

1. Company details

Name of entity: Cann Group Limited
ABN: 25 603 949 739
Reporting period: For the year ended 30 June 2023
Previous period: For the year ended 30 June 2022

2. Results for announcement to the market

	30 June 2023 \$'000	30 June 2022 \$'000	Change \$'000	Change %
Revenue and other income from ordinary activities	21,675	11,238	10,437	93%
Net (loss) from ordinary activities after tax attributable to members	(33,790)	(26,468)	(7,322)	28%
Net (loss) attributable to members	(33,790)	(26,468)	(7,322)	28%

Comments

The loss for the Group after providing for income tax amounted to \$33.79 million (30 June 2022: \$26.47 million).

3. Net tangible assets

	Reporting period \$	Previous period \$
Net tangible assets per ordinary security	0.15	0.24

4. Control gained over entities

Not applicable.

5. Foreign entities

Not applicable.

6. 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. The financial statements were subject to an audit by the auditors and the audit report is attached as part of the full year financial report. An unmodified inclusion has been issued. A material uncertainty relating to going concern is included in the auditor's report and the auditor's conclusion is not modified in respect of this matter.

7. 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 2023.

8. Signed



Allan McCallum AO
Chairman

Melbourne
Date: 28 August 2023

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FY 2023 Highlights

May crop double the size of previous harvests

As Cann Group approached the end of the financial year, the team at the Mildura facility planted crops equivalent to eight tonnes on an annualised basis. This is an important step towards the Company's goal of achieving the full 12.5 tonne capacity of the state-of-the-art flagship facility, which is expected to be reached in FY 2025.



\$13.78m

YTD Sales Revenue

Substantial growth in sales and production

Year to date sales revenue at 30 June 2023 was \$13.78 million, representing a 115% increase on FY22 sales revenue (\$6.41 million). This growth has progressed steadily from quarter to quarter due to the fulfillment of repeat orders from large B2B customers for both oil and flower products, complemented by the continued growth in Cann's consignment brands. Strong market demand saw revenue from the sale of dried flower products increase by 503% on FY22 and is the base for continued growth as the company scales up production. In terms of units produced and distributed, 80,165 oil bottles were sold, representing a 159% increase on units sold in FY22 along with a 308% increase to patient-ready dried flower bottles sold (81,854 units compared to 19,928 in FY22). Cann is preparing to double its current output, following the planting of full row crops from May 2023. This, combined with the introduction of several new cultivars in August, places Cann in a very strong position to respond to increasing demand for flowers.

Cann signs significant variation with key customer

Cann signed a variation agreement with Levin Health for the supply of medicinal cannabis products from 1 July 2023 to 31 December 2023. Over the course of this supply period, Cann expects to supply oils worth approximately \$880,000, as well as flower products in line with the customer's needs, to meet Levin's production schedule. Cann and Levin will meet later this year to determine order quantities for the second half of the 2024 financial year.

Cann appoints Peter Koetsier as new CEO

Cann Group announced the appointment of Peter Koetsier to the role of Chief Executive Officer on 10 January 2023. Mr Koetsier replaced Peter Crock, who had held the position since April 2016. Mr Koetsier has brought to Cann more than 30 years of general management, marketing and commercial leadership roles within global pharmaceutical companies. He had most recently been Head of Asia Pacific for French biopharmaceutical company Ipsen, where he developed and led the implementation of a successful growth strategy which included the commercial launch of new brands.



Sold to SatiVite for \$5.48m

Sale of Southern facility land and building

Cann completed the settlement of the land and building component of its Southern cultivation and manufacturing facility with SatiVite Pty Ltd on 1 March 2023. Cann previously announced, on 23 December 2022, that the Company had agreed to terms with SatiVite on the sale of the Southern facility and the associated business assets for a total consideration of \$5.48 million. SatiVite acquired the land and building at the Southern facility for a total consideration of \$3.1 million and also provided Cann with a lease to continue operating at the site on behalf of SatiVite.

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Cann successfully raises \$8.18 million via SPP

Cann's Share Purchase Plan offer (SPP), which closed on 30 November 2022, successfully raised \$8.18 million. Proceeds from the SPP have contributed towards the Company's strategic investment in expanding GMP manufacturing capabilities at its flagship Mildura facility.



\$8.18m
Successfully raised

First Cann products on sale in Germany

Cann Group successfully delivered and released for supply the Company's first shipment of dried flower to Germany in April 2023. The product, a high THC flower, was developed by Cann through an extensive internal research and development program. The delivery is part of Cann's strategy to become a consistent supplier of high-quality products to the overseas market.

S3 trial results delay TGA submission

The results from Cann's S3 trial were announced in January 2023. The trial compared the efficacy of Cann's proprietary Satipharm low-dose CBD capsules to placebo on 257 participants. Results from the trial did not show a statistically superior response compared to placebo. Cann expects the outcome of the trial will delay submission of the registration application to the Therapeutic Goods Administration (TGA) for this indication. The Company is reviewing the full trial results before considering its next steps.



Deputy Chairman appointed as part of Board succession

Chairman, Allan McCallum AO, will retire from the board in the first quarter of the 2024 financial year, with Non-executive Director, Dr Julian Chick, having been appointed Deputy Chairman. These changes are part of a succession and renewal process to ensure the board-level skill-set continues to align with Cann's evolving transition to a more commercially focused business operating in specialised markets in Australia and overseas. Dr Chick has over 25 years of experience in the biotechnology, medical technology and investment banking sectors and has held leadership roles and directorships at several Australian and international life sciences companies.

Mildura headcount increased 214% to increase production

Cann Group's staff headcount has increased by over 250% in the three years from July 2020 to July 2023, with a large portion of that growth occurring in the last 12 months as the staff number grew by nearly 130% between July 2022 and June 2023. The Company's increased production at its flagship Mildura facility has proved a defining factor in this growth. Headcount at the Mildura facility has increased by 214% over the past 12 months. Cann's workplace features strong diversity across its departments, with the Company continuing to seek ways to build a suitable and attractive working environment for people with disabilities, First Nations people, members of minority groups as well as those living in rural and regional Victoria.

Letter from the Chairman and Chief Executive Officer



Allan McCallum AO
Chairman



Peter Koetsier
Chief Executive Officer

Sales revenue for the year ended 30 June 2023 was \$13.78m, representing a 115% increase to the prior corresponding period.

Dear Shareholders,

The past year has seen Cann Group make a strong transition into its next phase of business operations. Our objective, as we enter this new period for Cann, is simple: to be the largest and most innovative cultivator and manufacturer in Australia. With the support and capital provided by our shareholders, our flagship Mildura facility is now at a stage where we are ready to rapidly scale-up to maximise production.

Cann's era of major construction is over. The time has now arrived to shift the organisational focus to scaling production and selling the high-quality products we are making. This change is exemplified in our move from capital expenditure to operational expenditure, with capital expenditure to drop by around 80% this year compared to the previous.

Our state-of-the-art Mildura facility is at a point where we can dramatically increase annual yield of high quality, consistent product. We celebrated the one-year

anniversary of our first commercial harvest at our Mildura facility in early June this year and this represents a strong foundation from which we can build towards our targets of growth and production.

Since this first commercial crop, our highly-talented team in Mildura has used experience, adjustments and innovation to hit metrics that confirm now is the time to scale. In May 2023, Cann planted the largest crop in the Company's history, representing a crop area equivalent to eight tonnes annualised yield.

In the second half of this financial year, we will move to a 9-tonne annualised rate. And then, as we begin the next financial year. We expect to be at an annualised rate of 12.5 tonne which we forecast to deliver completely in the FY25. The entire Cann Group staff cohort is wholly focused on achieving this.

The commitment and support of our investors and commercial partners is now allowing us to enter what we believe will be an incredibly exciting time for Cann Group as we realise the capability of our Mildura facility, our research and development work and, importantly, our people. At such levels mentioned above, costs per unit are expected to fall dramatically, allowing us to deliver on another of our key goals: EBITDA profitability.

Scaling production to meet customer demand is fundamental to our strategy, and we are seeing that customer demand is experiencing a steep curve in growth. Data collated by the Pennington Institute via the Therapeutic Goods Administration (TGA) shows the 2022 medicinal cannabis prescription market in Australia, at a retail level, is approximately \$200 – \$250 million. Importantly, this market grew 41% between the first half and the second half of 2022 which is nearly double at an annualised rate.

Sales revenue for the year ended 30 June 2023 was \$13.78 million, representing a 115% increase to the prior corresponding period. This is largely on the back of strong market demand for dried flower products, with sales increasing by approximately 503% in the current financial year. As the Company continues to scale-up production, these products will be the base for our ongoing growth.

This expansion has been driven by the domestic market, with the strong sales momentum supported by new clients entering into supply agreements, and several existing clients with repeat orders.

We have set ambitious growth targets moving forward but we believe these sales growth numbers, in conjunction with an ever-expanding customer demand, give us great confidence.

The new TGA standards around medicinal cannabis came into effect on July 1 this year, requiring that all overseas products meet the same high quality standards that local companies like ours have been required to meet previously.

Since our inception in 2015, and as Australia's first company to be issued with a medicinal cannabis licence, we have always recognised the need to meet high standards and we continue to have an unwavering commitment to Australian patients by meeting or exceeding the TGA standards set out under TGO 93 now and in the future. Our Cann Group team of Regulatory and Quality staff have decades of experience and work closely with our manufacturing and laboratory teams and partners to ensure the standards are met every step of the way. Indeed, we believe this high standard is a key component of our company values and reputation.

Cann Group announced the appointment of Peter Koetsier to the role of Chief Executive Officer (CEO) in January this year. Mr Koetsier replaced Peter Crock, who had held the position since April 2016. Mr Koetsier has brought more than 30 years of general management, marketing and commercial leadership

roles within global pharmaceutical companies. He is leading a new-look management team that has the experience and expertise to support Cann's evolution into this exciting new phase of the Company's development into a customer-centric cultivator.

Being customer-centric means exceeding the expectations of our existing customers and attracting new ones. Cann successfully delivered its first shipment of dried flower, a high THC flower product, to Germany in April. This is part of the Company's strategic program to become a consistent supplier of high-quality products to the overseas market.

With our sights set on rapid growth of revenue and scale efficiencies, the organisational focus for the new financial year will be:

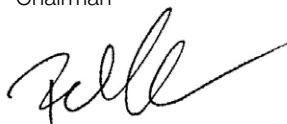
- significantly scaling our production at the Mildura facility,
- augmenting and enhancing our product portfolio, and,
- improving our value to current and new customers

Ultimately all of this is for the benefit of patients in need of quality medicinal cannabis products.

Finally, we would like to thank the team at Cann Group for their ongoing work and commitment to what we are building. We are also incredibly thankful for our investors and commercial partners for their ongoing support and we hope you all share in our optimism and excitement for what the next 12 months has in store.



Allan McCallum AO
Chairman



Peter Koetsier
Chief Executive Officer



Year in Review

With Cann Group's flagship Mildura facility now commercially harvesting for over 12 months, the Company is actively shifting its organisational focus to scaling production and selling high-quality products.

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Change in leadership to assist Cann's next steps

Cann Group has seen considerable change in its leadership ranks across the last 12 months, with the experience and skill of the new personnel aligned with the needs of the Company in its current growth phase. Cann's team is well-equipped to realise its vision of becoming the largest and most innovative medicinal cannabis cultivator and manufacturer in Australia.

This management team's key objective is to now oversee the Company's evolution towards a future where Cann is renowned for driving revenue volumes as well as being customer-centric and operationally excellent.

Having been the Chief Financial Officer since September 2021, Deborah Ambrosini replaced Geraldine Farrell as Company Secretary on 25 October 2022. Deborah has over 20 years' experience in leading financial strategies to facilitate growth plans across a range of industries including biotechnology, mining, IT communications and financial services sectors.

Peter Koetsier commenced in the role of Chief Executive Officer in January 2023, replacing Peter Crock. With more than 30 years of general management, marketing and commercial leadership roles within global pharmaceutical companies, Peter boasts an "established track record of driving strong revenue growth in complex and changing environments", as Cann Chairman, Allan McCallum AO, said at the time of his appointment.

Previously, Peter was Head of Asia Pacific for French biopharmaceutical company, Ipsen, where he developed and led the implementation of a successful growth strategy which included the commercial launch of new brands.

On 27 June 2023, current Chairman, Allan McCallum, announced his intention to retire from the board in the first quarter of the 2024 financial year. Non-executive Director, Dr Julian Chick, was appointed Deputy Chairman of the Company, effective immediately.

Dr Chick was appointed to the Cann Board in October 2022. He has over 25 years of experience in the biotechnology, medical technology and investment banking sectors and has held leadership roles and directorships at several Australian and international life sciences companies.

Like the changes listed above in the new management team, this board succession and renewal process aligns with the transition of Cann's business to a more commercial focus in specialised and highly regulated pharmaceutical markets both in Australia and internationally. This expertise has been purposefully put in place at management and board level to support the Company's growth strategy.

Shift in focus

With Cann Group's flagship Mildura facility now commercially harvesting for over 12 months, the Company is actively shifting its organisational focus to scaling production and selling high-quality products.

Cann has progressed from concept, and through its construction and development phase, with the aim to now produce consistent, high quality, GMP manufacturing which will lead to strong revenue growth and, ultimately, a clear path to profitability, which will be discussed shortly.

The Company's R&D and production teams have built experience in our processes and state-of-the-art automation in the past year, with promising metrics and production performance becoming increasingly consistent.

This transition period was symbolised in May as the team planted a crop, spanning over 320 square metres, that later yielded a harvest twice that of any previous harvest. This harvest equated to an annualised production level of eight tonnes, which is a considerable step up from the three tonnes produced last financial year.

In addition to the scale of this harvest, the inhalable flower portion of the crop has improved significantly which highlights to the market Cann Group's ability to supply high quality product on a reliable basis.

The Company's next progression will be to reach a 9-tonne annualised rate in the second half of this financial year, before setting sights on the ultimate objective of an annualised rate of 12.5 tonnes which is forecasted to be delivered in the 2025 financial year.

The path to profitability

Cann Group's revenue growth remained strong over the course of the 2023 financial year, with the Company now committed to achieving EBITDA profitability in the 2025 financial year.

As the Company continues to dramatically increase annual yield of high-quality, consistent product, the cost per product falls significantly.

Consistent with this progression, Cann is planning to decrease its capital expenditure by approximately 80% in financial year 2024 in comparison to previous years, with a shift to greater operational expenditure.

The opportunity for Cann Group lies in the fact that many of the costs within the state-of-the-art cropping facility in Mildura are fixed. The majority of the systems and functions, such as security and IT systems, base electricity requirements, laboratory services and regulatory and administrative functions, exist at the same level regardless of crop size.

An improved scale and efficiency of production will drive operating leverage and margin for the Company.



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Evolution of Cann's Focus

From Capex to Opex

Seeking to increase production to reach 12.5 tonnes on an annualised basis

2017–2022

Start up and build



Agri & engineering innovation

- Establish core build of Mildura facility
- Ensure agricultural standards met
- Validate GMP & acquire licences
- Optimise processes and production
- Confirm crop potential & cultivars
- Hire team for construction phase
- First crops
- Opportunistic sales

Cann's evolving focus



2017–2021

The Vision

- Project management and construction to enable larger yields of cannabis



Late 2021–Mid 2022

Laying the foundation

- Practical completion of site
- Commissioning of equipment
- Obtaining requisite licensing
- Recruiting talent



Early 2022–End 2022

Growing into our facility

- First plants transferred to Mildura
- Site is operational and systems, processes and efficiencies are being developed

2023 and beyond

Scale and sell



Commercial leadership

- Operationalise Mildura facility
- Commercial CEO with pharma experience
- Staff up commercial team
- Long-term partnership deals
- New customers
- Market-leading R&D
- Large-scale quality crops more often
- Export opportunities



First half 2023

Scaling up

- Increasing all areas to maximise efficiency of scale for greater yield, productivity and quality



Second half 2023 & beyond

Continued growth

- Reach full capacity of site
- Profitability / increased revenue
- Employer of choice in the Sunraysia region
- Benchmark in medicinal cannabis in AU and globally



Scan this QR code to hear from Cann Group's Mildura Plant Production Manager, Leslie Higgins, following Cann's largest harvest in its history.

Director Profiles



Allan McCallum AO
Chairman

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 former 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.



Dr Julian Chick
Non-executive Director

Julian has over 25 years of experience in the biotechnology and medical technology sectors, as well as in investment banking. He has worked with both public and private companies, bringing a number of technologies through from discovery to market, as well as experience in capital raisings, company restructuring, licensing, business development and M&A transactions. He has a Bachelor of Science and a PhD in Physiology from La Trobe University and Oxford University.

Julian has held senior executive roles and directorships at several Australian and international life science companies, both listed and private, including Avexa Ltd (ASX:AVX), Opyl Ltd (ASX:OPL) and Admedus Ltd (ASX:AHZ).

Director since 26 October 2022.



Doug Rathbone AM
Non-executive Director

An experienced public company director, Doug 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, Go Resources, AgBiTech. He is also a Chairman of Health Food Holdings and Delta Agribusiness Pty Ltd.

Doug is an Honorary Life Governor of the Royal Children's Hospital. 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.



Jenni Pilcher
Non-executive Director

Jenni has senior executive experience in the medical and biotechnology sectors and is currently the Chief Financial Officer of Whispir Ltd (ASX:WSP).

She was previously 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.

Jenni is a member of Chartered Accountants Australia & 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.

Director since 8 September 2020.

Key Management Personnel



Robert Barnes
Non-executive Director

Robert is an experienced senior executive who has delivered extensive leadership and operational outcomes across a wide variety of healthcare industries, including pharmaceutical, nutraceutical, infant formula, consumer, medical devices, and diagnostics. He has an applied science degree in Medical Science, a MBA, and is a Graduate of the Australian Institute of Company Directors. Having worked both globally and in Australia in leading commercial healthcare organisations, he brings substantial and diverse commercial and scientific understanding to the Company.

Robert has held senior executive roles at several pharmaceutical and consumer healthcare entities including Aspen Pharmacare Australia Pty Ltd, Sanofi Australia, and Mayne Group. Mr Barnes has also served on the board of the peak OTC industry body being Consumer Healthcare Products Australia. He has experience in the medicinal cannabis sector, being a former member of the advisory board to Leafcann Group Pty Ltd.

Director since 20 September 2022.



Peter Koetsier
Chief Executive Officer

B.Sc., Graduate of the General Management Program (INSEAD)

Peter brings to Cann more than 30 years of general management, marketing and commercial leadership roles within global pharmaceutical companies. He has most recently been Head of Asia Pacific for French biopharmaceutical company, Ipsen, where he developed and led the implementation of a successful growth strategy which included the commercial launch of new brands. Previous roles include General Manager of Australia/New Zealand (Ipsen) and senior management positions with Astra/Zeneca, UK and Bristol-Myers Squibb in Europe.

Peter has a bachelor's degree in science (pharmacology, immunology) and a diploma in education (science, biology) from Monash University and is a graduate of the INSEAD CEDEP General Management Program.

Peter was appointed as a Director on the Board of Medicinal Cannabis Industry Australia (MCIA), Australia's peak industry group, in June 2023.



Deborah Ambrosini
Company Secretary and Chief Financial Officer

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.

Looking Ahead

In the 2024 financial year, Cann Group's growth strategy will focus on three key areas: progressing the scale and quality of production, building greater sustainability in our commercial operations and continuing our path towards EBITDA profitability.



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The scale of high-quality flower production at Cann Group's flagship Mildura facility is set to increase considerably over the next two years



Cann Group has already begun its aggressive pursuit of scaling production towards its goal of delivering an annualised rate of 12.5 tonnes by the 2025 financial year. In May 2023, the Company took a major step towards this objective, with the team at Cann's flagship Mildura facility planting the largest crop so far, twice the area of previous harvests. With a crop area of 320 square metres, the harvest equated to an annualised production level of 8 tonnes. In the second half of FY24, the Company will move to a 9-tonne annualised rate before achieving 12.5-tonne in the following financial year.

This level of production is the planned capacity for this state-of-the-art facility, so the Company is incredibly excited by the prospect of realising this scale.

During the year the Group has experienced a number of establishment expenses as it scaled up the Mildura facility. Whilst Mildura's cost per gram of flower is lower in cost than material produced from Southern, the full extent of the efficiencies of scale at Mildura have not been realised at this time. The Company has initiated a continuous improvement process resulting in increased crop yields which is expected to flow through the supply chain and as such a progressive reduction is expected this FY24.

Importantly, the Company is pursuing this production scale goal whilst also improving product quality. The May 2023 planted crop, harvested in late July, is indicative of this, as it delivered very high-quality "A grade" flower yield.

The Company's 115% increase in sales revenue across the 2023 financial year was largely due to the increased demand for dried flower products. This is pertinent to our improving product quality, as inhalable flower yield percentages are a strong measure of quality.

The data on the growth of the Australian medicinal cannabis market also provides reinforcement to our strategy. Numbers from the Penington Institute estimate the 2022 medicinal cannabis prescription market in Australia, at a retail level, is approximately \$200-\$250 million. Significantly, this market grew 41% between the first half of 2022 and the second half – nearly a doubling at an annualised rate.

The biggest segment of the Australian market is inhalable flower. To this point, approximately 80% of brands selling in Australia are produced overseas largely due to a lack of consistent supply of quality, locally grown product. Pertinently, new TGA standards, which came into effect 1 July 2023, require that overseas products meet the same high quality standards that local companies like Cann have been required to meet previously.

We expect that these changes will naturally increase demand for local product, for which we believe Cann Group is prepared and equipped to satisfy.

Creating an environment of high-quality products with consistent supply is a primary focus for Cann Group in this upcoming financial year, and this will also be aided by the Company's well-renowned research and development practices as we continue to formulate new genetics lines.

With Cann's strong customer focus, the Company understands the importance of creating a greater range of products and options for the end-user.

A focus on enhancing our commercial growth and sustainability will also aid in reaching these production and quality aspirations.

Cann recognises the significance of establishing greater commercial stability by securing longer-term supply agreements with preferred partners. In the 2024 financial year, Cann Group will continue to enhance the Company's reliable reputation as a TGO 93 compliant cultivator and producer, acknowledging the opportunity of creating a competitive advantage as one of Australia's most trusted and dependable partners in the medicinal cannabis industry.

In mid-June 2023, Cann signed a variation agreement with Levin Health for the supply of medicinal cannabis products, spanning across the second half of the calendar year. This is an example of the type of partnership that Cann wants to continue to generate in FY24.

The Company's third focus, its path to EBITDA profitability, is also inextricably linked to the other two objectives.

The timeline of the Company's pursuit towards an annualised rate of 12.5-tonne of production aligns with its timeline for EBITDA profitability, with both set to be delivered in the 2025 financial year.

The confidence in achieving profitability comes from the strong revenue growth across FY2023, coupled with the scaled increase in annual yield occurring with many fixed costs within the Mildura facility.

This greater scale and efficiency of production and high-quality product with a broader range, will be the basis of the Company's ongoing growth. All of this will allow Cann Group to build better relationships with existing customers and establish important new customers.



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Directors' Report

30 June 2023

The Directors present their report, together with the financial statements, on the consolidated entity (Group or "Cann") 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 2023.

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. Shareholdings are current as at the date of this report.

Name:	Allan McCallum AO
Title:	Non-executive Chairman
Qualifications:	Dip. Ag Science, FAICD
Experience and expertise:	<p>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 former 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).</p> <p>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:GMR) from 26 February 1998 to 26 August 2005.</p> <p>Director since 30 January 2015.</p>
Other current directorships:	N/A
Former directorships (last 3 years):	Tassal Group Ltd (ASX:TGR) (resigned 28 October 2021)
Special responsibilities:	Member of Audit and Risk Committee and Chairman of the Remuneration and Nomination Committees.
Interests in shares:	8,716,477 fully paid ordinary shares
Interests in options:	871,649 unlisted options exercisable at 22 cents on or before 1 February 2025
Name:	Dr Julian Chick
Title:	Deputy Chair
Experience and expertise:	<p>Julian has over 25 years of experience in the biotechnology and medical technology sectors, as well as in investment banking. He has worked with both public and private companies, bringing a number of technologies through from discovery to market, as well as experience in capital raisings, company restructuring, licensing, business development and M&A transactions. He has a Bachelor of Science and a PhD in Physiology from La Trobe University and Oxford University.</p> <p>Julian has held senior executive roles and directorships at several Australian and international life science companies, both listed and private, including Avexa Ltd (ASX:AVX), Opyl Ltd (ASX:OPL) and Admedus Ltd (ASX:AHZ).</p> <p>Julian has been a director since 26 October 2022.</p>
Other current directorships:	n/a
Former directorships (last 3 years):	Opyl Ltd (ASX:OPL) (resigned 13 February 2023)
Special responsibilities:	Member of Audit and Risk Committee (from 15 December 2022) and Remuneration and Nomination Committee.
Interests in shares:	Nil

Name:	Douglas John Rathbone AM
Title:	Non-executive Director
Qualifications:	FATSE, FI ChemE, ARMIT B Comm, TTC
Experience and expertise:	<p>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.</p> <p>He is Chairman of the Rathbone Wine Group, Director of Cotton Seed Distributors, Go Resources and AgBiTech. He is also a Chairman of Health Food Holdings and Delta Agribusiness Pty Ltd.</p> <p>Doug is an Honorary Life Governor of the Royal Children's Hospital. He is President of My Room Children's Cancer Charity Limited and founder of Children's Cancer Foundation.</p> <p>Doug brings to the board experienced management and corporate governance skills together with a passion to grow the business.</p> <p>Director since 16 March 2015.</p>
Other current directorships:	n/a
Former directorships (last 3 years):	Leaf Resources Ltd (ASX:LER) (resigned 6 March 2023)
Special responsibilities:	Member of Remuneration and Nomination Committee.
Interests in shares:	3,596,185 fully paid ordinary shares
Interests in options:	82,758 unlisted options exercisable at 22 cents on or before 1 February 2025

Name:	Jennifer Pilcher
Title:	Non-executive Director
Qualifications:	Member of the Chartered Accountants of Australia & New Zealand, BBus (Accounting)
Experience and expertise:	<p>Jenni has senior executive experience in the medical and biotechnology sectors and is currently the Chief Financial Officer of Whispir Ltd (ASX:WSP).</p> <p>She was previously 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 & 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>
Other current directorships:	n/a
Former directorships (last 3 years):	n/a
Special responsibilities:	Chair of Audit and Risk Committee, Member of Remuneration and Nomination Committee.
Interests in shares:	125,000 fully paid ordinary shares

Directors' Report

(continued)

Name:	Robert Barnes
Title:	Non-executive director
Experience and expertise:	<p>Robert is an experienced senior executive who has delivered extensive leadership and operational outcomes across a wide variety of healthcare industries, including pharmaceutical, nutraceutical, infant formula, consumer, medical devices, and diagnostics. He has an applied science degree in Medical Science, a MBA, and is a Graduate of the Australian Institute of Company Directors. Having worked both globally and in Australia in leading commercial healthcare organisations, he brings substantial and diverse commercial and scientific understanding to the Company.</p> <p>Robert has held senior executive roles at several pharmaceutical and consumer healthcare entities including Aspen Pharmacare Australia Pty Ltd, Sanofi Australia, and Mayne Group. Mr Barnes has also served on the board of the peak OTC industry body being Consumer Healthcare Products Australia. He has experience in the medicinal cannabis sector, being a former member of the advisory board to Leafcann Group Pty Ltd.</p> <p>Director since 20 September 2022.</p>
Other current directorships:	n/a
Former directorships (last 3 years):	n/a
Special responsibilities:	Member of Remuneration and Nomination Committee.
Interests in shares:	Nil

John Sharman resigned as a Director on 1 September 2022.

Chief Financial Officer and Company Secretary

Deborah Ambrosini

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

Deborah commenced at Cann as Chief Financial Officer in September 2021. She was appointed to the role of Company Secretary after Geraldine Farrell resigned as Company Secretary effective 25 October 2022. 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.

Chief Executive Officer

Peter Koetsier

BSc, Dip Ed, MAICD

Peter Koetsier has more than 30 years of general management, marketing and commercial leadership roles within global pharmaceutical companies, spanning seven countries. Prior to joining Cann, Peter was Head of Asia Pacific at French biopharmaceutical company, Ipsen, where he developed and led the implementation of a successful growth strategy which included the commercial launch of new brands. Peter has a strong track record in developing and enhancing strategy, process and culture to capture unrealised opportunities and to accelerate revenue growth. He is commercially minded with a strong focus on customers and partnerships.

Peter holds a Bachelor of Science (pharmacology, immunology) and a diploma in education (science, biology) from Monash University and is a graduate of the INSEAD CEDEP General Management Program (France).

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.

Review of operations

This financial year saw a period of transition, from construction of the Mildura facility, to a focus on selling. Building a platform from which production could be rapidly scaled and revenue accelerated was a key strategic focus for Cann Group in FY23. With our state-of-the-art flagship Mildura facility now commercially operational for over a year, Cann's management team has been intent on executing on this growth opportunity.

Cann's competitive advantage is that it is now in a position to immediately scale to large quantities of quality product. This combination of volume, quality and immediacy is unique to Cann. The Company will continue to enhance its automation capabilities on-site at its Mildura facility which is showing direct benefits to the efficiency and consistency of the Company's products. Additionally, the experience and expertise of Cann's production staff has also grown exponentially over the past 12 months.

The team has made adjustments and innovated processes to successfully hit metrics which provide Cann with comfort that its growth decisions and aspirations are realistic and achievable.

The loss for the Group after providing for income tax was \$33.79 million for the year ended 30 June 2023 (2022: \$26.47 million).

The increase in expenses is in line with expectations as the Company increased its staffing levels and cultivation costs as part of the scale-up of Mildura. Additional R&D costs associated with the S3 clinical trial were also incurred during the year while interest increased in line with interest rate rises. Depreciation expense increased significantly with the amortisation of the Mildura facility commencing from April 2022.

The Group's basic and diluted loss per share is \$0.09 or 9.1 cents (2022: \$0.079 or 7.90 cents).

The Weighted Average number of Shares used to calculate the basic and diluted earnings per share is 372,251,723 (2022: 335,091,009).

The net assets of the Group are \$59.26 million as at 30 June 2023 (2022: \$84.90 million).

Production and sales

Sales revenue increased by an impressive \$7.37 million to \$13.78 million for the year ended 30 June 2023 (30 June 2022: \$6.41 million) representing a 115% increase to the prior corresponding period.

The improvement in revenue was driven by the domestic market, with the strong sales momentum supported by new clients entering into supply agreements, and several existing clients with repeat orders. Customer acquisition has been strengthened by Cann's ability to supply consistent quality, GMP product from the flagship facility in Mildura, achieved through state-of-the-art cultivation and manufacturing processes.

FY23 production output at Mildura was 2.2 tonnes. In May 2023, Cann planted the largest crop in the Company's history which was harvested in July 23. The latest harvest involved more than 320 square metres of crop, which is twice the area of crop that had been harvested previously. The harvest was achieved ahead of schedule, with high quality dry flower yield, some 17% ahead of target. The crop area harvested equates to an annualised production level of 8 tonnes.

Directors' Report

(continued)

Manufacturing facilities

Cann's flagship Mildura facility has now been commercially harvesting for over a year, with the facility's latest harvested crop area equating to an annualised production level of 8 tonnes – double the size of previous harvests. The production rate was approximately 17% ahead of target, with the ultimate desire to achieve 12.5 tonne annualised by the 2025 financial year. In addition to this promising volume, the Mildura GMP facility has made an improvement in flower quality, which highlights the value of the enhancements made in cultivation processes and leading-edge technology.

The research and development that is occurring in the on-site laboratories is also improving the collaboration and overall efficiency of the facility. This is another important internal capability for the Company that will accelerate supply schedules.

From our revenue growth of over 100% in FY23, sales of inhalable flower increased by approximately 500%. This is significant as inhalable flower is currently making up over 70% of sales on the Australian cannabis market, which suggests Cann Group is aligned with the area of the largest growth in volume at a considerably accelerated rate in comparison to its competitors.

But, more specifically pertinent to the Mildura facility, inhalable flower is a strong measure of quality, which therefore evidences the improvement in flower quality that the Mildura facility is producing. The inhalable flower portion of harvested crops has improved significantly over the course of the year.

Sale of Southern facility

Cann completed the settlement of the land and building component of its Southern cultivation and manufacturing facility with SatiVite Pty Ltd on 1 March 2023. As previously announced, on 23 December 2022, the Company had agreed to terms with SatiVite on the sale of the Southern facility and the associated business assets for a total consideration of \$5.48 million. SatiVite acquired the land and building at the Southern facility for a total consideration of \$3.1 million and also allowed Cann to continue operating at the site on behalf of SatiVite. The plant and equipment and business assets are expected to be settled early in FY24 after SatiVite has received its ODC licence for the Southern site.

Research and development

Whilst we are seeing large increases in our dried flower production, Cann Group is also seeking to undertake an expansion of the Company's portfolio offering to meet more patient needs. A number of new products are currently being developed at our Northern facility, our centre for research and development.

This enhanced range will include new formulations of the Satipharm platform. Whilst the S3 trial results delayed an over-the-counter registration, Cann remains in conversation with Haleon as both organisations maintain there is an opportunity for Satipharm in this part of the market.

Cann is currently developing an extended range of strengths in its product line including those with THC, allowing us to target more medicinal cannabis indications.

S3 Clinical Trial

The results from Cann's S3 trial were announced in January 2023. The trial compared the efficacy of Cann's proprietary Satipharm low-dose CBD capsules to placebo on 257 participants. Results from the trial did not show a statistically superior response compared to the placebo. Cann expects the outcome of the trial will delay submission of the registration application to the Therapeutic Goods Administration (TGA) for this indication. The Company is reviewing the full trial results before considering its next steps regarding an S3 registration.

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Funding

On 25 October 2022, the Company announced that it would conduct a Share Purchase Plan (SPP) to raise between \$8 million and \$10 million. The SPP offer closed on 30 November 2022 with \$8.18 million raised. The proceeds from the capital raising contributed to the Company's strategic investment in expanding GMP manufacturing capabilities at Mildura.

On 23 December 2022, Cann Group announced it had reached terms with SatiVite Pty Ltd on the sale of Cann's Southern cultivation and manufacturing facility for total consideration of \$5.48 million. The divestment of the Southern facility is a significant part of Cann's streamlining and efficiency program that will consolidate the majority of Cann's operations at its new Mildura facility. The parties have come to terms on the sale of the Southern facility's land and business assets, the licensing of certain Cann proprietary genetics, and the provision of services from Cann to SatiVite to assist with the transfer of commercial operations.

SatiVite has acquired the land and building at the Southern facility for a total consideration of \$3.1 million and has allowed Cann to continue operating at the site on behalf of SatiVite. Long-form documentation for the second stage of the transaction is currently being finalised.

On 15 June 2023, Cann Group announced a Non-Renounceable Rights Issue to raise up to \$11.7m before associated costs. Eligible shareholders were able to subscribe for one new share for every four shares held at 12 cents per share with one free attaching new option for every two shares subscribed for and issued, with an exercise price of 22 cents per share and an exercise period of 18 months. The offer closed on 25 July 2023 with an amount of \$4.46 million being raised. Cann Group has appointed PAC Partners Securities Pty Ltd as the Lead Manager on the raise. PAC Partners will be responsible for the Shortfall Placement to professional and sophisticated investors.

Business risks

Cann Group Limited's operating and financial results and performance are subject to various risks and uncertainties, some of which are beyond the Company's control. Set out below are matters which the Group has assessed as having potential to have material impact on its operating and/or financial results and performance:

- **Agricultural risks:** Risks inherent with agricultural businesses apply to Cann's business, including lower than expected yields, disease, mould and insects and other pests. Since commissioning, Mildura Cann has focused on continually improving its cultivation processes to ensure that the Company is able to continually produce high quality flower products to meet the needs of its customers.
- **Production risks:** Cann's ability to produce cannabis and manufacture cannabis products, and to increase its production in the future, may be adversely impacted by a number of production factors, including plant design errors, non-performance by third party contractors, increases in materials or labour costs and/or limits on availability of materials or labour, production performance falling below expected levels of output or efficiency, human error, the agricultural factors described above, contractor or operator errors, breakdowns, aging or failure of equipment or processes, labour disputes, any rise in energy and utilities costs and limits on availability of such utilities.
- **Funding risks:** The failure to raise the necessary funding, whether as debt or equity, could result in the delay or indefinite postponement of Cann's business expansion. There can be no assurance that additional funding or other types of financing will be available if needed or that, if available, the terms of such funding will be available on favourable terms. In addition, debt funding may materially increase Cann's debt levels and gearing. This may increase Cann's funding costs, reduce its financial performance and increase the risk of Cann being in default or being unable to pay its debts when due in the future.
- **R&D funding:** An important source of funding for Cann is the R&D tax refund it receives each year. There can be no assurance that the R&D tax refund scheme will remain in place, or that Cann will continue to be entitled to access it in the future. Therefore, if Cann were to not receive an R&D tax refund, this would negatively impact Cann's financial performance as well as increase its working capital requirements, potentially causing it to seek additional funding.
- **Operating losses risks:** Cann continues to incur operating losses. Cann may not be able to achieve profitability and may continue to incur significant losses in the future. In addition, Cann will increase its operating expenses as it grows its business. If Cann's revenues do not increase to offset these expected increases in expenditures and operating expenses, it will not be profitable. Anticipated or expected sales may not be achieved, and even if achieved, may not result in Cann being profitable. There is no assurance that Cann will be successful in achieving a return on shareholders' investments and the chances of success must be considered in light of the proposed expansion of its operations.
- **Regulatory approvals:** Cann's ability to continue its business is dependent on holding certain authorisations, licences and permits and adherence to all regulatory requirements related to such activities. Any failure to comply with the conditions of those approvals and licences, or to renew the approvals and licences after their expiry dates, would have a material adverse impact on the financial position, financial performance and/or prospects of Cann.

Directors' Report

(continued)

- **Compliance with licence conditions:** A licence to cultivate, produce and/or manufacture under the *Narcotic Drugs Act 1967* (Cth) is subject to a number of conditions, which if not maintained may result in a suspension or revocation of the licence or permit. Such conditions include ensuring that all staff engaged are suitable, that directors and officers (and the business itself) are a fit-and-proper person and that certain security and reporting measures are maintained. Any failure to maintain these licences would have a material adverse impact on the financial position, financial performance and/or prospects of Cann.
- **Third party manufacture risks:** Cann is currently reliant on a single source of manufacturing to manufacture certain of Cann's products. There are other potential commercial manufacturers that Cann could use to meet its manufacturing requirements. However, if Cann needed to engage a new manufacturer, the process of transitioning to a new manufacturer would likely take several months, so there would be a risk that Cann's manufacturing abilities would be adversely impacted during the transition period, with a negative associated impact on Cann's financial performance.

Significant changes in the state of affairs

On 20 July 2022, the Company announced that it has entered into a Master Asset Finance Agreement with the NAB. The facility will have a revolving leasing limit of \$0.75 million which will decrease when goods are purchased but increase when repayments are made.

On 24 October 2022, the Company announced that Mr Peter Crock would resign from his position of CEO. On 10 January 2023 Cann Group announced the appointment of Mr Peter Koetsier as CEO of the Company. Mr Koetsier commenced in the role on 16 January 2023.

On 24 October 2022, the Company received a \$4.348m R&D tax incentive rebate for the 2022 financial year.

On 25 October 2022, the Company announced that it would be proceeding with a Share Purchase Plan (SPP) to raise between \$8 million and \$10 million. The SPP offer closed on 30 November 2022 after having successfully raised \$8.18 million. The proceeds from the share purchase plan contributed to the Company's strategic investment in expanding GMP manufacturing capabilities at Mildura.

On 7 November 2022, Cann Group announced that it had signed a non-binding term sheet with GlaxoSmithKline Consumer Healthcare Pty Ltd (trading as Haleon) specifying the terms relating to the commercialisation of Cann's proprietary Satipharm CBD capsules for over the counter use.

On 23 December 2022, Cann Group announced that it had reached terms with SatiVite Pty Ltd on the sale of Cann's Southern cultivation and manufacturing facility for a total consideration of \$5.48 million. The divestment of the Southern facility is a significant part of Cann's streamlining and efficiency program that will consolidate the majority of Cann's operations at its new Mildura facility. The parties have come to terms on the sale of the Southern facility's land and business assets, the licensing of certain Cann proprietary genetics, and the provision of services from Cann to SatiVite to assist with the transfer of commercial operations. Subsequently, on 1 March 2023 Cann Group announced that it had completed the settlement of the land and buildings component for \$3.1 million.

On 19 January 2023, Cann Group provided an update on its Phase 3 Clinical Trial which compared the efficacy of low dose Satipharm® CBD capsules to placebo in treating sleep disturbances. The preliminary view of the analysis of the primary end-points had not shown a statistically superior response compared to placebo.

On 10 February 2023, Cann Group issued 2,138,422 performance rights to employees under the Company's Long-term Incentive Plan. Additionally, 4,500,000 options were issued to Mr Peter Koetsier under the Company's Employee Share Option Plan as part of his employment agreement announced 10 January 2023.

On 28 April 2023, Cann Group advised that the first shipment of the Company's dried flower had been successfully delivered and released for supply into Germany.

On 15 June 2023, Cann Group announced a one (1) for four (4) Non-Renounceable Rights Issue to raise approximately \$11.7m (before costs). The offer opened on 23 June 2023 and closed on 25 July 2023 after having raised \$4.46 million. PAC Partners Pty Ltd has been appointed by the Company as the Lead Manager and to place the remaining shortfall.

On 15 June 2023, the Company announced that it had received formal notification from Haleon regarding their intention to terminate the Option and Evaluation Agreement covering the Company's S3 clinical trial. The termination will take effect on 7 September 2023. The companies will continue discussions regarding other potential opportunities during the termination period.

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On 20 June 2023, Cann Group announced it had signed a variation with Levin Health Pty Ltd for the supply of medicinal cannabis products from 1 July 2023 to 31 December 2023. The agreement will see Cann Group supply Levin with approximately \$0.88 million of oils during this period. Additionally Cann will also supply dried flower products in line with Levin's need during this period.

On 27 June 2023, Cann Group announced the appointment of Dr Julian Chick to Deputy Chair effective immediately. Current Chair, Allan McCallum AO, also announced his intention to retire from the board during the first quarter of FY24.

Future developments, prospects and business strategies

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 24 July 2023, Cann announced that it had completed its first harvest at double any previous crop area. This is a key step towards achieving the Company's target of reaching annualised production volumes of 12.5 tonnes at its Mildura GMP facility.

On 25 July 2023, Cann Group closed its Non-Renounceable Rights Offer after having raised \$4.46 million. PAC Partners Pty Ltd has been appointed by the Company as Lead Manager and to place the remaining shortfall.

On 24 August 2023, Cann Group issued 520,118 fully paid ordinary shares to CSIRO for research and development services rendered.

No other matter or circumstance has arisen since 30 June 2023 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.

Meetings of Directors

The number of meetings of the Company's board of directors ('the board') and of each board committee held during the year ended 30 June 2023, and the number of meetings attended by each Director were:

	Board Meetings		Remuneration and Nominaton Committee		Audit and Risk Committee	
	Held	Attended	Held	Attended	Held	Attended
Allan McCallum AO	16	16	2	2	2	2
Douglas John Rathbone AM	16	16	2	2	2	2
Jenni Pilcher	16	15	2	2	2	2
Julian Chick (appointed 26 October 2022)	9	9	1	–	2	2
Robert Barnes (appointed 20 September 2022)	10	10	1	1	2	2
John Sharman (resigned 1 September 2022)	3	3	–	–	–	–

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Remuneration committee matters were subsumed within board meetings during FY23.

Directors' Report

(continued)

Remuneration report (audited)

This Remuneration Report outlines the Company's remuneration strategy for the financial year ended 30 June 2023 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 2023. 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 2023:

- Mr John Sharman resigned as a Non-executive Director, effective 1 September 2022.
- Mr Robert Barnes was appointed as a Non-executive Director, effective 20 September 2022.
- Dr Julian Chick was appointed as a Non-executive Director, effective 26 October 2022 and subsequently appointed to Deputy Chair on 27 June 2023.
- Ms Geraldine Farrell resigned as the Company Secretary and was replaced by Ms Deborah Ambrosini, effective 25 October 2022.
- Mr Peter Crock resigned as the Chief Executive Officer on 24 October 2022 and was replaced by Mr Peter Koetsier effective 16 January 2023.
- Mr Shane Duncan resigned as Chief Commercial Officer effective 28 February 2023.

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

Non-executive Directors

Name	Title
A McCallum AO	Chairman
J Chick (appointed 26 October 2022)	Deputy Chair
D Rathbone AM	Non-executive Director
J Pilcher	Non-executive Director
R Barnes (appointed 20 September 2022)	Non-executive Director
J Sharman (resigned 1 September 2022)	Non-executive Director

Chief Executive Officer (CEO) and Disclosed Executives

Name	Title
P Crock (resigned 24 October 2022)	Chief Executive Officer
P Koetsier (appointed 16 January 2023)	Chief Executive Officer
D Ambrosini (appointed Company Secretary 25 October 2022)	Chief Financial Officer and Company Secretary

To assist with the search for a new CEO and the knowledge transfer to Mr Koetsier, Mr Crock continued in his role of outgoing CEO until 24 March 2023. Mr Crock continued to consult to the Company in a reduced capacity until 30 June 2023.

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.

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 2023 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

Directors' Report

(continued)

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 2023, 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.

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Chief Executive Officer (CEO) and Disclosed Executives – Current

Name	LTI range calculated on fixed annual remuneration
P. Koetsier	20% – 40%
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") scheme, further details of the LTI scheme are outlined in section (d) of "Components of remuneration – Chief Executive Officer and other senior executives".

(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 2022 Annual General Meeting ('AGM')

At the 25 October 2022 AGM, 89.75% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2022. 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 2023 are summarised below:

	2023 \$000	2022 \$000	2021 \$000	2020 \$000	2019 \$000
Sales revenue	13,777	6,411	4,293	647	2,348
Net loss before income tax	(33,790)	(26,468)	(25,103)	(16,939)	(10,926)
Net loss after income tax	(33,790)	(26,468)	(25,103)	(16,939)	(10,926)
Loss per share (cents)	(9.08)	(7.90)	(9.75)	(11.91)	(7.82)

Directors' Report

(continued)

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 Operations Officer; and Chief Financial Officer and Company Secretary.

		Post-employment benefits				
		Salary and Fees \$	Termination Benefits \$	Super-annuation \$	Equity settled share based payments \$	Total \$
Non-executive directors						
A. McCallum	2023	108,597	–	11,403	–	120,000
	2022	109,091	–	10,909	–	120,000
D. Rathbone	2023	58,824	–	6,176	–	65,000
	2022	75,083	–	7,508	–	82,591
J. Pilcher	2023	72,398	–	7,602	–	80,000
	2022	70,455	–	7,045	–	77,500
J. Chick ⁽ⁱ⁾	2023	41,977	–	4,408	–	46,385
	2022	–	–	–	–	–
R. Barnes ⁽ⁱⁱ⁾	2023	45,075	–	4,733	–	49,808
	2022	–	–	–	–	–
J. Sharman ⁽ⁱⁱⁱ⁾	2023	10,798	–	1,134	–	11,932
	2022	59,091	–	5,909	–	65,000
P. Jacobsen	2023	–	–	–	–	–
	2022	19,787	–	1,979	–	21,766
G. Pearce	2023	–	–	–	–	–
	2022	37,183	–	3,718	–	40,901
Total	2023	337,669	–	35,456	–	373,125
Total	2022	370,690	–	37,068	–	407,758
Other Key Management Personnel and Executive Officers						
P. Koetsier ⁽ⁱⁱⁱ⁾	2023	154,808	–	12,646	90,512	257,966
	2022	–	–	–	–	–
D. Ambrosini	2023	263,288	–	24,785	19,985	308,058
	2022	196,615	–	19,092	8,012	223,719
Total	2023	418,096	–	37,431	110,497	566,024
Total	2022	196,615	–	19,092	8,012	223,719

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Post-employment benefits						
		Salary and Fees \$	Termination Benefits \$	Super-annuation \$	Equity settled share based payments \$	Total \$
Disclosed Executives – Former						
P. Crock ^(iv)	2023	288,851	–	21,828	–	310,679
	2022	310,922	–	25,945	354,974	691,841
S. Duncan ^(v)	2023	220,286	–	17,954	–	238,240
	2022	276,153	–	25,020	34,454	335,627
G. Bullock	2023	–	–	–	–	–
	2022	65,744	101,867	5,892	–	173,503
Total	2023	509,137	–	39,782	–	548,919
Total	2022	652,819	101,867	56,857	389,428	1,200,971

(i) J Chick and R Barnes were appointed to the Board of Cann Group Limited on 26 October 2022 and 20 September 2022 respectively.

(ii) J Sharman resigned from the Board of Cann Group Limited on 1 September 2022.

(iii) P Koetsier was appointed to the role of Chief Executive Officer on 16 January 2023.

(iv) P Crock continued as outgoing CEO until 24 March 2023 to assist with knowledge transfer to P Koetsier.

(v) S Duncan resigned as Chief Commercial Officer, effective 28 February 2023.

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 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Non-Executive Directors:						
A. McCallum	100%	100%	–	–	–	–
D. Rathbone	100%	100%	–	–	–	–
J. Pilcher	100%	100%	–	–	–	–
J. Chick	100%	100%	–	–	–	–
R. Barnes	100%	100%	–	–	–	–
J. Sharman	100%	100%	–	–	–	–
Other Key Management Personnel:						
P. Koetsier	65%	–	–	–	35%	–
D. Ambrosini	85%	84%	–	–	15%	16%
P. Crock ⁽ⁱ⁾	100%	46%	–	–	–	54%
S. Duncan ⁽ⁱⁱ⁾	100%	86%	–	–	–	14%

(i) P. Crock continued as Outgoing CEO until 24 March 2023 to assist with knowledge transfer to P Koetsier.

(ii) S. Duncan resigned as Chief Commercial Officer, effective 28 February 2023.

Directors' Report

(continued)

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 2022	Balance as at date of appointment	Received as part of remuneration	Acquisitions, disposals or transfers*	Cessation as director/ KMP	Balance at 30 June 2023	Balance held nominally
Non-Executive Directors:							
A. McCallum	6,700,455	–	–	272,726	–	6,973,181	–
D. Rathbone	3,294,307	–	–	136,363	–	3,430,670	–
J. Pilcher	125,000	–	–	–	–	125,000	–
J. Chick	–	–	–	–	–	–	–
R. Barnes	–	–	–	–	–	–	–
J. Sharman ⁽ⁱ⁾	72,728	–	–	–	(72,728)	–	–
Other Key Management Personnel:							
D. Ambrosini	19,578	–	–	–	–	19,578	3,449
P. Crock ⁽ⁱⁱ⁾	1,646,610	–	–	–	(1,646,610)	–	–
S. Duncan ⁽ⁱⁱⁱ⁾	129,995	–	–	–	(129,995)	–	–
	11,988,673	–	–	409,089	(1,849,333)	10,548,429	3,449

The Directors increased their shareholding in the Company by participating in the Share Purchase Plan completed in December 2022

Performance shares held nominally are subject to vesting conditions.

- (i) J Sharman resigned from his role as Non-executive Director on 1 September 2022.
- (ii) P Crock continued as Outgoing CEO until 24 March 2023 to assist with knowledge transfer to P Koetsier.
- (iii) S Duncan resigned as Chief Commercial Officer, effective 28 February 2023.

Option holding

The number of options 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:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at the end of the year
Options over ordinary shares					
P. Koetsier	–	4,500,000	–	–	4,500,000
D. Ambrosini	–	60,000	–	–	60,000
	–	4,560,000	–	–	4,560,000

Name	Number of options granted	Grant date	Expiry date	Exercise price	Fair value per option at grant date
P. Koetsier	1,500,000	9 February 2023	9 February 2028	\$0.45	\$0.077
P. Koetsier	1,500,000	9 February 2023	9 February 2028	\$0.60	\$0.066
P. Koetsier	1,500,000	9 February 2023	9 February 2028	\$0.75	\$0.060
D. Ambrosini	60,000	4 April 2023	4 April 2028	\$0.22	\$0.084

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:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the year
Performance rights over ordinary shares					
P. Koetsier	–	666,666	–	–	666,666
D. Ambrosini	141,176	261,904	–	–	403,080
P. Crock	371,952	–	–	(371,952)	–
S. Duncan	165,176	–	–	(165,176)	–
	678,304	928,570	–	(537,128)	1,069,746

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:

Name	Number of rights granted	Grant date	Expiry date	Share price hurdle for vesting	Fair value per right at grant date
Performance Rights 2023 Series					
P. Koetsier	666,666	9 February 2023	9 February 2026	\$0.55	\$0.18
D. Ambrosini	261,904	9 February 2023	9 February 2026	\$0.55	\$0.18
Performance Rights 2021 Series					
D. Ambrosini	141,176	21 December 2021	21 December 2024	\$0.00	\$0.28

The Performance Rights vest upon the achievement of certain performance milestones as set by the board.

The Performance Rights 2023 Series have a share price hurdle for one tranche which requires the share price for the Company to increase by 100% from the closing price at 30 June 2022.

The Company has a short-term lease for Corporate office space on normal commercial terms with Rathbone Wine Group. The building is owned by REI Property Sub Trust 2. Rathbone Wine Group is the head tenant. An amount of \$0.106 million (2022: nil) was paid during the year.

This concludes the remuneration report, which has been audited.

Directors' Report

(continued)

Shares under option

There were 6,120,000 unissued ordinary shares of Cann Group Limited under option outstanding at the date of this report.

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

Grant date	Expiry date	Exercise price	Number under option
9 February 2023	9 February 2028	\$0.45	1,500,000
9 February 2023	9 February 2028	\$0.60	1,500,000
9 February 2023	9 February 2028	\$0.75	1,500,000
4 April 2023	4 April 2028	\$0.22	1,620,000
			6,120,000

* P. Koetsier was issued 4.5 million options in accordance with his employment contract.

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

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 2023 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	792,436
10 February 2023	10 February 2026	2,138,422
		2,930,858

On 10 February 2023, 2,138,422 Performance Rights were issued to employees of the Company under the Long-term Incentive Plan. Rights will vest on the achievement of certain conditions as determined by the board.

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 100,000 (2022: 1,930,000) Performance shares issued on the exercise of performance rights during the year ended 30 June 2023 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 \$179 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 auditor's 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 21.

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

28 August 2023

Auditor's Independence Declaration

WilliamBuck

ACCOUNTANTS & ADVISORS

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 2032 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. A. Finnis

A. A. Finnis
Director
Melbourne, 28 August 2023

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	30 June 2023 \$'000	30 June 2022 \$'000
Revenue from customer contracts	5	13,777	6,411
Other income	5	7,898	4,827
Total revenue and other income		21,675	11,238
Expenses			
Administration and corporate costs	6	(34,782)	(27,697)
Research and development costs		(4,289)	(2,991)
Depreciation and amortisation expense		(11,960)	(4,797)
Total expenses		(51,031)	(35,485)
Loss before finance costs, investment loss, and income tax expense		(29,356)	(24,247)
Finance costs		(3,158)	(1,828)
Loss on fair value of investment		(1,276)	(393)
Loss before income tax expense		(33,790)	(26,468)
Income tax expense		–	–
Loss after income tax expense for the year		(33,790)	(26,468)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		41	(138)
Other comprehensive income/(loss) for the year, net of tax		41	(138)
Total comprehensive loss for the year		(33,749)	(26,606)
		Cents	Cents
Basic loss per share	19	(9.08)	(7.90)
Diluted loss per share	19	(9.08)	(7.90)

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 2023

	Note	30 June 2023 \$'000	30 June 2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		765	1,914
Trade and other receivables	7	5,643	4,158
Prepayments	8	2,105	1,641
Inventories	9	11,406	10,673
Biological assets	10	790	782
		20,709	19,168
Non-current assets classified as held for sale	11	493	–
Total current assets		21,202	19,168
Non-current assets			
Property, plant and equipment	12	107,396	117,929
Intangible assets	13	215	1,462
Trade and other receivables	7	514	–
Financial assets at fair value through profit or loss		139	743
Prepayments		–	85
Right-of-use assets		–	276
Total non-current assets		108,264	120,495
Total assets		129,466	139,663
LIABILITIES			
Current liabilities			
Trade and other payables	14	7,853	6,519
Contract liabilities		435	162
Lease liability		–	304
Employee entitlements	15	817	815
Borrowings	16	15,290	3,500
Total current liabilities		24,395	11,300
Non-current liabilities			
Employee entitlements	15	135	99
Borrowings	16	45,675	43,361
Total non-current liabilities		45,810	43,460
Total liabilities		70,205	54,760
Net assets		59,261	84,903
EQUITY			
Issued capital	17	177,368	169,425
Reserves	18	123	(82)
Accumulated losses		(118,230)	(84,440)
Total equity		59,261	84,903

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 2023

	Issued capital \$'000	Share based payments reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
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 17)	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	–
Balance at 30 June 2022	169,425	98	(180)	(84,440)	84,903

	Issued capital \$'000	Share based payments reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2022	169,425	98	(180)	(84,440)	84,903
Loss after income tax expense for the year	–	–	–	(33,790)	(33,790)
Other comprehensive income for the year, net of tax	–	–	41	–	41
Total comprehensive income/(loss) for the year	–	–	41	(33,790)	(33,749)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 17)	7,915	–	–	–	7,915
Share-based payments	–	192	–	–	192
Conversion of employee performance rights	28	(28)	–	–	–
Balance at 30 June 2023	177,368	262	(139)	(118,230)	59,261

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 2023

	Note	30 June 2023 \$'000	30 June 2022 \$'000
Cash flows from operating activities			
Receipts from customers		13,534	7,601
Payments to suppliers and employees		(41,347)	(31,028)
Interest received		1	1
Other income received		4,977	2,993
Net cash used in operating activities	25	(22,835)	(20,433)
Cash flows from investing activities			
Payments for property, plant and equipment	12	(3,101)	(45,164)
Proceeds from disposal of land and buildings		3,073	–
Net cash used in investing activities		(28)	(45,164)
Cash flows from financing activities			
Proceeds from issue of shares net of expenses	17	7,915	17,921
Proceeds from borrowings		17,603	46,861
Repayment of borrowings		(3,500)	–
Repayment of lease liabilities		(304)	(376)
Net cash from financing activities		21,714	64,406
Net decrease in cash and cash equivalents		(1,149)	(1,191)
Cash and cash equivalents at the beginning of the financial year		1,914	3,105
Cash and cash equivalents at the end of the financial year		765	1,914

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

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Notes to the Consolidated Financial Statements

30 June 2023

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, 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 2023. 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.

Going concern

The Consolidated Group has incurred losses for the year ended 30 June 2023 of \$33.79 million (30 June 2022: \$26.47 million) and had a net cash outflow from operating activities of \$22.86 million (30 June 2022 \$20.43 million). Additionally, as at 30 June 2023 the Group had a net working capital deficiency of \$3.19 million. These factors indicate a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The Directors believe there are reasonable grounds to expect the Group will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report, despite a material uncertainty existing as at 30 June 2023.

The key factors underpinning this assessment are as follows:

- Borrowings classified as current liabilities include the NAB working capital facility (with a value of \$14 million at 30 June 2023), which was first reviewed in November 2022. The facility is reviewed annually with the next review scheduled for November 2023. It is the Directors' expectations that the facility will be renewed for a further 12 months at this review.
- The Group's revenue continues to grow at a significant rate with the Group having already billed 115% or 2.2 times the full year revenue recorded in FY22. Revenue growth has accelerated in FY23 year across Cann's portfolio, including large repeat orders for oil and flower products, and the largest single domestic order for an oil product received by the Company so far. This has been enabled through the continuous improvement of cultivation and manufacturing processes at the Mildura facility. Initiatives are in place for both operations and business development that aim to further accelerate the trajectory of revenue over the coming year.
- Demand for dried flower products remains very high in Australia. Continuous improvement in flavour profiles, bud aesthetics and terpenes, along with diversity in cultivars, are increasingly becoming priorities for customers. This represents a significant opportunity for Cann Group given the strong improvements the Company has made to its flower quality. Cann is also well placed to meet the growing demands for product exclusivity and consistent supply via its Mildura facility.
- In June 2023 the Company conducted a Non-Renounceable Rights Offer for existing shareholders to raise up to \$11.7 million before associated costs. The Offer closed on 25 July 2023 after having raised \$4.46 million from existing retail shareholders. Shortfall shares will now be offered to sophisticated and professional investors by the Lead Manager on the raise, PAC Partners Securities Pty Ltd (ACN 623 653 912) pursuant to a separate offer in accordance with the mandate between the Lead Manager and the Company.
- The Company has in the past, and intends in the future, to utilise the Federal Government research and development tax incentives, assuming they remain available. The Company received an amount of \$4.348 million for the 2022 tax year and intends to lodge a claim based on eligible expenditure for the 2023 tax year in August 2023. An amount of \$3.4 million has been accrued for the 2023 financial year. The Company has established an agreement with Radium Capital to provide early access to a portion of the expected research and development tax incentive for FY23.
- To maximise the benefits of Mildura, a streamlining of commercial operations which includes centralising key activities at Mildura is well underway. Consistent with the aim to consolidate activities and achieve cost efficiencies, the Company has agreed terms for

Notes to the Consolidated Financial Statements

(continued)

the sale of its Southern facility for a total consideration of \$5.48 million. On 1 March 2023, Cann Group completed the sale of the Southern facility land for a total consideration of \$3.1 million. The parties are yet to enter into long-form documents regarding the sale of certain business assets of the Southern facility, however it is expected that the parties will do so in the very near future and that \$1.9 million will be paid by SatiVite once the applicable conditions precedents have been satisfied (which will include SatiVite securing a licence from the ODC). SatiVite currently operates another ODC-licensed medicinal cannabis cultivation facility which the Company believes should assist SatiVite in obtaining the ODC licence approval in a timely manner.

- During the first half of FY23 the Group has experienced a number of establishment expenses as it scaled-up the Mildura facility. Whilst Mildura's cost per gram of flower is lower in cost than material produced from Southern, the full extent of the efficiencies of scale at Mildura have not been realised at this time. The Company is scaling to 9 tonnes in the current financial year and has initiated a continuous improvement process resulting in increased crop yields which is expected to flow through the supply chain resulting in a progressive reduction in the cost per gram.
- Additionally, the Group has also incurred a number of one-off significant expenses associated with the S3 clinical trial which was completed in November 2022. It is anticipated that these expenses will be eligible to be included in the Company's 2023 Research and Development Tax Incentive registration which may assist in offsetting this expenditure.
- Finally, the Group could potentially look to refinance the Mildura facility, which has the potential to unlock working capital to meet the needs of the business, subject to approval of the financial institution.

The Directors have prepared cash flow forecasts that indicate that the Consolidated Group will have sufficient cash flows to meet its commitments for a period of at least 12 months from the date of this report.

Based on the cash flow forecast, which include the monitoring of operational costs, the Directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the settlement of liabilities in the ordinary course of business. However if the events noted above did not occur, there is a risk that the entity will not be able to continue as a going concern.

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.

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 28.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all the subsidiaries of the Group as at 30 June 2023 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 2023	Percentage Shareholding 2022
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.

Notes to the Consolidated Financial Statements

(continued)

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.

Consignment Revenue

The Group also generates revenue through consignment sales each month. Revenue from these sales is recognised only after the goods are sold by the consignee to a third party.

Service Revenue

The Group generates revenue through the provision of services including cultivation and contract packing. Revenue is recognised on a monthly basis as the services are completed.

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 the R&D tax incentive rebate an accrual is recognised in the current year under Australian Accounting Standards. Revenue with 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.

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Finished goods

Both Oil and 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.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

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 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 summarizes 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

Notes to the Consolidated Financial Statements

(continued)

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 2023, 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

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:

- increase 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.

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 Profit and Loss and other 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.

Notes to the Consolidated Financial Statements

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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.

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 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.

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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.

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.

Notes to the Consolidated Financial Statements

(continued)

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 judgments – non-recognition of carry-forward tax losses

The balance of future income tax benefit estimated as \$7.29 million (2022: \$5.23 million) arising from current year tax losses of \$33.79 million (2022: \$26.47 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 \$26.63 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 judgments – valuation of performance rights (refer note 18 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 and the Binomial model. As the Company has not paid a dividend both methods will provide similar valuations.

Key judgments – 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 30 June 2023. 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 accrued the expected FY23 R&D tax incentive rebate.

Key judgments – impairment of inventories (refer note 9 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.

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.

Impairment of property, plant and equipment

The Group assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporates a number of key estimates and assumptions.

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 is 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 2023 \$'000	30 June 2022 \$'000	30 June 2023 \$'000	30 June 2022 \$'000
Australia	12,968	5,159	108,262	120,490
Europe	809	1,252	2	5
	13,777	6,411	108,264	120,495

Note 5. Revenue and other income

	30 June 2023 \$'000	30 June 2022 \$'000
Revenue from customer contracts	13,777	6,411
Research and development tax incentives and other government grants	5,955	4,520
Other income	902	307
Gain on sale of Southern facility	1,041	–
	21,675	11,238

Reconciliation of gain on sale of land and buildings

Land and buildings at cost	(2,872)
Accumulated depreciation to 1 March 2023	838
Proceeds net of commission	3,075
	1,041

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.

An accrual of \$3.4m has been raised for the FY23 Research and Development Tax Incentive after a full year review was conducted by the Company's R&D consultants.

A gain on sale was recognised after the sale of the Southern facility land buildings to SatiVite Pty Ltd settled on 1 March 2023 for \$3.1m.

Notes to the Consolidated Financial Statements

(continued)

Note 6. Administration and corporate costs

	30 June 2023 \$'000	30 June 2022 \$'000
Share based employee remuneration	192	737
Employee salaries and wages	13,239	8,876
Employee superannuation	1,105	726
Cultivation and manufacturing expenses	15,095	12,551
Other corporate and administration expenses	2,314	1,260
Insurance expenses	1,244	981
Impairment of goodwill	671	–
Legal and consultancy expenses	922	1,718
Allowance for expected credit loss	–	848
	34,782	27,697

A write-down to inventory of \$1.429 million has been charged to administration and corporate costs during the period to recognise the cost of unsaleable inventory.

Note 7. Trade and other receivables

	30 June 2023 \$'000	30 June 2022 \$'000
<i>Current assets</i>		
Trade receivables	1,592	2,166
Other receivables	4,051	1,992
	5,643	4,158
<i>Non-current assets</i>		
Trade receivables	514	–

Other receivables in FY23 includes an accrual of \$3.4 million for the R&D tax incentive to 30 June 2023.

	30 June 2023 \$'000	30 June 2022 \$'000
Not overdue	5,532	2,565
0 to 3 months overdue	93	914
3 to 6 months overdue	18	–
Over 6 months overdue	514	679
	6,157	4,158

Management assesses 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 recognises 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.

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Note 8. Prepayments

	30 June 2023 \$'000	30 June 2022 \$'000
Prepaid insurance	779	809
Advances for Gelpell royalty	–	188
Fibre installation – Mildura	217	–
Advances paid – goods	731	–
Other prepayments	378	644
	2,105	1,641

Note 9. Inventories

	30 June 2023 \$'000	30 June 2022 \$'000
<i>Current assets</i>		
Cultivation materials & work in progress	953	1,044
Finished goods – biomass	2,018	3,421
Finished goods – crude extract resin	3,266	2,640
Finished goods – oil	2,008	1,935
Other inventories	327	136
Finished goods – Gelpell	2,834	1,497
	11,406	10,673

After review of the inventory balances a write-down to inventory of \$1.429 million has been charged to administration and corporate costs during the period to recognise the cost of unsaleable inventory.

Note 10. Biological assets

	30 June 2023 \$'000	30 June 2022 \$'000
<i>Current assets</i>		
Biological asset – at cost	790	782

Reconciliations

Reconciliations of changes in the carrying amount of biological assets:

	Total \$'000
Balance at 1 July 2022	782
Additions due to cultivation	8
Balance at 30 June 2023	790

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.

Notes to the Consolidated Financial Statements

(continued)

Note 11. Non-current assets classified as held for sale

	30 June 2023 \$'000	30 June 2022 \$'000
<i>Current assets</i>		
Plant and equipment	493	–

On 23 December 2022, Cann Group announced it had reached terms with SatiVite Pty Ltd on the sale of Cann's Southern cultivation and manufacturing facility for a total consideration of \$5.48 million. The divestment of the Southern facility is a significant part of Cann's streamlining and efficiency program that will consolidate the majority of Cann's operations at its new Mildura facility. The parties have come to terms on the sale of the Southern facility's land and business assets, the licensing of certain Cann proprietary genetics, and the provision of services from Cann to SatiVite to assist with the transfer of commercial operations. As at 30 June 2023 the relevant assets have been classified as Non-current assets held for sale and are held at their carrying value in accordance with AASB 5.

Note 12. Property, plant and equipment

	30 June 2023 \$'000	30 June 2022 \$'000
<i>Non-current assets</i>		
Land and buildings – at cost	75,991	75,746
Less: Accumulated depreciation	(4,039)	(1,083)
	71,952	74,663
Freehold improvements – at cost	429	1,280
Less: Accumulated depreciation	(287)	(647)
	142	633
Plant and equipment – at cost	44,203	48,592
Less: Accumulated depreciation	(10,031)	(7,281)
	34,172	41,311
Fixtures and fittings – at cost	889	867
Less: Accumulated depreciation	(276)	(148)
	613	719
Computer equipment – at cost	567	564
Less: Accumulated depreciation	(289)	(193)
	278	371
Capital work in progress	239	232
	107,396	117,929

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 improve- ments \$'000	Plant and equipment \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Capital work in progress \$'000	Total \$'000
Balance at 1 July 2022	74,663	633	41,311	719	371	232	117,929
Additions	–	–	113	22	61	2,908	3,104
Classified as held for sale (note 11)	–	–	(493)	–	–	–	(493)
Disposals	(1,652)	(383)	–	–	–	–	(2,035)
Transfers in/(out)	2,266	–	602	–	–	(2,901)	(33)
Depreciation expense	(3,325)	(108)	(7,361)	(128)	(154)	–	(11,076)
Balance at 30 June 2023	71,952	142	34,172	613	278	239	107,396

During the period \$0.033 million was reclassified from CWIP to intangibles.

	Land and buildings \$'000	Freehold improve- ments \$'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	74,663	633	41,311	719	371	232	117,929

On 23 December 2022, Cann Group announced it had reached terms with SatiVite Pty Ltd on the sale of Cann's Southern cultivation and manufacturing facility for total consideration of \$5.48 million. The parties came to terms on the sale of the Southern Facility's land and business assets, the licensing of certain Cann proprietary genetics, and the provision of services from Cann to SatiVite to assist with the transfer of commercial operations.

On 1 March 2023, Cann Group completed the asset sale for a total consideration of \$3.1 million. The payment of \$1.9 million for the business assets of the Southern facility will be transferred to the Company upon SatiVite securing its licence from the ODC. SatiVite lodged its application with ODC in May 2023 and is now awaiting a response to this application.

Notes to the Consolidated Financial Statements

(continued)

Note 13. 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 2023 \$'000	30 June 2022 \$'000
<i>Non-current assets</i>		
Intangible assets – at cost	2,018	2,656
Less: Accumulated amortisation	(1,803)	(1,194)
	215	1,462

	Goodwill \$'000	Other intangible assets \$'000	Software \$'000	Total \$'000
Balance at 1 July 2021	661	543	842	2,046
Additions	–	–	34	34
Amortisation expense	–	(284)	(341)	(625)
Foreign exchange translation	10	–	(3)	7
Balance at 30 June 2022	671	259	532	1,462
Amortisation expense	–	(247)	(362)	(609)
Transfers	–	–	33	33
Impairment	(671)	–	–	(671)
	(671)	(247)	(329)	(1,247)
Balance at 30 June 2023	–	12	203	215

A review of the goodwill recognised on the purchase of Satipharm was undertaken at year end and it was agreed that the goodwill was impaired at 30 June 2023 resulting in a charge of \$0.67 million to the profit and loss.

Note 14. Trade and other payables

	30 June 2023 \$'000	30 June 2022 \$'000
Mildura construction	188	1,187
Contract manufacturing	1,076	446
Cultivation vendors	387	126
Accrued expenses	1,568	990
Research and development	783	320
Other vendors	3,851	3,450
Total trade and other payables	7,853	6,519

Other payables include premium funding contracts for Cann Group insurance contracts of \$726 thousand. Insurance premiums are paid on a monthly basis allowing Cann to spread these costs out over the life of the policy.

Note 15. Employee entitlements

	30 June 2023 \$'000	30 June 2022 \$'000
<i>Current liabilities</i>		
Annual leave	817	815
<i>Non-current liabilities</i>		
Long service leave	135	99

Note 16. Borrowings

	30 June 2023 \$'000	30 June 2022 \$'000
<i>Current liabilities</i>		
NAB Working Capital facility	14,020	3,500
Construction facility	1,200	–
Lease liability (chattel mortgages)	70	–
	15,290	3,500
<i>Non-current liabilities</i>		
NAB Construction facility	45,511	43,361
Lease liability (chattel mortgages)	164	–
	45,675	43,361

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

The working capital facility had an initial period with review on 30 November 2022 and thereafter it will be reviewed on rolling 12-month periods. This facility has a drawn margin rate of 5.97% pa and a facility fee of 0.35% pa and it is a secured facility.

The Working Capital facility is cross-collateralised and co-defaulting with the Construction facility. As at 30 June 2023, the facility had been drawn down by \$14.02 million leaving an undrawn balance of \$0.98 million.

The Construction facility was renegotiated in April 2022 after the commissioning of the Mildura facility. Key terms of this facility include a base interest rate of the BBSY and a total drawn margin rate of 6.27%. A facility fee of 0.35% pa is also applicable. As at 30 June 2023, the facility had been drawn down by \$46.71 million, leaving a balance of \$3.29 million for construction purposes.

Amortisation will commence from 31 May 2024 on a quarterly basis for a period of 10 years. An amount of \$1.2 million has been classified as current to recognise the first principal repayment.

Note 17. Issued capital

	30 June 2023 Shares	30 June 2022 Shares	30 June 2023 \$'000	30 June 2022 \$'000
Ordinary shares – fully paid	388,614,865	351,355,198	177,368	169,425

Notes to the Consolidated Financial Statements

(continued)

Movements in ordinary share capital

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

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2022	351,355,198		169,425
Transaction costs associated with issuing equity	30 November 2022	–	\$0.00	(11)
Shares issued under the Share Purchase Plan	7 December 2022	37,159,667	\$0.22	8,175
Escrow shares issued on conversion of performance rights	27 February 2023	100,000	\$0.00	28
Transaction costs associated with Non Renounceable Rights Issue		–	\$0.00	(249)
Balance	30 June 2023	388,614,865		177,368

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.

Shares in escrow

During the year 100,000 shares (2022:1,930,000 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 (2) years after the date of issue.

Note 18. Reserves

	30 June 2023 \$'000	30 June 2022 \$'000
Foreign currency reserve	(137)	(180)
Share based payments reserve	260	3,290
Transfer – expiry of options	–	(3,192)
	123	(82)

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 and options for the year ended 30 June 2023 is \$0.19 million (2022: \$0.74 million).

Performance rights over ordinary shares

On 10 February 2023 2,138,422 Performance Rights 2023 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 \$396 thousand.

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 2023 Series	10/02/2023	2,138,422	0.18	3.41%	10/02/2026	71.23%	396
Performance Rights 2021 Series	21/12/2021	792,436	0.28	0.96%	21/12/2024	85.73%	501
		2,930,858					

The weighted average remaining contractual life of performance rights outstanding at 30 June 2023 was two (2) years (2022: 2.0 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 2022	1,786,362
Granted in the year	2,138,422
Exercised during the year	(100,000)
Forfeited during the year	(893,926)
Balance at 30 June 2023	2,930,858

Notes to the Consolidated Financial Statements

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Options over ordinary shares

On 9 February 2023, 4,500,000 options over fully paid ordinary shares were issued to Mr Peter Koetsier under the Employee Share Option Plan. The options will vest over three (3) years in equal tranches of 1.5 million options with the first tranche vesting 12 months after the issue date. The exercise price for each tranche is as below:

Tranche 1 – 45 cents per share

Tranche 2 – 60 cents per share

Tranche 3 – 75 cents per share

On 5 April 2023, 1,620,000 options over fully paid ordinary shares were issued to employees of the Company. The options will vest over three (3) years in equal tranches of 20,000 with the tranche vesting 12 months after the issue date. The exercise price for each tranche is 22 cents per share.

Grant of options	Number of options	Spot price at grant of option	Options exercise price	Risk free rate %	Options expiry date	Volatility %	Fair value \$
Tranche 1	1,500,000	0.18	0.45	3.41%	09/02/2028	71.23%	0.07
Tranche 2	1,500,000	0.18	0.60	3.41%	09/02/2028	71.23%	0.07
Tranche 3	1,500,000	0.18	0.75	3.41%	09/02/2028	71.23%	0.06
Tranche 4	1,620,000	0.15	0.22	2.98%	04/04/2028	76.00%	0.08
	6,120,000						

Movement in Employee Options during the year	Forfeited during the year
Opening balance at 1 July 2022	–
Granted during the year	6,120,000
Exercised during the year	–
Forfeited during the year	–
Closing balance at 30 June 2023	6,120,000

The total expense of share-based payments recognised in the statement of profit or loss and other comprehensive income amounted to \$0.19 million. The remaining fair value will be expensed in subsequent years in accordance with the specific service conditions of the rights.

During the year nil shares were issued on conversion of options.

Note 19. Loss per share

	30 June 2023 \$'000	30 June 2022 \$'000
Loss after income tax	(33,790)	(26,468)

	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	372,251,723	335,091,009
Weighted average number of ordinary shares used in calculating diluted loss per share	372,251,723	335,091,009

	Cents	Cents
Basic loss per share	(9.08)	(7.90)
Diluted loss per share	(9.08)	(7.90)

Performance rights and options 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 20. Key Management Personnel disclosures

Directors

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

Mr Allan McCallum AO	Chairman
Dr Julian Chick (appointed 26 October 2022)	Deputy Chairman
Mr Douglas Rathbone AM	Non-executive Director
Ms Jenni Pilcher	Non-executive Director
Mr Robert Barnes (appointed 20 September 2022)	Non-executive Director
Mr John Sharman (resigned 1 September 2022)	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 Koetsier (appointed 16 January 2023)	Chief Executive Officer
Ms Deborah Ambrosini (appointed Company Secretary 25 October 2022)	Chief Financial Officer and Company Secretary
Mr Peter Crock	Chief Executive Officer (resigned 24 October 2022)
Mr Shane Duncan	Chief Commercial Officer (resigned 28 February 2023)

Compensation

The aggregate compensation paid to Directors and other members of key management personnel of the Group is set out below:

	30 June 2023 \$	30 June 2022 \$
Short-term employee benefits	1,264,902	1,220,124
Post-employment benefits	112,669	113,017
Termination benefits	–	101,867
Share-based payments	110,497	397,440
	1,488,068	1,832,448

Notes to the Consolidated Financial Statements

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Note 21. Remuneration of auditors

	30 June 2023 \$	30 June 2022 \$
(i) Audit and other assurance services – William Buck		
Audit and review of financial statements	83,500	78,500
(ii) Non-assurance services – William Buck		
Tax compliance services	24,729	9,500
Total remuneration	108,229	88,000

Note 22. 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 20 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.

The Company has a short-term lease for Corporate office space on normal commercial terms with Rathbone Wine Group. The building is owned by REI Property Sub Trust 2 Rathbone Wine Group is the head tenant. An amount of \$0.106 million (2022: nil) was paid during the year.

Note 23. Contingent liabilities and commitments

The Group does not have any contingent liabilities at 30 June 2023.

Note 24. Events after the reporting period

On 24 July 2023, Cann announced that it had completed its first harvest at the double production scale. This is a key step towards achieving the Company's target of reaching annualised production volumes of 12.5 tonnes at its Mildura GMP facility.

On 25 July 2023, Cann Group closed the Non-Renounceable Rights Offer after having raised \$4.46 million. PAC Partners Pty Ltd has been appointed by the Company as Lead Manager and to place the remaining shortfall.

On 24 August 2023, Cann Group issued 520,118 fully paid ordinary shares to CSIRO for research and development services rendered.

No other matter or circumstance has arisen since 30 June 2023, 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.

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Note 25. Reconciliation of loss after income tax to net cash used in operating activities

	30 June 2023 \$'000	30 June 2022 \$'000
Loss after income tax expense for the year	(33,790)	(26,468)
Adjustments for:		
Gain on sale of land and buildings	(1,041)	–
Write-off of property, plant and equipment	–	28
Foreign exchange differences	–	2,137
Equity settled trade payables	–	165
Vesting of performance rights	192	736
Decrease in the value of financial assets	603	393
Depreciation, amortisation and loss on sale of assets	11,962	4,797
Impairment of goodwill	671	–
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(2,100)	55
Decrease/(increase) in inventories	(463)	1,440
Decrease/(increase) in prepayments	(740)	255
Increase/(decrease) in trade and other payables	1,871	(3,971)
Net cash used in operating activities	(22,835)	(20,433)

Notes to the Consolidated Financial Statements

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Note 26. 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:

2023	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
Assets:							
Cash and bank balances	-	-	-	-	-	765	765
Financial assets at fair value	-	-	-	-	-	139	139
Trade and other receivables	-	-	-	-	-	6,157	6,157
Prepayments	-	-	-	-	-	2,413	2,413
Total financial assets	-	-	-	-	-	9,474	9,474
Liabilities:							
Trade and other creditors	3.39	-	(726)	-	-	(7,127)	(7,853)
Lease liability	-	-	(69)	(164)	-	-	(233)
Borrowings	6.27	-	(15,220)	(45,511)	-	-	(60,731)
Total financial liabilities	9.66	-	(16,015)	(45,675)	-	(7,127)	(68,817)
Net financial assets (liabilities)	9.66	-	(16,015)	(45,675)	-	2,347	(59,343)

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
Assets:							
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
	1.50	–	85	–	–	8,456	8,541
Liabilities:							
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)

The Company has a \$50 million construction facility with the National Australia Bank which has been used 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 is 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 \$46.7 million at 30 June 2023 leaving a balance of \$3.3 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 were negotiated for an initial period with the first review held on 30 November 2022. Thereafter it will be reviewed on a rolling 12-month period. 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 2023, the facility had been drawn down by \$14.02 million leaving a balance of \$0.98 million.

For the Group the bank loans outstanding, totalling \$60.7 million (2022: \$46.8 million), are principal and interest payment loans. Quarterly cash outlays of approximately \$1.0 million (2022: \$0.50 million) per quarter are required to service the interest payments. An official increase/decrease in interest rates of 0.5 percent would have an adverse/favourable effect on loss before tax of \$0.47 million (2022: \$0.23 million) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Notes to the Consolidated Financial Statements

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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.

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 2023 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 27. Capital management

The board of directors is 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 2023, the Group held a \$50 million loan facility available for the purpose of funding the construction of the Mildura Facility. As at 30 June 2023, this was drawn down to the amount of \$46.7 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 \$14.02 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 monthly 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 28. 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 2023 \$'000	30 June 2022 \$'000
Loss after income tax	(6,457)	(8,112)
Total comprehensive loss	(6,457)	(8,112)

Statement of financial position

	Parent	
	30 June 2023 \$'000	30 June 2022 \$'000
Total current assets	5,357	4,844
Total assets	198,859	183,406
Total current liabilities	16,421	5,963
Total liabilities	63,199	49,387
Equity		
Issued capital	177,367	169,425
Share based payments reserve	260	3,290
Transfer – expiry of options	–	(3,192)
Accumulated losses	(41,967)	(35,504)
Total equity	135,660	134,019

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.

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.

Directors' Declaration

30 June 2023

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 2023 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

28 August 2023

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 subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2023, 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 2023 and of its financial performance for the year ended on that date; 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$33,790,000 during the year ended 30 June 2023 and, for the period, the Group's net cash outflows used in operations was \$22,835,000. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Independent Auditor's Report

(continued)

WilliamBuck

ACCOUNTANTS & ADVISORS

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

INVENTORY	
Area of focus	How our audit addressed it
Refer also to notes 2, 3 and 9	
<p>The Group's inventory of \$11.4 million; is significant to the financial report and has increased by \$0.7 million from the prior year.</p> <p>The Group's inventory primary consists of biomass and finished goods. The biomass is valued at fair value less costs to sell as at the date of harvest and the finished goods are 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"> — Performing inventory stock verification procedures in respect of inventory held at the Mildura and Southern facilities; — Reviewing inventory confirmations in relation to inventory held with third parties; — Evaluating management's judgments and assumptions used in calculation cost per gram of biomass; — Verifying that the carrying value of inventory has been calculated appropriately including verification of third-party manufacturing costs to supporting documentation; and — Evaluating management's judgements and assumptions used in determining the inventory write down recorded during the year. <p>We have also assessed the adequacy of disclosures in relation to inventory in the financial report.</p>
SHARE BASED PAYMENTS	
Area of focus	How our audit addressed it
Refer also to notes 2, 3, 18 and the Remuneration Report	
<p>In the current year the Group has issued options to the CEO, CFO and other employees under the employee share option plan and performance rights to the CEO, CFO and employees as part of a long-term incentive plan. The options include a service condition and the performance rights include a range of vesting conditions – both market and non-market.</p> <p>The options and performance rights issued require significant judgements and estimations by management, including the following:</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — 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; — Evaluating the progress of the vesting of share-based payments within the service period; and — For the specific application of the Black Scholes and Binomial models, we assessed the experience of the independent expert used to advise the value of the arrangement

SHARE BASED PAYMENTS (CONTINUED)	
Area of focus	How our audit addressed it
Refer also to notes 2, 3, 18 and the Remuneration Report	
<ul style="list-style-type: none"> – Determination of the grant date, and the evaluation of the fair value of the options and performance rights at grant date; – The evaluation of the vesting charge taken to the profit and loss in-respect of the vesting conditions attached to the options and performance rights; and – The evaluation of key inputs into the Black Scholes and Binomial model, including the significant judgement of the forecast volatility of the options and performance rights over their exercise periods. 	<p>We retested some of the assumptions used in the model and recalculated those fair values.</p> <p>We also considered the adequacy of the Group's disclosures in the notes to the financial report.</p>
The value of these share-based payment arrangements has been deemed a key area of focus for our audit.	

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2023, 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 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.

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.

Independent Auditor's Report

(continued)

WilliamBuck

ACCOUNTANTS & ADVISORS

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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

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

Report on the Remuneration Report

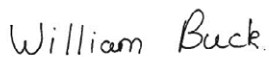
Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Cann Group Limited, for the year ended 30 June 2023, 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 Audit (Vic) Pty Ltd
ABN 59 116 151 136



A. A. Finnis
Director
Melbourne, 28 August 2023

Corporate Governance Statement

For the year ended 30 June 2023

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 2023 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), 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.

Shareholder Information

Equity security holders

As at 16 August 2023, the Company had 425,753,967 ordinary shares on issue. Further details of the Company's equity securities are as follows:

Rank	Name	16 Aug 2023	%IC
1	MR PHILIP JACOBSEN & MRS MAXINE JACOBSEN	11,478,943	2.70
2	MULLACAM PTY LTD	7,296,023	1.71
3	FLAG CAPITAL PTY LTD	5,876,453	1.38
4	MR LEENDERT HOEKSEMA	5,000,000	1.17
5	CITICORP NOMINEES PTY LIMITED	4,601,643	1.08
6	SUPERNOVA FUND PTY LTD	4,341,363	1.02
7	MR RYAN PRUE	3,500,000	0.82
7	MR CHRISTOPHER JOHN PAGE	3,500,000	0.82
8	MS SHENGYAN HU & MR XIANGJUN ZHAO	3,132,224	0.74
9	INVIA CUSTODIAN PTY LIMITED	3,000,000	0.70
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,992,764	0.70
11	MR MICHAEL ANDERSON	2,524,620	0.59
12	T R SAMUELS TRANSPORT PTY LIMITED	2,353,029	0.55
13	HARDMAIL PTY LTD	2,150,000	0.50
14	MRS ROBYN DIANNE CHANDLER	2,100,000	0.49
15	SUPERHERO SECURITIES LIMITED	2,085,874	0.49
16	COMMONWEALTH SCIENTIFIC AND INDUSTRIAL RESEARCH ORGANISATION	1,930,220	0.45
17	PACIFIC CUSTODIANS PTY LIMITED	1,626,132	0.38
18	DR AYOMI SOODIN	1,600,347	0.38
19	MR RAYMOND THOMAS HOBSON & MRS RHONDA ELLEN HOBSON	1,562,895	0.37
20	MR ALLAN DONALD MCCALLUM	1,420,454	0.33
Total		74,072,984	17.40
Balance of register		351,680,983	82.60
Grand total		425,753,967	100.00

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Distribution of equity holders

Holdings distribution

Range	Securities	%	No. of holders
100,001 and over	231,911,847	54.47	652
10,001 to 100,000	138,631,897	32.56	4,543
5,001 to 10,000	24,821,954	5.83	3,257
1,001 to 5,000	26,293,164	6.18	10,246
1 to 1,000	4,095,105	0.96	7,522
Total	425,753,967	100.00	26,220

Unmarketable parcels

The number of investors holding less than a marketable parcel of 4,167 (\$0.12 on 16 August 2023) is 16,505 and they hold 24,399,861 securities.

Unquoted equity securities

The number of unquoted equity securities on issue as at 16 August 2023, are as follows:

Unquoted equity securities	No. of holders	Number on issue
Performance rights – 2021 series	7	792,436
Performance rights - 2023 series	10	2,138,422
Performance shares	6	470,000
Employee Share options exercisable at 45c on or before 9 February 2028	1	1,500,000
Employee Share options exercisable at 60c on or before 9 February 2028	1	1,500,000
Employee Share options exercisable at 75c on or before 9 February 2028	1	1,500,000
Employee Share options exercisable at 22c on or before 4 April 2028	26	1,560,000
Unquoted options exercisable at 22c on or before 1 February 2025	1,834	18,569,840

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

Directors

Allan McCallum AO, Chairman
Dr Julian Chick, Deputy Chair
Doug Rathbone AM, Non-executive Director
Jennifer Pilcher, Non-executive Director
Robert Barnes, Non-executive Director

Auditors

William Buck
Level 20, 181 William Street
Melbourne, Victoria 3000

Phone: 03 9824 8555

Company Secretary

Deborah Ambrosini

Chief Executive Officer

Peter Koetsier

Registered Office

262–276 Lorimer Street
Port Melbourne, Victoria 3207

Phone: 03 9095 7088
Email: contact@canngrouponlimited.com
Website: www.canngrouponlimited.com.au

Share Registry

Link Market Services Limited
Tower 4, 727 Collins Street
Melbourne, Victoria 3000

Phone: 1300 554 474 (within Australia)
+61 2 8280 7100 (from outside Australia)

ASX Listing

(ASX:CAN)

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