible for the maintenance of audit independence. Specifically, the Committee Charter ensures the independence of the auditor is maintained by:

- limiting the scope and nature of non-audit services that may be provided; and
- requiring that permitted non-audit services must be pre-approved by the Chairman of the Committee.

During the year William Buck, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements. The Board has considered the non-audit services provided during the year by the auditor and in accordance with the advice provided by the Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) as they did not involve reviewing or auditing the auditors own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, William Buck, for audit and non-audit services provided during the year are set out in note 11 to the financial statements.

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

## CEO and CFO declaration

The CEO and CFO have given a declaration to the Board concerning the Group's financial statements under section 295A(2) of the *Corporations Act 2001* and recommendation 4.2 of the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (4th edition) in regards to the integrity of the financial statements.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors



**Allan McCallum, AO**

Chairman

25 August 2022

# Auditor's Independence Declaration



## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF CANN GROUP LIMITED

I declare that, to the best of my knowledge and belief during the year ended 30 June 2022 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

*William Buck*

**William Buck Audit (VIC) Pty Ltd**  
ABN: 59 116 151 136

A handwritten signature in black ink, appearing to read 'Alan Finnis'.

**A. A. Finnis**  
Director  
Melbourne, 26 August 2022

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2022

	Note	30 June 2022 \$'000	30 June 2021 \$'000
<b>Revenue from customer contracts</b>	5	<b>6,411</b>	<b>4,293</b>
Revenue and other income	5	<b>4,827</b>	4,275
Total revenue and other income		<b>11,238</b>	8,568
<b>Expenses</b>			
Administration and corporate costs	6	(27,697)	(23,128)
Research and development costs		(2,991)	(2,031)
Fair value adjustment of biological assets		–	(48)
Depreciation and amortisation expense		(4,797)	(2,631)
Total expenses		<b>(35,485)</b>	(27,838)
<b>Loss before finance costs, investment loss, and income tax expense</b>		<b>(24,247)</b>	<b>(19,270)</b>
Finance costs		(1,828)	(4,151)
Loss on fair value of investment	13	(393)	(1,682)
<b>Loss before income tax expense</b>		<b>(26,468)</b>	<b>(25,103)</b>
Income tax expense		–	–
<b>Loss after income tax expense for the year</b>		<b>(26,468)</b>	<b>(25,103)</b>
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(138)	(42)
Other comprehensive loss for the year, net of tax		(138)	(42)
<b>Total comprehensive loss for the year</b>		<b>(26,606)</b>	<b>(25,145)</b>
		Cents	Cents
Basic loss per share	9	<b>(7.90)</b>	(9.75)
Diluted loss per share	9	<b>(7.90)</b>	(9.75)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# Consolidated Statement of Financial Position

AS AT 30 JUNE 2022

	Note	30 June 2022 \$'000	30 June 2021 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,914	3,105
Trade and other receivables	7	4,158	4,196
Prepayments	8	1,641	1,896
Inventories	12	10,673	12,066
Biological assets	15	782	829
<b>Total current assets</b>		<b>19,168</b>	<b>22,092</b>
<b>Non-current assets</b>			
Property, plant and equipment	16	117,929	75,789
Intangible assets	17	1,462	2,046
Financial assets at fair value through profit or loss	13	743	1,136
Prepayments	8	85	85
Right-of-use assets	14	276	644
<b>Total non-current assets</b>		<b>120,495</b>	<b>79,700</b>
<b>Total assets</b>		<b>139,663</b>	<b>101,792</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	18	6,519	8,333
Contract liabilities	19	162	141
Lease liability	20	304	409
Employee entitlements	21	815	520
Borrowings	31	3,500	–
<b>Total current liabilities</b>		<b>11,300</b>	<b>9,403</b>
<b>Non-current liabilities</b>			
Lease liability	20	–	271
Employee entitlements	21	99	246
Borrowings	31	43,361	–
<b>Total non-current liabilities</b>		<b>43,460</b>	<b>517</b>
<b>Total liabilities</b>		<b>54,760</b>	<b>9,920</b>
<b>Net assets</b>		<b>84,903</b>	<b>91,872</b>
<b>EQUITY</b>			
Issued capital	22	169,425	149,673
Reserves	23	(82)	3,363
Accumulated losses		(84,440)	(61,164)
<b>Total equity</b>		<b>84,903</b>	<b>91,872</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2022

	<b>Issued capital \$'000</b>	<b>Share based payments reserve \$'000</b>	<b>Foreign currency translation reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2020	97,137	2,143	–	(38,204)	61,076
Loss after income tax expense for the year	–	–	–	(25,103)	(25,103)
Other comprehensive loss for the year, net of tax	–	–	(42)	–	(42)
Total comprehensive loss for the year	–	–	(42)	(25,103)	(25,145)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 22)	52,536	3,155	–	–	55,691
Share-based payments	–	250	–	–	250
Transfer – expiry of Performance Rights Class C	–	(2,143)	–	2,143	–
<b>Balance at 30 June 2021</b>	<b>149,673</b>	<b>3,405</b>	<b>(42)</b>	<b>(61,164)</b>	<b>91,872</b>
	<b>Issued capital \$'000</b>	<b>Share based payments reserve \$'000</b>	<b>Foreign currency translation reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2021	149,673	3,405	(42)	(61,164)	91,872
Loss after income tax expense for the year	–	–	–	(26,468)	(26,468)
Other comprehensive loss for the year, net of tax	–	–	(138)	–	(138)
Total comprehensive loss for the year	–	–	(138)	(26,468)	(26,606)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 22)	18,912	–	–	–	18,912
Share-based payments	–	647	–	–	647
Employee share gift plan	78	–	–	–	78
Conversion of employee performance rights	762	(762)	–	–	–
Transfer – expiry of options	–	(3,192)	–	3,192	–
<b>Balance at 30 June 2022</b>	<b>169,425</b>	<b>98</b>	<b>(180)</b>	<b>(84,440)</b>	<b>84,903</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2022

	Note	30 June 2022 \$'000	30 June 2021 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		7,601	1,484
Payments to suppliers and employees		(31,028)	(26,168)
Interest received		1	41
Other income received		2,993	3,813
Net cash used in operating activities	27	(20,433)	(20,830)
<b>Cash flows from investing activities</b>			
Payments for investments		–	(1,025)
Payments for property, plant and equipment	16	(45,164)	(15,712)
Payments for intangibles	17	–	(558)
Proceeds from disposal of investments		–	211
Net cash used in investing activities		(45,164)	(17,084)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares net of expenses	22	17,921	40,198
Proceeds from issue of options	23	–	1,553
Proceeds from borrowings		46,861	–
Share issue transaction costs	22	–	(1,839)
Repayment of lease liabilities		(376)	(447)
Net cash from financing activities		64,406	39,465
Net increase/(decrease) in cash and cash equivalents		(1,191)	1,551
Cash and cash equivalents at the beginning of the financial year		3,105	1,554
<b>Cash and cash equivalents at the end of the financial year</b>		<b>1,914</b>	3,105

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Consolidated Financial Statements

30 JUNE 2022

## Note 1. Corporate information

These are the financial statements of Cann Group Limited (Company) and its subsidiaries, including Cannproducts Pty Ltd, Cannoperations Pty Ltd, Cann IP Pty Ltd, Botanitech Pty Ltd, all incorporated and domiciled in Victoria, Australia and the Satipharm business, comprising Satipharm Europe Ltd, Satipharm Limited, Satipharm AG, Satipharm Australia Pty Ltd, Satipharm Canada Limited and Phytotech Therapeutics Ltd (together, the Group). Cann Group Limited is an ASX-listed public company incorporated and domiciled in Victoria, Australia.

These financial statements are for the year ended 30 June 2022. Unless otherwise stated, all amounts are presented in thousands of \$AUD (\$'000), which is the functional and presentation currency of all entities in the Group with the exception of the Satipharm business, whose functional currency is the Euro.

The financial statements were authorised for issue by the Directors on the date of signing the attached Directors' Declaration.

## Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative announcements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* as appropriate for-profit oriented entities.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated.

Unless otherwise stated, amounts in this report have been rounded to the nearest thousand dollars.

### Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

### Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 30.

# Notes to the Consolidated Financial Statements

(CONTINUED)

## Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all the subsidiaries of the Group as at 30 June 2022 and the results of all its subsidiaries for the reporting period.

Subsidiaries refer to entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of the potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Group. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiary Name	Date Acquired	Percentage Shareholding 2022	Percentage Shareholding 2021
Cannproducts Pty Ltd (ACN 600 887 189)	27 February 2015	100.00%	100.00%
Cannoperations Pty Ltd (ACN 603 323 226)	27 February 2015	100.00%	100.00%
Cann IP Pty Ltd (ACN 169 764 407)	27 February 2015	100.00%	100.00%
Botanitech Pty Ltd (ACN 604 834 488)	18 March 2015	100.00%	100.00%
Satipharm Europe Ltd	10 March 2021	100.00%	100.00%
Satipharm Limited	10 March 2021	100.00%	100.00%
Satipharm AG	10 March 2021	100.00%	100.00%
Satipharm Australia Pty Ltd	10 March 2021	100.00%	100.00%
Satipharm Canada Limited	10 March 2021	100.00%	100.00%
Phytotech Therapeutics Ltd	10 March 2021	100.00%	100.00%

## Foreign currency translation

The financial statements are presented in Australian dollars, which is Cann Group Limited's functional and presentation currency.

## Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

## Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

## Revenue recognition

The Group recognises revenue as follows:

### Revenue from contracts with customers

The Group generates revenue primarily from the sale of medicinal cannabis products as well as from the provision of services. The Group uses the following five-step contract-based analysis of transactions to determine whether, how much and when revenue is recognised:

1. Identify the contract with a customer;
2. Identify the performance obligation(s) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligation(s) in the contract; and
5. Recognise revenue when or as the company satisfies the performance obligation(s).

Revenue from the sale of cannabis is generally recognised when control over the goods has been transferred to the customer. Payment for medicinal cannabis products is due within a specified time period as permitted by the underlying agreement and the Group's credit policy upon the transfer of goods to the customer. The Group satisfies its performance obligation and transfers control to the customer upon delivery and acceptance by the customer. Revenue is recorded at the estimated amount of consideration to which the Company expects to be entitled.

### Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

### Government grants

Government grants are recognised when they are received or when the right to receive payment is established.

As the Company can reliably estimate its R&D tax incentive rebate an accrual is recognised in the current year under Australian Accounting Standards. Revenue from the R&D tax incentive rebate is accrued at 43.5% of the eligible R&D expenditure.

### Trade and other receivables

Trade receivables represent amounts owing for the goods purchased from the Group prior to the end of the financial year end and are unpaid. Due to their short-term nature they are measured and amortised at cost and are not discounted. Trade receivables are generally due for settlement within 30 days.

### Inventory

Inventory is valued depending upon the specific purpose of that inventory class. Costs incurred for inventory held as research and development expenses are expensed as incurred.

Biomass plant inventory is valued at fair value less costs to sell, and where fair value is not readily available, at cost or net realisable value, whichever is less.

Resin inventory is valued at cost or net realisable value, whichever is less.

Oil inventory is valued at cost or net realisable value whichever is less.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

# Notes to the Consolidated Financial Statements

(CONTINUED)

## Fair value of financial instruments

A financial asset is classified and measured at amortised cost or at fair value. The classification and measurement of financial assets is based on the Group's business models for managing its financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). Financial assets are initially measured at fair value and are subsequently measured at either (i) amortised cost; (ii) fair value through other comprehensive income (FVTOCI), or (iii) at fair value through profit or loss (FVTPL).

Financial assets that are held for the purpose of collecting contractual cash flows that are SPPI are classified as amortised cost. Amortised cost financial assets are initially recognised at their fair value and are subsequently measured at amortised cost using the effective interest rate method. Transaction costs of financial instruments classified as amortised cost are capitalised and amortised in profit or loss on the same basis as the financial instrument. Cash and cash equivalents comprises of cash at bank and on hand. Term deposits with maturity of less than three months are also classified as cash and cash equivalents.

Equity instruments are measured at fair value with changes in fair value recognised through profit and loss (FVTPL). Dividends received on these investments are recognised in profit or loss unless the distribution clearly represents a recovery of part of the cost of the investment (e.g., a return of capital).

Financial liabilities include – a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or a contract that will or may be settled in the entity's own equity instruments and is:

- a non-derivative for which the entity is or might be obliged to deliver a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

The following table summarises the classification of the Company's financial instruments under AASB 9:

Financial assets	Classification as per AASB 9
Cash and Cash Equivalents	Amortised cost
Trade and other receivables excluding GST	Amortised cost
Marketable securities	FVTPL
Equity interest in other entities	FVTPL
Financial Liabilities	Classification as per AASB 9
Accounts Payable and accrued liabilities	Amortised cost
Loans and Borrowings	Amortised cost
Convertible Note/Debentures	FVTPL
Lease liabilities	Amortised cost

## Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

## Property, plant and equipment

Each class of property, plant and equipment is carried at cost less any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of property, plant and equipment constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

The depreciable amount of all property, plant and equipment is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

As at 30 June 2022, the Group's asset classes had effective useful lives as follows:

Cultivation plant and equipment	1–7 years
Manufacturing plant and equipment	2–7 years
Computer and network equipment	1–3 years
Other plant and equipment	1–3 years
Buildings	20 years
Land	N/A

As a result of the completion of the Mildura facility the Company reviewed the asset classes of its property plant and equipment and has revised these from the prior year to be more in accordance with the newly capitalised assets.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are included in the statement of profit or loss and other comprehensive income.

## Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Consolidated Group's incremental borrowing rate is used.

Lease liabilities are subsequently measured by:

- increasing the carrying amount to reflect interest on the lease liabilities;
- reducing the carrying amount to reflect lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

Interest on the lease liabilities and any variable lease payments not included in the measurement of the lease liabilities are recognised in the Consolidated Statement of Comprehensive Income in the period in which they relate.

## Right-of-use assets

Right-of-use assets are measured at cost less depreciation and impairment and adjusted for any remeasurement of the lease liability.

The cost of the asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before lease commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

# Notes to the Consolidated Financial Statements

(CONTINUED)

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group tests right-of-use assets for impairment where there is an indicator that the asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The Group determines the lease term as the non-cancellable period of a lease together with both:

- the periods covered by an option to extend the lease if it is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Management considers all the facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. This assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in the Consolidated Statement of Comprehensive Income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

## Biological assets

The Group defines the biological assets as cannabis plants up to the point of harvest. Biological assets are measured at the lower of their cost and net realisable value at the end of each reporting period.

## Impairment of non-financial assets

At each reporting date, the Group's Directors review the carrying values of the Group's tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

## Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

## Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

## Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

## Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

## Employee benefits

### Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

### Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

## Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

The Group reflects in its comprehensive income (or loss) and its financial position the effects of share-based payment transactions, including expenses associated with transactions in which shares are granted to related parties, Key Management Personnel and employees.

For share-based payments received by employees and Key Management Personnel of the Group, fair value is measured by reference to the fair value of the equity instruments granted at their grant date, being the date that both the recipient and the Group have a shared understanding of the terms and conditions connected to the share-based payment. Any market-based vesting conditions are incorporated into the valuation of the share-based payment arrangement as at the grant date of the share-based payment. Share-based payments with non-market-based performance conditions vest according to the pro-rata achievement of those conditions. Share-based payments with non-performance-based conditions are valued using the Black-Scholes model and payments with market-based performance conditions are valued using a binomial model which incorporates from both the performance rights arrangement and market data that existed at grant date.

## Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

# Notes to the Consolidated Financial Statements

(CONTINUED)

## Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of:

- (i) 12 months from the date of the acquisition; or
- (ii) when the acquirer receives all the information possible to determine fair value.

## Loss per share

### Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to the owners of Cann Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

### Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## Goods and Services Tax (GST) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

## Commitments

The Group recognises contractual obligations as and when the performance obligations inherent in the execution of an agreement are achieved. Binding contractual arrangements where the Group is a party to a contractual obligation to exchange economic resources in the future upon the fulfilment of certain contract terms, are disclosed as contractual commitments to the extent to which they are not recognised in the financial statements.

## Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

## Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### Key judgements – non-recognition of carry-forward tax losses

The balance of future income tax benefit estimated as \$5.92 million (2021: \$4.88 million) arising from current year tax losses of \$26.47 million (2021: \$25.10 million) and timing differences has not been recognised as an asset because it is not clear when the losses will be recovered. The cumulative future income tax benefit estimated to be \$20.29 million, which has not been recognised as an asset, will only be obtained if:

- (i) the Group derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) the Group continues to comply with the conditions for deductibility imposed by law; and
- (iii) no changes in tax legislation adversely affecting the Company realising the benefit.

### Key judgements – valuation of performance rights (refer note 23 for details)

Performance rights issued during the year are measured at the fair value on grant date. These were independently valued using Black-Scholes option pricing model. The data input into this model included the dividend yield of 0% and risk-free rate of 0.96%.

### Key judgements – non-recognition of research and development tax incentive benefits

The balance of research and development tax incentive arising from operations of the Group has been recognised as an asset after a review was conducted by the Company's independent research and development specialists to 31 March 2022. The research and development tax incentive, will only be obtained if:

- (i) the Group's activities fulfil the eligibility criteria of the research and development tax initiative and it is successful in registering for the research and development tax initiative;
- (ii) the Group continues to comply with the conditions for registration of the research and development tax initiative imposed by law; and
- (iii) no changes in tax legislation adversely affecting the Group realising the tax incentive from research and development.

The Company has recognised the 2021 rebate received and accrued 9 months of the 2022 R&D tax incentive rebate.

### Key judgements – impact of COVID-19

As with many other businesses, the Group implemented changes in order to comply with Government-imposed COVID-19 restrictions and guidelines in FY22, safeguarding the Group's commitment to the health and welfare of its employees and business partners.

The Group implemented a business continuity plan which included moving to a shift-based operation for its cultivation facilities and all other staff working from home.

# Notes to the Consolidated Financial Statements

(CONTINUED)

## Key judgements – impairment of inventories (refer note 12 for details)

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

## Key judgements – Fair value measurement hierarchy (refer to note 28 for details)

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

## Key judgements – Capitalisation of the cost of software hosted on infrastructure (refer note 17 for details)

The Group capitalises the cost of software hosted on infrastructure in accordance with the Group accounting policy for software stated in note 2. In determining the nature and extent of software related costs to be capitalised, the Group is required to consider whether it can control the resources received. When the Group concludes it can control the resources and future economic benefits which accrue, it capitalises the associated costs and amortises the cost over the expected period during which the benefits can be controlled and obtained.

## Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

## Note 4. Operating segments

### Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are regularly reviewed by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

The Group operates in one operational sector and has identified only one reportable segment being cultivation of medicinal cannabis and further processing into manufactured medicinal cannabis products, as well as the corporate office.

Geographical information of total sales and total non-current assets is disclosed as below.

### Geographical information

	Revenues from external customer contracts		Geographical non-current assets	
	30 June 2022 \$'000	30 June 2021 \$'000	30 June 2022 \$'000	30 June 2021 \$'000
Australia	5,159	2,256	120,490	79,690
Europe	1,252	2,037	5	10
	6,411	4,293	120,495	79,700

## Note 5. Revenue and other income

	30 June 2022 \$'000	30 June 2021 \$'000
Revenue from customer contracts	6,411	4,293
Research and development tax incentives and other government grants	4,520	4,234
Other income	307	41
	<b>11,238</b>	8,568

Revenue from the sale of cannabis is generally recognised when control over the goods has been transferred to the customer. Refer to Note 2 for the company's revenue recognition policy.

## Note 6. Administration and corporate costs

	30 June 2022 \$'000	30 June 2021 \$'000
Share based employee remuneration	737	307
Employee salaries and wages	8,876	7,806
Employee superannuation	726	547
Cultivation and manufacturing expenses	12,551	7,045
Other corporate and administration expenses	1,260	4,244
Insurance expenses	981	1,042
Share registry and listing expenses	–	457
Legal and consultancy expenses	1,718	1,680
Allowance for expected credit loss	848	–
	<b>27,697</b>	23,128

A write down to inventory of \$1.274 million has been charged to administration and corporate costs during the period to recognise the cost of unsaleable inventory.

The Company has raised a provision against debtors to the amount of \$848 thousand to recognise those receivables at risk. Upon receipt of these amounts the provision will be reversed.

# Notes to the Consolidated Financial Statements

(CONTINUED)

## Note 7. Trade and other receivables

	30 June 2022 \$'000	30 June 2021 \$'000
Overseas customer receivables	1,064	1,594
Local customer receivables	1,102	1,398
	<b>2,166</b>	2,992
Other receivables	1,992	1,204
	<b>4,158</b>	4,196

Other receivables in FY22 includes an \$1.8 million in R&D tax incentive accruals to 31 March 2022.

	30 June 2022 \$'000	30 June 2021 \$'000
Not overdue	2,565	4,004
0 to 3 months overdue	914	134
3 to 6 months overdue	–	–
Over 6 months overdue	679	58
	<b>4,158</b>	4,196

Management assess the ability to recover trade and other receivables on a regular basis. Where it is deemed that it is probable the counterparty will not be able to settle their obligations, management commensurately recognise a provision for expected credit losses. Due to the low quantum of customers it was not possible to prepare an expected credit loss model and specific provisions have been raised against specific debtors as required.

## Note 8. Prepayments

	30 June 2022 \$'000	30 June 2021 \$'000
Advances for Gelpell machinery	–	1,142
Prepaid insurance	809	412
Advances for Gelpell royalty	188	–
Other prepayments	644	342
	<b>1,641</b>	1,896

## Note 9. Loss per share

	30 June 2022 \$'000	30 June 2021 \$'000
Loss after income tax	(26,468)	(25,103)

	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	<b>335,091,009</b>	257,388,229
Weighted average number of ordinary shares used in calculating diluted loss per share	<b>335,091,009</b>	257,388,229
	Cents	Cents
Basic loss per share	(7.90)	(9.75)
Diluted loss per share	(7.90)	(9.75)

Performance rights have not been included in the weighted average number of ordinary shares as the Group presently has accumulated losses and no certainty of future profits to offset those losses.

The potentially dilutive effects of any contingently issuable ordinary shares have not been considered in the diluted loss per share calculation because the Group is in a loss-making position and such an effect would be anti-dilutive.

## Note 10. Key Management Personnel disclosures

### Directors

The following persons were Directors of Cann Group Limited during the financial year:

Mr Allan McCallum	Chairman
Mr Philip Jacobsen (retired 10 November 2021)	Deputy Chairman
Mr Douglas Rathbone	Non-executive Director
Mr Geoff Pearce (resigned 17 February 2022)	Non-executive Director
Ms Jenni Pilcher	Non-executive Director
Mr John Sharman	Non-executive Director

### Other Key Management Personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

Mr Peter Crock	Chief Executive Officer
Mr Shane Duncan	Chief Operating Officer
Ms Deborah Ambrosini (appointed 1 September 2021)	Chief Financial Officer

Mr Geoff Aldred and Ms Geraldine Farrell were considered KMP in 2021 but after a review of their roles within the organisation in FY22 they have been removed from Key Management Personnel as their roles are considered to be more operational.

### Compensation

The aggregate compensation paid to Directors and other members of Key Management Personnel of the Group is set out below:

	30 June 2022	30 June 2021
	\$	\$
Short-term employee benefits	1,220,124	1,512,192
Post-employment benefits	113,017	134,437
Termination benefits	101,867	–
Share-based payments	397,440	156,500
	1,832,448	1,803,129

# Notes to the Consolidated Financial Statements

(CONTINUED)

## Note 11. Remuneration of auditors

	30 June 2022 \$	30 June 2021 \$
(i) Audit and other assurance services – William Buck		
Audit and review of financial statements	78,500	80,000
Other audit and assurance related services	–	3,016
Total remuneration for audit and other assurance services	78,500	83,016
(ii) Non-assurance services – William Buck		
Tax compliance services	9,500	91,573
(iii) Audit and other assurance services		
Audit and review of financial statements	–	20,002
Total remuneration	88,000	194,591

## Note 12. Inventories

	30 June 2022 \$'000	30 June 2021 \$'000
<b>Current assets</b>		
Cultivation materials & work in progress	1,044	739
Finished goods – biomass	3,421	4,834
Finished goods – crude extract resin	2,640	4,131
Finished goods – oil	1,935	1,391
Other inventories	136	–
Finished goods Gelpell	1,497	1,282
Less: Provision for impairment of finished goods – oil	–	(61)
Less: Provision for impairment of finished goods Gelpell	–	(250)
	<b>10,673</b>	12,066

After review of the inventory balances a write down to inventory of \$1.274 million has been charged to administration and corporate costs during the period to recognise the cost of unsaleable inventory.

### Note 13. Financial assets at fair value through profit or loss

	30 June 2022 \$'000	30 June 2021 \$'000
Shares in Rua Bioscience Ltd (formerly Zalm Therapeutics Ltd)	204	111
Shares in iuvo Therapeutics Ltd	539	1,025
	<b>743</b>	1,136
<hr/>		
	30 June 2022 \$'000	30 June 2021 \$'000
Movement in financial assets at fair value through the profit and loss:		
Opening balance	111	935
Additional subscription shares	-	924
Fair value movement during the year	93	(1,748)
Closing balance	<b>204</b>	111
<hr/>		
Shares in iuvo Therapeutics Ltd		
Opening balance	1,025	-
Acquisition shares	-	1,025
Fair value movement during the year	(486)	-
	<b>539</b>	1,025
	<b>743</b>	1,136

On 20 January 2022 Rua Bioscience Ltd acquired 100% of the shares of Zalm Therapeutics Ltd of which Cann held 8.36%. The total value of the transaction was up to NZD 10 million of which Cann was able to benefit on a pro-rata basis in accordance with its shareholding in Zalm Therapeutics Ltd.

The Group's financial assets are measured and disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The financial assets listed above are valued at the fair value at the end of the reporting period. The gains/(losses) on the financial assets have been recognised in the statement of profit or loss and other comprehensive income.

Details of the Group's investments are as follows:

#### Rua Bioscience Ltd (Rua) – Level 1 investment

The Group, through its wholly owned subsidiary Botanitech Pty Ltd, has an investment in the Rua business. The Group has no further obligation to invest further funds into the Rua business.

#### iuvo Therapeutics Ltd (iuvo) – Level 3 investment

The Group made a strategic CAD 1 million investment into iuvo resulting in the Group holding approximately 2% of iuvo's issued ordinary shares. Following the investment, the Group had exclusive external rights to supply iuvo Therapeutics GmbH, iuvo's wholly owned subsidiary, with medicinal cannabis extracts until 31 December 2021, with those rights then converting to preferred non-exclusive status.

# Notes to the Consolidated Financial Statements

(CONTINUED)

## Consideration of fair value at 30 June 2022

The investment in iuvo is considered by the Directors of the Group as a level 3 investment in accordance with the AASB 13 *Fair Value Measurement*, as investments in shares of unlisted specialist proprietary limited companies, for which there is no active market not readily observable valuation inputs.

Accordingly, the Directors have determined at the reporting date that it is reasonable to assess the iuvo assets at fair value based on the most recent, or expected future arm's length transactions in these shares. Based on these criteria, the Directors have determined that the iuvo assets carrying value is materially different to the fair value at the reporting date and the investment has been revalued to fair value resulting in a decrease in the asset value of \$486 thousand.

The investment in Rua is considered by the Directors of the Group as a level 1 investment in accordance with the AASB 13 *Fair Value Measurement*. Shares are listed on the New Zealand stock exchange and the investment has been revalued to the fair value resulting in an uplift of \$93 thousand for the full year.

At each reporting date the Directors will reassess the carrying value of its investments and if new information becomes available the investments will be revalued in accordance with AASB 13 *Fair Value Measurement*.

## Note 14. Right-of-use assets

	30 June 2022 \$'000	30 June 2021 \$'000
<b>Non-current assets</b>		
Land and buildings – right-of-use	1,533	1,533
Less: Accumulated depreciation	(1,257)	(889)
	<b>276</b>	644

The Group leases land and buildings for its offices and glasshouse under agreements of between one to four years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

## Note 15. Biological assets

	30 June 2022 \$'000	30 June 2021 \$'000
<b>Current assets</b>		
Biological asset – at cost	782	829

## Reconciliations

Reconciliations of changes in the carrying amount of biological assets:

	Total \$'000
Balance at 1 July 2021	829
Transfers in/(out)	(47)
Balance at 30 June 2022	782

Includes biological assets reclassified as inventory at the point of harvest. Includes physical changes as a result of biological transformation such as growth. Biological assets are measured at cost.

## Note 16. Property, plant and equipment

	30 June 2022 \$'000	30 June 2021 \$'000
<b>Non-current assets</b>		
Land and buildings – at cost	75,746	13,852
Less: Accumulated depreciation	(1,083)	(200)
	<b>74,663</b>	13,652
Freehold improvements – at cost	1,280	870
Less: Accumulated depreciation	(647)	(480)
	<b>633</b>	390
Plant and equipment – at cost	48,592	7,474
Less: Accumulated depreciation	(7,281)	(4,602)
	<b>41,311</b>	2,872
Fixtures and fittings – at cost	867	113
Less: Accumulated depreciation	(148)	(112)
	<b>719</b>	1
Computer equipment – at cost	564	161
Less: Accumulated depreciation	(193)	(154)
	<b>371</b>	7
Capital work in progress	232	58,867
	<b>117,929</b>	75,789

As a result of the completion of the Mildura facility the Company reviewed the categories of its property plant and equipment and has revised these from the prior year to be more in accordance with the newly capitalised assets.

### Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial year are set out below:

	Land and buildings \$'000	Freehold improvements \$'000	Plant and equipment \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Capital work in progress \$'000	Total \$'000
Balance at 1 July 2021	13,652	390	2,872	1	7	58,867	75,789
Additions	–	18	400	15	57	45,797	46,287
Write off of assets	–	–	–	–	–	(349)	(349)
Transfers in/(out)	61,893	392	40,715	737	346	(104,083)	–
Depreciation expense	(882)	(167)	(2,676)	(34)	(39)	–	(3,798)
Balance at 30 June 2022	<b>74,663</b>	<b>633</b>	<b>41,311</b>	<b>719</b>	<b>371</b>	<b>232</b>	<b>117,929</b>

# Notes to the Consolidated Financial Statements

(CONTINUED)

	Land and buildings \$'000	Freehold improvements \$'000	Plant and equipment \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Capital work in progress \$'000	Total \$'000
Balance at 1 July 2020	13,753	551	3,417	2	16	41,186	58,925
Additions	–	–	877	–	1	17,681	18,559
Depreciation	(101)	(161)	(1,422)	(1)	(10)	–	(1,695)
Balance at 30 June 2021	13,652	390	2,872	1	7	58,867	75,789

During the year ended 30 June 2022, the Group spent \$46 million (2021: \$15.5 million) in Mildura for construction of a glasshouse facility and support building. Materials to construct the glasshouse and to modify the existing building plus preliminary design and other services were classified as capital-work-in-progress until the facility was completed and commissioned for use in March 2022. At commissioning the purchases were transferred to the relevant asset account with depreciation charges commencing from 1 April 2022.

In April 2022 the Company appointed CBRE Valuation and Advisory services to complete an independent valuation on the new state-of-the-art glasshouse located in Mildura. A Depreciated Replacement Cost approach was used to perform the valuation and a value in excess of the current carrying value was determined. The Directors have concluded that no impairment exists relating to these assets.

## Note 17. Intangible assets

During the year ended 30 June 2020, the Group entered into a manufacturing agreement with a third party contract manufacturer for production of GMP extracted locally manufactured resin and GMP-formulated locally manufactured oil. The initial cost of development of the production lines were one-off set-up costs at the third party contract manufacturer's facilities, and have been recognised as intangible assets. In the opinion of management these costs will be recovered over a period of five years.

Software costs were recognised during the year ended 30 June 2021 and in the opinion of management these costs will be recovered over a period of three years.

	30 June 2022		30 June 2021	
	Goodwill \$'000	Other intangible assets \$'000	Software \$'000	Total \$'000
<b>Non-current assets</b>				
Intangible assets – at cost			2,656	2,612
Less: Accumulated amortisation			(1,194)	(566)
			1,462	2,046
<b>Intangible assets</b>				
Balance at 1 July 2020	–	828	–	828
Additions	–	–	1,013	1,013
Additions through business combinations	661	–	9	670
Amortisation expense	–	(285)	(180)	(465)
Balance at 1 July 2021	661	543	842	2,046
Additions	–	–	34	34
Amortisation expense	–	(284)	(341)	(625)
Foreign exchange translation	10	–	(3)	7
	10	(284)	(310)	(584)
Balance at 30 June 2022	671	259	532	1,462

## Note 18. Trade and other payables

	30 June 2022 \$'000	30 June 2021 \$'000
Mildura construction	1,187	4,660
Contract manufacturing	446	1,050
Cultivation vendors	126	438
Accrued expenses	990	1,087
Research and development	320	114
Other vendors	3,450	984
<b>Total trade and other payables</b>	<b>6,519</b>	8,333

Other payables includes premium funding contracts for Cann Group insurance contracts of \$866 thousand. Insurance premiums are paid on a monthly basis allowing Cann to spread these costs out over the life of the policy.

## Note 19. Contract liabilities

	30 June 2022 \$'000	30 June 2021 \$'000
<b>Current liabilities</b>		
Contract liabilities	162	141

## Note 20. Lease liability

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Group has two existing leases for premises as follows:

### Northern facility

The term of the lease is three years finishing on 31 March 2023. The lease started in April 2017 for three years and an option was exercised in March 2020 to extend the lease for a further three years. It is reasonably certain that the Group will renew the lease again.

### Corporate office

The lease started in July 2018 for two years and an option was exercised to extend the lease for one year in June 2020. As of 1 July 2021, the lease reverted to a monthly tenancy, on the same monthly financial terms as were in place prior to 1 July 2021.

All leased premises are located in Melbourne, Victoria. Lease commitments for the Company are:

	30 June 2022 \$'000	30 June 2021 \$'000
<b>Current liabilities</b>		
Lease liability	304	409
<b>Non-current liabilities</b>		
Lease liability	-	271

# Notes to the Consolidated Financial Statements

(CONTINUED)

## Note 21. Employee entitlements

	30 June 2022 \$'000	30 June 2021 \$'000
<b>Current liabilities</b>		
Annual leave	815	520
<b>Non-current liabilities</b>		
Long service leave	99	246

## Note 22. Issued capital

	30 June 2022 Shares	30 June 2021 Shares	30 June 2022 \$'000	30 June 2021 \$'000
Ordinary shares – fully paid	351,355,198	277,911,998	169,425	149,673

## Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2020	142,892,342	–	97,137
Shares issued under the Share Purchase Plan	23 July 2020	32,953,920	\$0.40	13,182
Conversion of 5,600,000 convertible notes	29 July 2020	17,185,723	\$0.34	5,843
Settlement of invoices for services	11 August 2020	74,840	\$0.94	70
Settlement of invoices for services	11 August 2020	103,846	\$0.65	68
Shares issued to Zalm Therapeutics	11 August 2020	1,983,890	\$0.47	923
Shares issued under the Share Purchase Plan	20 August 2020	64,744,452	\$0.40	25,898
Shares issued under the Share Purchase Plan	15 September 2020	2,796,080	\$0.40	1,118
Conversion of 2,300,000 convertible notes	30 September 2020	7,175,285	\$0.34	2,440
Settlement of invoices for services	27 November 2020	75,000	\$0.42	32
Shares issued under the Employee Gift Plan	12 January 2021	89,668	\$0.65	57
Exercise of convertible note options	28 January 2021	306,846	\$0.46	141
Exercise of convertible note options transfer from reserve	28 January 2021	–	\$0.15	47
Exercise of convertible note options	16 February 2021	3,070,791	\$0.46	1,412
Exercise of convertible note options transfer from reserve	16 February 2021	–	\$0.15	467
Settlement of invoices for services	19 February 2021	113,157	\$0.57	64
Shares issued to Harvest One as payment for the acquisition of Satipharm	10 March 2021	4,278,615	\$0.60	2,575
Settlement of invoices for services	14 May 2021	67,543	\$0.57	38
Transaction costs associated with capital raising		–	\$0.00	(1,839)
Balance	30 June 2021	277,911,998	–	149,673

## Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2021	<b>277,911,998</b>	–	<b>149,673</b>
Shares issued to CSIRO for payment of research and development services	27 July 2021	<b>206,895</b>	<b>\$0.40</b>	<b>83</b>
Share issued under placement announced 26 July 2021 net of capital raising expense	30 July 2021	<b>32,472,724</b>	<b>\$0.27</b>	<b>8,154</b>
Shares issued to Directors under placement announced 26 July 2021	7 September 2021	<b>3,890,912</b>	<b>\$0.27</b>	<b>1,070</b>
Shares issued to Harvest One as part payment for the Satipharm acquisition	13 September 2021	<b>2,725,863</b>	<b>\$0.29</b>	<b>804</b>
Shares issued to Harvest One as deferred earn out payments after Satipharm acquisition	13 September 2021	<b>24,083</b>	<b>\$0.40</b>	<b>10</b>
Shares issued under the Share Purchase Plan	22 October 2021	<b>31,622,028</b>	<b>\$0.27</b>	<b>8,696</b>
Shares issued under the Employee Gift Plan	13 January 2022	<b>269,022</b>	<b>\$0.29</b>	<b>78</b>
Escrow shares issued on conversion of performance rights	27 April 2022	<b>100,000</b>	<b>\$0.00</b>	<b>24</b>
Shares issued following conversion of performance rights	22 June 2022	<b>46,986</b>	<b>\$0.25</b>	<b>12</b>
Escrow shares issued on conversion of performance rights	22 June 2022	<b>1,830,000</b>	<b>\$0.00</b>	<b>739</b>
Shares issued to CSIRO for payment of research and development services	28 June 2022	<b>254,687</b>	<b>\$0.32</b>	<b>82</b>
Balance	30 June 2022	<b>351,355,198</b>	–	<b>169,425</b>

### Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Group in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

### CSIRO share based payments

During the year ended 30 June 2022, the Company issued fully paid ordinary shares to the CSIRO for research and development services rendered. Research and development costs in the consolidated statement of profit or loss and other comprehensive income includes \$165 thousand of equity settled share based payments made to the CSIRO during the year ended 30 June 2022 (2021: \$272 thousand).

### Shares in escrow

During the year 1,930,000 shares were issued on conversion of performance rights. Shares are unquoted and are subject to transfer restrictions until the earlier of the employee leaving the company or two years the date of issue.

# Notes to the Consolidated Financial Statements

(CONTINUED)

## Note 23. Reserves

	30 June 2022 \$'000	30 June 2021 \$'000
Foreign currency reserve	(180)	(42)
Share based payments reserve	3,290	3,405
Transfer – expiry of options	(3,192)	–
	(82)	3,363

For share-based payments received by employees and Key Management Personnel of the Group, fair value is measured by reference to the fair value of the equity instruments at their grant date, being the date that both the recipient and the Group have a shared understanding of the terms and conditions connected to the share-based payment. Any market-based vesting conditions are incorporated into the valuation of the share-based payment arrangement as at the grant date. Share-based payments with non-market based performance conditions vest according to the pro-rata achievement of those conditions. Share-based payments with non-performance-based conditions are valued using the Black-Scholes model and payments with market-based performance conditions are valued using a binomial model which incorporates from both the performance rights arrangement and market data that existed at grant date.

Employee remuneration costs incurred in respect of performance rights for the year ended 30 June 2022 is \$737 thousand (2021: \$250 thousand).

### Performance rights over ordinary shares

On 21 December 2021, 1,758,362 'Performance Rights 2021 Series' were issued to the CEO and senior employees as part of the Company's review process. These rights have a total vesting value of \$501 thousand.

On 21 December 2021, 1,000,000 '2021 Additional Performance Rights' were issued to the CEO. These rights will vest upon the successful commissioning of Mildura and have a vesting value of \$285 thousand.

On 21 December 2021, 200,000 '2021 Additional Performance Rights' were issued to key employees of Satipharm as part of the post-acquisition integration of that business. These rights had a total vesting value of \$57 thousand.

During the year 1,930,000 shares were issued on conversion of performance rights. Shares are unquoted and will be held in escrow until the earlier of the employee leaving the company or two years.

The fair value of the performance rights has been calculated on the basis of the Black-Scholes model using the following key assumptions:

Grant of performance rights	Number of performance rights	Spot price on issue date	Risk free rate %	Expiry date	Volatility rate	Fair value 000's
Performance Rights 2021 Series	21/12/2021	1,000,000	0.28	0.96%	21/12/2024	85.73%
Performance Rights 2021 Series	21/12/2021	1,758,362	0.28	0.96%	21/12/2024	85.73%
Performance Rights 2021 Series	21/12/2021	200,000	0.28	0.96%	21/12/2024	85.73%
2,958,362			0.56			
						843

The weighted average remaining contractual life of performance rights outstanding at 30 June 2022 was two years (2021: 2.53 years).

Given a nil exercise price of the Performance Rights, adopting different volatility assumptions does not have an impact on the Performance Rights' valuation.

### Movement in Performance Rights during the year

	Number of performance rights
Opening balance 1 July 2021	990,000
Granted in the year	2,958,362
Exercised during the year	(1,976,986)
Forfeited during the year	(185,014)
Closing balance 30 June 2022	1,786,362

The total expense of share-based payments recognised in the statement of profit or loss and other comprehensive income amounted to \$647 thousand. The remaining fair value will be expensed in subsequent years in accordance with the specific service conditions of the rights.

## Note 24. Related party transactions

### Parent entity

Cann Group Limited is the parent entity.

### Key Management Personnel

Disclosures relating to Key Management Personnel are set out in note 10 and the remuneration report included in the Directors' report.

### Transactions with related parties

Transactions between the Group and related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. There were no related party transactions not otherwise disclosed in these financial statements during the period ended 30 June 2022.

## Note 25. Contingent liabilities and commitments

The Group does not have any contingent liabilities at 30 June 2022.

## Note 26. Events after the reporting period

On 20 July 2022 Cann Group limited finalised arrangements with the National Australia Bank for a new leasing facility. The facility will have a revolving leasing limit of \$750 thousand which will decrease when goods are financed but increase again when repayments are made. Each financing lease covered under the facility 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.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

## Note 27. Reconciliation of loss after income tax to net cash used in operating activities

	30 June 2022 \$'000	30 June 2021 \$'000
Loss after income tax expense for the year	(26,468)	(25,103)
Adjustments for:		
Write off of property, plant and equipment	28	–
Foreign exchange differences	2,137	–
Equity settled trade payables	165	272
Vesting of performance rights	736	308
Decrease in the value of financial assets	393	1,683
Depreciation, amortisation and loss on sale of assets	4,797	2,630
Short term incentive accrual	–	487
Finance cost of issuing convertible notes	–	3,665
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	55	(4,104)
Decrease/(increase) in inventories	1,440	(2,852)
Decrease/(increase) in prepayments	255	(1,054)
Increase/(decrease) in trade and other payables	(3,971)	3,238
Net cash used in operating activities	(20,433)	(20,830)

# Notes to the Consolidated Financial Statements

(CONTINUED)

## Note 28. Financial instruments

### Financial risk management objectives

The Group's material financial instruments consist of deposits with banks and its accounts payable and other liabilities. The Board is responsible for managing the Group's significant financial risks, which are its liquidity risk, which it does through regularly reviewing rolling cash flow forecasts and examining its levels of available working capital against such forecasts and its interest rate risk exposure.

### Market risk

The Group does not believe it has any material market risk of loss arising from adverse movements of market instruments including foreign exchange and interest rates.

### Interest rate risk

The Group has, as of the reporting date, a minimal direct exposure to interest rate risk, which is the risk that a financial instrument's market value will fluctuate as a result of changes in market interest rates. The effective weighted average interest rates on classes of financial assets and financial liabilities are as follows:

2022	Weighted average effective interest rate %		Floating interest rate \$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Non-interest bearing \$'000	Total \$'000
<b>Assets:</b>								
Cash and bank balances	—	—	—	—	—	—	1,914	1,914
Rental bonds	1.50	—	85	—	—	—	—	85
Financial assets at fair value	—	—	—	—	—	—	743	743
Trade and other receivables	—	—	—	—	—	—	4,158	4,158
Prepayments	—	—	—	—	—	—	1,641	1,641
Total financial assets	1.50	—	85	—	—	—	8,456	8,541
<b>Liabilities:</b>								
Trade and other creditors	—	—	(866)	—	—	—	(5,653)	(6,519)
Lease liability	—	—	—	—	—	—	(304)	(304)
Provisions	—	—	—	—	—	—	(1,023)	(1,023)
Borrowings	2.15	—	(3,500)	(43,361)	—	—	—	(46,861)
Total financial liabilities	2.15	—	(4,366)	(43,361)	—	—	(6,980)	(54,707)
Net financial assets (liabilities)	3.65	—	(4,281)	(43,361)	—	—	1,476	(46,166)

2021	Weighted average effective interest rate	Floating interest rate	1 year or less	1 to 5 years	Over 5 years	Non-interest bearing	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets:</b>							
Cash and bank balances	—	—	—	—	—	3,069	3,069
Receivables	—	—	—	—	—	36	36
Rental bonds	1.50	—	85	—	—	—	85
Financial assets at fair value	—	—	—	—	—	1,136	1,136
Trade and other receivables	—	—	—	—	—	4,196	4,196
Prepayments	—	—	—	—	—	1,896	1,896
	1.50	—	85	—	—	10,333	10,418
<b>Liabilities:</b>							
Trade and other creditors	—	—	—	—	—	(8,333)	(8,333)
Lease liability	—	—	—	—	—	(680)	(680)
Provisions	—	—	—	—	—	(907)	(907)
Total financial liabilities	—	—	—	—	—	(9,920)	(9,920)
Net financial assets (liabilities)	1.50	—	85	—	—	413	498

The Company has a \$50 million construction facility with the National Australia Bank to fund the construction of the new state-of-the-art large scale manufacturing facility near Mildura. The loan was restructured in April 2022 after the facility was commissioned.

Base interest rate will be the Bank Bill Swap Bid Rate. The drawn down margin rate is 2.30% pa and the facility fee is 0.35% pa.

Amortisation of the loan will commence 31 May 2024 on a quarterly basis for a period of 10 years. The facility had been drawn to an amount of \$43.3 million at 30 June 2022 leaving a balance of \$6.7 million.

In April 2022 Cann executed documentation to enter into a \$15 million working capital facility with the National Australia Bank. The working capital facility will be used by Cann to support the scale up of the business and the next phase of its long term growth strategy. The facility terms have been negotiated for an initial period with the first review on 30 November 2022 and thereafter for rolling 12 month periods. Key terms include a drawn down rate of 2.00% pa and a facility fee of 0.35% per annum. The Working Capital facility is cross-collateralised and co-defaulting with the Construction facility. As at 30 June 2022 the facility had been drawn down by \$3.5 million leaving a balance of \$11.5 million.

### Credit risk

The Group does not believe it has any material risk from a counterparty defaulting on its contractual obligations or commitments resulting in financial loss as such risk is managed by implementing a policy of only dealing with creditworthy counterparties in accordance with established credit limits for all future transactions with customers. The Group also reviews the overall financial strength of its customers by monitoring publicly available credit information.

The Directors have assessed that the fair values of the Group's financial assets and liabilities reasonably approximate their carrying values, as represented in these financial statements.

# Notes to the Consolidated Financial Statements

(CONTINUED)

## Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulty in meeting its obligations for its financial liabilities, which at 30 June 2022 were primarily accounts payable with due terms of between 0-45 days and working capital facility with the National Australia Bank. During the reporting period, the Company undertook a capital raising from the market to finance its working capital and near term growth requirements.

## Foreign currency risk

Subsequent to the acquisition of Satipharm, the Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency. The management managed the foreign currency transactions on a monthly basis to avoid the fluctuation on the exchange rate, while the Group does not have any material foreign currency risk exposure. Where exposures do arise, forward foreign exchange contracts will be applied.

## Note 29. Capital management

The Board of Directors are charged with determining the optimal mix of debt and equity which is suitable for the needs of the Group. For the year ended 30 June 2022 the Group held a \$50 million loan facility available for the purpose of funding the construction of the Mildura Facility. As at 30 June 2022 this was drawn down to the amount of \$43.3 million. The Board considers it appropriate that the construction of the Mildura Facility be sourced through a mix of equity and long term debt financing.

The Group also had access to a \$15 million working capital facility at the end of the financial year which was drawn to \$3.5 million. The working capital facility will be used by Cann to support the scale up of the business and the next phase of its long term growth strategy.

The Group's treasury function reports to the Board periodically with forecast cash flow information that enables the Company to conduct its capital raising activities in an orderly fashion at a dilutive cost to existing shareholders that is appropriate and reasonable.

## Note 30. Parent entity information

Set out below is the supplementary information about the parent entity.

### Statement of profit or loss and other comprehensive income

	Parent	
	30 June 2022 \$'000	30 June 2021 \$'000
Loss after income tax	(8,113)	(11,028)
Total comprehensive loss	(8,113)	(11,028)

### Statement of financial position

	Parent	
	30 June 2022 \$'000	30 June 2021 \$'000
Total current assets	4,844	4,464
Total assets	183,406	124,591
Total current liabilities	5,963	1,955
Total liabilities	49,387	2,097
Equity		
Issued capital	169,425	149,673
Share based payments reserve	3,290	3,405
Transfer – expiry of options	(3,192)	–
Accumulated losses	(35,504)	(30,584)
Total equity	134,019	122,494

The subsidiary companies have expenditure commitments under the premises lease. The parent entity has committed to providing funds to ensure the subsidiary companies can fulfil these commitments as well as any other operating commitments.

### Capital commitments – Property, plant and equipment

The parent entity had a contingent liability in respect of a \$50 thousand bank guarantee and no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2022.

### Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

### Note 31. Borrowings

	30 June 2022 \$'000	30 June 2021 \$'000
<b>Current liabilities</b>		
NAB Working Capital facility	3,500	–
<b>Non-current liabilities</b>		
NAB Construction facility	43,361	–

In April 2022 Cann Group executed documentation to enter into a \$15 million working capital facility with the National Australia Bank. The working capital facility will be used by Cann to support the scale up of the business and the next phase of its long term growth strategy.

The facility terms have been negotiated for an initial period with the first review on 30 November 2022 and thereafter for rolling 12 month periods. Key terms include a drawn down rate of 2.00% pa and a facility fee of 0.35% per annum.

The Working Capital facility is cross-collateralised and co-defaulting with the Construction facility. As at 30 June 2022 the facility had been drawn down by \$3.5 million leaving a balance of \$11.5 million.

The Construction facility was renegotiated in April 2022 after the commissioning of the Mildura facility. Key terms included a base interest rate of the BBSY and a drawn margin rate of 2.30%. A facility fee of 0.35%pa is also applicable. As at 30 June 2022 the facility had been drawn down by \$43.36 million leaving a balance of \$6.64 million. Amortisation will commence from 31 May 2024 on a quarterly basis for a period of 10 years.

# Directors' Declaration

30 JUNE 2022

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors



**Allan McCallum, AO**

Chairman

25 August 2022

# Independent Auditor's Report

TO THE MEMBERS OF CANN GROUP LIMITED

**WilliamBuck**  
ACCOUNTANTS & ADVISORS

Cann Group Limited

## Independent auditor's report to members

### REPORT ON THE AUDIT OF THE FINANCIAL REPORT

#### Opinion

We have audited the financial report of Cann Group Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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# Independent Auditor's Report

(CONTINUED)



## PROPERTY, PLANT AND EQUIPMENT

Area of focus Refer also to notes 2, 3, and 16	How our audit addressed it
<p>During the financial year the Group significantly invested in its cultivation capacity through the development of its Mildura Facility.</p> <p>The work at the Mildura site includes construction of an additional greenhouse and support buildings. The works were completed during the year and were formally commissioned at the end of March 2022.</p> <p>The Group's accounting policy for depreciating such property, plant and equipment is over the term of the useful life of the asset, from when it is held ready for use.</p> <p>During the year management has not changed its estimation of useful life of its assets.</p> <p>Property, plant and equipment has been a key area of focus for our audit.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>— Vouching material purchases of property, plant and equipment to support documentation;</li><li>— Examining the underlying material plant and equipment costs which have been capitalised in the year to determine whether or not such plant and equipment is held and ready for use and therefore subject to depreciation;</li><li>— Assessing the classification of property, plant and equipment between categories, including capital-work-in progress;</li><li>— Recalculating the arithmetic accuracy of the depreciation charge expensed in the financial report; and</li><li>— Reviewing for impairment triggers in relation to the carrying value of property, plant and equipment. Including a review of an independent valuation report commissioned by the Group.</li></ul> <p>We have also assessed the adequacy of disclosures in relation to property, plant and equipment in the financial report.</p>

## INVENTORY

Area of focus Refer also to notes 2, 3 and 12	How our audit addressed it
<p>The Group's inventory of \$10.7 million; is significant to the financial report and has decreased by \$1.4 million from the prior year.</p> <p>The Group's inventory primarily consists of biomass resin and oil. The biomass is valued at fair value less costs to sell as at the date of harvest and resin / oil is valued at the lower of cost or net realisable value.</p> <p>The valuation of inventory involves judgement by management in particular when determining the value per gram of biomass. In addition, consideration is given to directly attributable costs which can be capitalised into the cost of inventory. As such this matter has been determined as a key area of focus for our audit.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"><li>— Performing inventory stock verification procedures in respect of inventory held at the Mildura and Southern facilities;</li><li>— Reviewing inventory confirmations in relation to inventory held by third parties;</li><li>— Evaluating management's judgments and assumptions used in calculating cost per gram of biomass;</li><li>— Verifying that the carrying value of inventory has been calculated appropriately including verification of third-party manufacturing costs to supporting documentation; and</li><li>— Evaluating management's judgements and assumptions used in determining the inventory write down recorded by management during the year.</li></ul> <p>We have also assessed the adequacy of disclosures in relation to inventory in the financial report.</p>

#### SHARE BASED PAYMENTS

Area of focus Refer also to notes 2, 3, 23 and the Remuneration Report	How our audit addressed it
<p>In the current year the Group has issued performance rights to the CEO and the Executive Management team. The performance rights include non-market based vesting conditions including the completion of the Mildura facility.</p> <p>The performance rights issued require significant judgements and estimations by management, including the following:</p> <ul style="list-style-type: none"> <li>— Determination of the grant date, and the evaluation of the fair value of the performance rights at grant date;</li> <li>— The evaluation of the vesting charge taken to the profit and loss in-respect of the vesting conditions attached to the performance rights; and</li> <li>— The evaluation of key inputs into the Black Scholes model, including the significant judgement of the forecast volatility of the performance right over its exercise period.</li> </ul> <p>The value of these share-based payment arrangements has been deemed a key area of focus for our audit.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— Evaluating the fair values of share-based payment arrangements by agreeing assumptions to third party evidence. In determining the grant dates, we evaluated what were the most appropriate dates based on the terms and conditions of the share-based payment arrangements;</li> <li>— Evaluating the progress of the vesting of share-based payments within the service period; and</li> <li>— For the specific application of the Black Scholes model, we assessed the experience of the expert used to advise the value of the arrangement. We retested some of the assumptions used in the model and recalculated those fair values.</li> </ul> <p>We also considered the adequacy of the Group's disclosures in the notes to the financial report.</p>

#### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

# Independent Auditor's Report

(CONTINUED)



In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our independent auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report accompanying these financial statements for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Cann Group Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*William Buck*

**William Buck Audit (Vic) Pty Ltd**  
ABN: 59 116 151 136

A handwritten signature in black ink, appearing to read 'A. A. Finnis'.

**A. A. Finnis**  
Director  
Melbourne, 26 August 2022

# Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2022

The Company's directors and management are committed to conducting the business of the Group in accordance with the Group's core values: trust and accountability; leading edge behaviour; and acting in the best interests of our people and community.

This includes conducting ourselves in an ethical manner and in accordance with the highest standards of corporate governance.

The Group has adopted and substantially complies with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th edition) (**Recommendations**), as is appropriate for the size and nature of the Group's operations.

For the 2022 financial year, the Group has prepared a corporate governance statement that discloses the extent to which the Group has followed the Recommendations, identifies any Recommendations that have not been followed, and the reasons for the Group not doing so (**Corporate Governance Statement**).

In accordance with ASX Listing Rules 4.7.4 and 4.10.3, the Corporate Governance Statement will be available for review on the Company's website ([www.canngrouplimited.com](http://www.canngrouplimited.com)), and, together with an Appendix 4G, will be lodged with the ASX at the same time that this annual report is lodged with the ASX. The Appendix 4G will provide information on each Recommendation that needs to be reported against by the Company, and provide shareholders with guidance on where the relevant governance disclosures are located. The Company's corporate governance documents, including policies and charters, are all available on the Company's website [www.canngrouplimited.com](http://www.canngrouplimited.com)

# Shareholder Information

## Equity security holders

As at 17 August 2022 the Company had 351,355,198 ordinary shares on issue. Further details of the Company's equity securities are as follows:

### Largest Holders

Rank	Name	17 August 2022	%IC
1	MR PHILIP JACOBSEN & MRS MAXINE JACOBSEN	9,046,791	2.57
2	FLAG CAPITAL PTY LTD	5,998,520	1.71
3	MULLACAM PTY LTD	5,700,455	1.62
4	SUPERNOVA FUND PTY LTD	4,205,000	1.20
5	CITICORP NOMINEES PTY LIMITED	3,837,277	1.09
6	MR RYAN PRUE	3,320,000	0.94
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,731,207	0.78
8	INVIA CUSTODIAN PTY LIMITED	2,698,122	0.77
9	MR CHRISTOPHER JOHN PAGE	2,300,000	0.65
10	PACIFIC CUSTODIANS PTY LIMITED	2,217,928	0.63
11	HARDMAIL PTY LTD	2,040,942	0.58
12	MS SHENGYAN HU & MR XIANGJUN ZHAO	2,000,000	0.57
13	COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATION	1,930,220	0.55
14	CS FOURTH NOMINEES PTY LIMITED	1,827,636	0.52
15	MR RAYMOND THOMAS HOBSON & MRS RHONDA ELLEN HOBSON	1,562,895	0.44
16	MR MICHAEL ANDERSON	1,550,000	0.44
17	DR AYOMI SOODIN	1,530,027	0.44
18	AUSTRALIAN BUSINESSPOINT PTY LTD	1,350,000	0.38
19	BNP PARIBAS NOMS PTY LTD	1,264,575	0.36
20	MR LEENDERT HOEKSEMA & MRS AALTJE HOEKSEMA	1,260,000	0.36
<b>Total</b>		<b>58,371,595</b>	<b>16.60</b>
<b>Balance of Register</b>		<b>292,983,603</b>	<b>83.40</b>
<b>Grand total</b>		<b>351,355,198</b>	<b>100.00</b>

## Distribution of equity holders

### Holdings distribution

Range	No of holders	Securities
100,001 and over	489	165,767,877
10,001 to 100,000	4,297	127,568,037
5,001 to 10,000	3,297	25,241,797
1,001 to 5,000	11,166	28,258,775
1 to 1000	8,199	4,518,712
<b>Total</b>	<b>27,448</b>	<b>351,355,198</b>

### Unmarketable parcels

The number of investors holding less than a marketable parcel of 1,724 (\$0.29 on 17 August 2022) is 11,916 and they hold 9,677,030 securities.

### Unquoted equity securities

The number of unquoted equity securities on issue as at 17 August 2022 are as follows:

Unquoted equity securities	No of holders	Number on issue
Performance rights – 2021 series	12	1,786,362
Performance shares	11	1,930,000

### Voting rights

The voting rights attaching to each ordinary share are that holders of ordinary shares have the right to vote at every general meeting of the Company. At a general meeting every holder of ordinary shares present in person or by proxy has, on a poll, one vote for each ordinary share held.

There are no voting rights attached to the performance rights. The performance shares are ordinary, unquoted shares and are subject to restrictions on transfer. The holders of the performance shares do have voting rights.

### Securities exchange

The Company is listed on the Australian Securities Exchange. The home exchange is Melbourne.

### Other information

Cann Group Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

# Corporate Directory

## Corporate Directory

Cann Group Limited  
ACN 603 949 739

## Registered Office

Walter and Eliza Hall  
Institute of Medical Research  
4 Research Avenue  
La Trobe University, Victoria, 3083  
Phone: 03 9095 7088  
Email: [contact@canngrouplimited.com](mailto:contact@canngrouplimited.com)

## Directors

Mr Allan McCallum, AO (Chairman)  
Mr Douglas Rathbone, AM  
Ms Jenni Pilcher  
Mr John Sharman

## Company Secretary

Ms Geraldine Farrell

## Chief Executive Officer

Mr Peter Crock

## Share Registry

Link Market Services Limited  
Tower 4, 727 Collins Street  
Melbourne, Victoria, 3008

Phone: 1300 554 474

## Auditors

William Buck  
Level 20, 181 William Street  
Melbourne, Victoria, 3000  
Phone: 03 9824 8555

## Stock Exchange

(ASX:CAN)



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GROUP LIMITED

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