



ASX ANNOUNCEMENT

Q1 – 30 SEPTEMBER 2024

# QUARTERLY ACTIVITIES REPORT & APPENDIX 4C

For the quarter ended 30 September 2024:

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Cash receipts from operating activities of \$3.33m received during the quarter, up 9% on the PQ, down 20% on the prior corresponding period (“PCP”).

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Cash payments for operating activities of \$5.65m, an improvement (reduction) of 10% and 36% on the PQ and PCP respectively.

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Net cash outflows from operating activities \$3.55m, an improvement of 34% and 31% on the PQ and PCP respectively.

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R&D Tax Credit Refund lodged for \$1.965 million, received 1 October (next quarter).

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Sales revenue (unaudited) of \$2.7m, a decrease of 33% over the PCP.

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**23 October 2024** – Cann Group Limited (ASX: CAN) (**Cann** or the **Company**) is pleased to provide its Quarterly Activities Report and Appendix 4C for the quarter ended 30 September 2024 (**Current Quarter** or **CQ**). The prior quarter is 30 June 2024 (**Prior Quarter** or **PQ**) and the previous corresponding period is the quarter ended 30 September 2023 (**PCP**).



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## QUARTERLY WRAP-UP

Following the major Company-wide reset in the prior quarter, this current quarter was all about expanding production – both in tonnage, and also with increased variety through the new cultivars introduced from Cann’s breeding program. Cann produced just over 1 tonne of dried flower this quarter – up 90% from the Prior Quarter, which sets next quarter up nicely from a sales perspective. Cann is on track to meet its targeted production of 5.5 tonnes for FY2025, with production expected to increase over the upcoming warmer months.

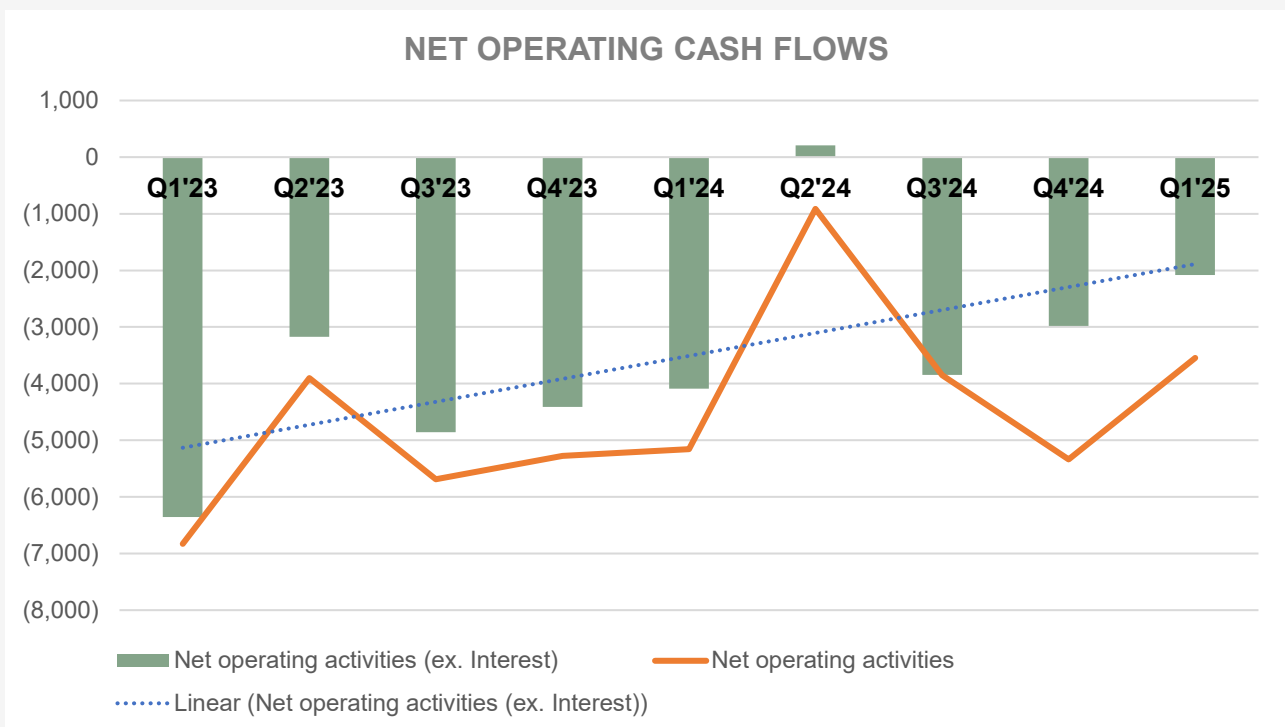
The Company continues to improve its net operating cash outflows from quarter to quarter, and whilst there does remain a need for capital in the short term to allow the Company to execute on its plans, the Company does have several funding options available to it. The next sections discuss the quarter in more detail.

## OPERATING CASH FLOWS

Net cash outflows from operating activities for the Current Quarter were \$3.55 million, representing a 34% improvement (lower) over the Prior Quarter. The improvement is due to an increase of 9% in cash receipts, and a decrease in payments to suppliers and employees of 8% and 15% respectively, evidencing the recent cost-efficiency program, compared to the Prior Quarter. In addition, the Prior Quarter included certain one-off type transactions which aren’t expected to repeat such as having two quarters (six months) of interest payments to NAB totalling \$2.32 million, compared with \$1.465 million for the Current Quarter and restructuring payments to employees of approximately \$0.35 million.

Net cash outflows from operating activities include \$174k of payments to Directors, being related parties.

The chart below demonstrates the continuing improvement in operating cash flows since the start of 2023 which the Company expects will continue into FY2025:



## SALES & THE MARKET

Consolidated sales for the quarter (and year to date) were \$2.71 million, representing a 33% decline compared to the same period last year. This decline is primarily driven by reduced white-label oil production and contract packing services during the quarter. Both of these activities can be quite variable in their timing, and the Company expects both revenue streams to increase next quarter with orders from white label customers already received and being actioned.

Sales continue to grow across our distribution and consignment network, driven by new partnerships and an expanded product portfolio. Bulk flower sales have also progressed, boosted by the availability of a broader variety of cultivars from our breeding program.

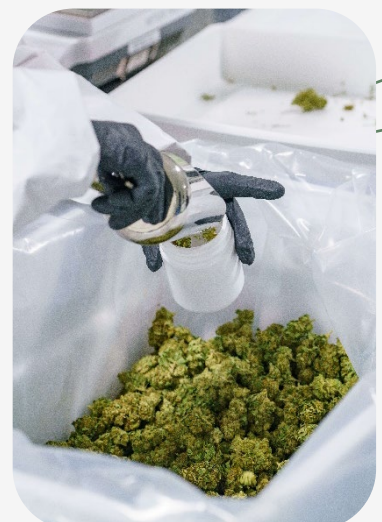
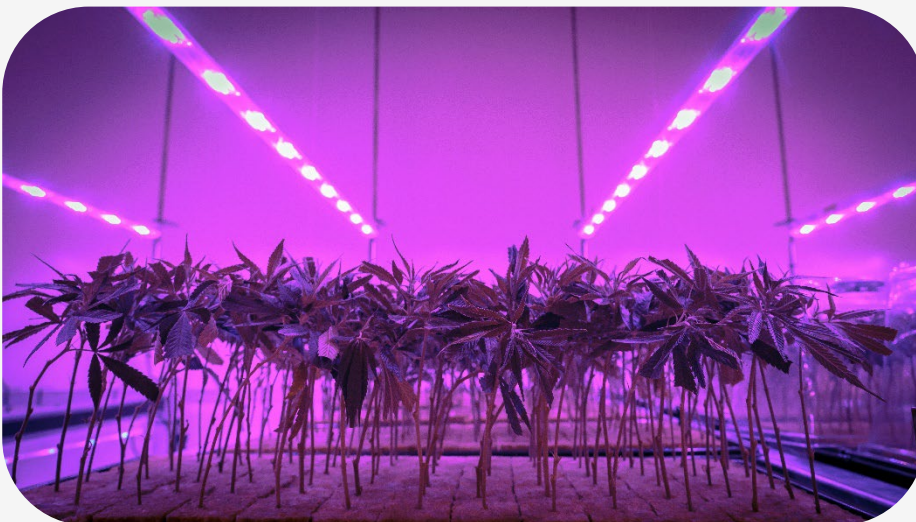
Several new consignment customers have partnered with Botanitech, and two new products have been introduced to our range using new genetics from our in-house breeding program. Strong demand for the Botanitech Value and INC product lines has fuelled rapid growth, and production planning has been proactively managed to ensure a stable and consistent supply moving forward. The recent launch of Botanitech distillate vape cartridges has further expanded Cann's offerings, which now include flowers, oils, vapes, and capsules. Additional launches featuring new genetics and product formats are planned in the coming months.

Satipharm capsule development remains on track, with new THC and CBD/THC formulations in production. The packaging has been redesigned to align more closely with strategic branding and patient segments. These updates are expected to strengthen Satipharm's position in the market and offer patients who seek more traditional pharmaceutical forms of cannabinoid medicines a good option.

The newly formed commercial team has focused on both existing and new business opportunities, driving significant activity and partnerships across the Eastern seaboard.

Commercial cultivation has seen a marked increase, with unique genetics from our Northern R&D site now being grown at our Mildura facility. These cultivars are in their first stages of commercial production and will be assessed for yield and commercial viability. They are expected to provide competitive advantages in the bulk flower and white-label markets.

The past quarter's activity, as expected, has positioned Cann Group for further growth, with additional product launches, enhanced production capacity, and strengthened partnerships. In the next quarter, the focus will be on expanding the portfolio, meeting patient needs with innovative product formats, and offering new elite genetics to our white-label and bulk flower customers.



## MILDURA FACILITY

This quarter, the Mildura facility has been focusing on the following activities and initiatives:

- Growing the new genetics selected at the Northern Facility at a commercial scale.
- Selecting the most appropriate genetics for customer desirables, THC levels, consistency and yield.
- Commissioning into full production the Muti Head Filler. This equipment reduces the labour cost associated with packing medicinal cannabis into either 10, 15 or 28 gram jars.
- Continuous improvement in relation to labour efficiencies, quality control and lowering cost of production.
- Promoting capability in relation to contract growing and contract packing for third parties.
- Implementing a collaboration between La Trobe University, Spex AI and Cann which establishes a production-level imaging capability through translation of research laboratory outputs and data transfer, between La Trobe University and Cann Mildura. Image capture, data acquisition and storage, and High Performance Computing (HPC) systems will be used to capture and manage data for correlation with plant growth and health. It will assist in establishing machine learning and Artificial Intelligence (AI) algorithms to predict disease or plant attributes from images.



## FINANCING

The following financing events occurred during the Current Quarter:

On 17 July the Group appointed LAWD as sole agent for a potential sale and leaseback of its Mildura facility. The property is currently being marketed and the Group is now assessing expressions of interest. Any expressions of interest are being assessed not only against each other but also against other potential funding options that might be available at the time.

On 13 August the Company received a non-binding term sheet from a financier for a \$3 million convertible note facility, which was subsequently increased to \$5 million on 30 September 2024. The Company has not proceeded with this offer.

On 19 August the Group commenced draw down of \$0.50 million from its short-term debt facility it has established with a high net-worth lender. This loan is unsecured, has a 3-month term, and interest is payable at 20% per annum. This facility is used for working capital purposes from time to time.

On 29 August the Company received an advance of \$1 million from Endpoints Capital Pty Limited (Endpoints), providing early access to the Company's expected Research and Development Tax Incentive for FY2024 of \$1.965 million (R&D Refund). This loan was repaid (together with \$0.04 million of interest and costs) upon receipt of the Company's R&D Refund on 1 October 2024. Further details can be found in the Company's ASX announcement on 30 August 2024.

A letter of intent was also received from NAB dated 29 August 2024 confirming that no call will be made on either facility for a period of 13 months to 29 September 2025.

Subsequent to the end of the Quarter, on 7<sup>th</sup> October, the Company announced a non-renounceable entitlement offer to raise a maximum of \$6.25 million. The closing date for this offer has recently been extended to 31 October 2024.

## OUTLOOK

Next quarter (Q2), the Company expects to report a cash flow neutral net operating cashflow result (excluding interest), given the receipt of the R&D Refund mentioned earlier. In Q2 the Company expects to see a ramp up in its sales given it has had steady production at forecast levels for the past few months.

Today, the facility has only two out of 10 zones (~20%) operational. However, the Company is firmly focused on scaling up production in the two (2) commissioned zones of its Mildura facility to ~5.5 tonne per annum (initially), then 10 tonne per annum, and has the option to expand its current facility (subject to funding) by fitting out additional zones to further accelerate future revenue growth and profitability.

The Company will need additional short-term capital to execute on the above production plan, and has several funding options available to it – such as convertible note facilities, however the recently launched non-renounceable entitlement offer is the preferred option as it's less dilutionary for shareholders and puts less pressure on the Company's working capital position.

Further information on the Company's strategic plan can be found in the investor update presentation released to the ASX on 16 October 2024.

**Authorised for release by the Board of Directors of Cann Group Limited.**

### FOR ALL INFORMATION PLEASE CONTACT

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**About Cann Group**

Cann Group Limited (ABN 25 603 949 739) is enhancing patients' lives by developing, producing, and supplying innovative cannabis medicines. The Company has research facilities and corporate headquarters in Melbourne and operates a state-of-the-art large-scale cultivation and GMP manufacturing facility near Mildura, Victoria. Cann Group supplies a range of dried flower and oil products, as well as active pharmaceutical ingredients and extracts, to customers in Australia and around the world. Cann Group also owns Satipharm and its patent-protected capsule technology.

Learn more at: [www.canngrouponlimited.com](http://www.canngrouponlimited.com) | [www.satipharm.com](http://www.satipharm.com)

## Appendix 4C

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

**Name of entity**

Cann Group Limited

**ABN**

25 603 949 739

**Quarter ended ("current quarter")**

30 September 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,637	3,637
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,426)	(1,426)
(c) advertising and marketing	(34)	(34)
(d) leased assets	-	-
(e) staff costs	(2,591)	(2,591)
(f) administration and corporate costs	(1,594)	(1,594)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(1,465)	(1,465)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives <sup>1</sup>	-	-
1.8 Other (provide details if material) <sup>2</sup>	(73)	(73)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(3,546)</b>	<b>(3,546)</b>

<sup>1</sup> R&D Tax Incentive Rebate received relating to financial year ending 2023 of \$3.468 million.

<sup>2</sup> includes GST payments of \$0.066m for the quarter ending 30 June 2024

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(19)	(19)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(19)</b>	<b>(19)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	2,095	2,095
3.6	Repayment of borrowings	(150)	(150)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (net cash from finance leases)	(37)	(37)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,908</b>	<b>1,908</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,639	1,639
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,546)	(3,546)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(19)	(19)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,908	1,908



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>(18)</b>	<b>(18)</b>

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	18	1,639
5.2	Call deposits	-	-
5.3	Bank overdrafts	(36)	-
5.4	Other (bank guarantees)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>(18)</b>	<b>1,639</b>

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 <sup>1</sup>	173
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<sup>1</sup> Salary payments made to Directors, including the CEO & Managing Director, in their capacity as directors being related parties for the current quarter.

<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>																					
7.1	Loan facilities	73,500	73,440																					
7.2	Credit standby arrangements	-	-																					
7.3	Other (Corporate Credit Cards)	55	-																					
7.4	<b>Total financing facilities</b>	73,555	73,440																					
7.5	<b>Unused financing facilities available at quarter end</b>		115																					
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.																							
	The loan facilities have been provided by the National Australia Bank, and have the following terms:																							
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Facility</th> <th style="width: 15%;">Limit</th> <th style="width: 15%;">Expiry Date</th> <th style="width: 25%;">Interest Rate (per annum)</th> <th style="width: 20%;">Interest Payment Terms</th> </tr> </thead> <tbody> <tr> <td>NAB Construction Facility (secured)</td> <td style="text-align: center;">\$49.4m</td> <td style="text-align: center;">31 May 2025</td> <td>BBSY + 2.64% (+0.35% facility fee) effective 24 May 2024</td> <td style="text-align: center;">90 days in arrears</td> </tr> <tr> <td>NAB Working Capital Facility (secured)</td> <td style="text-align: center;">\$15.6m</td> <td style="text-align: center;">31 May 2025</td> <td>BBSY + 2.34% (+0.35% facility fee) effective 1 June 2024</td> <td style="text-align: center;">90 days in arrears</td> </tr> <tr> <td>Private Credit Lender (secured)</td> <td style="text-align: center;">\$5m</td> <td style="text-align: center;">6 May 2025</td> <td style="text-align: center;">15%</td> <td style="text-align: center;">Monthly in arrears</td> </tr> </tbody> </table>				Facility	Limit	Expiry Date	Interest Rate (per annum)	Interest Payment Terms	NAB Construction Facility (secured)	\$49.4m	31 May 2025	BBSY + 2.64% (+0.35% facility fee) effective 24 May 2024	90 days in arrears	NAB Working Capital Facility (secured)	\$15.6m	31 May 2025	BBSY + 2.34% (+0.35% facility fee) effective 1 June 2024	90 days in arrears	Private Credit Lender (secured)	\$5m	6 May 2025	15%	Monthly in arrears
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Private Credit Lender (secured)	\$5m	6 May 2025	15%	Monthly in arrears																				
	In addition, Cann has a leasing facility which has a revolving leasing limit (MAFA) of \$0.75m which will decrease when goods are financed but increase again when repayments are made. Each financing lease covered under the MAFA will have a different rate, determined by the Reserve Bank of Australia's then current rate and the nature of the item that is being leased. Cann can repay each lease over a period of 24–60 months.																							

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	<b>(3,546)</b>
8.2	Cash and cash equivalents at quarter end (item 4.6)	<b>(18)</b>
8.3	Unused finance facilities available at quarter end (item 7.5)	115
8.4	Total available funding (item 8.2 + item 8.3)	97

8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	-0.03
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	<p>Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?</p> <p>No, the entity expects net operating cash flows to continue to improve over the coming quarters. This improvement is expected to come from the following:</p> <ul style="list-style-type: none"> <li>cash receipts are expected to increase in subsequent quarters following the recent launch of several new product ranges which are gaining traction in the market.</li> <li>the Company received its R&amp;D tax credit of \$1.965 million from the ATO in October 2024, which will be reported in the Company's net operating cash flows next quarter. Of the credit received, \$1.04 million was immediately applied to repaying the R&amp;D loan obtained of \$1 million in full, plus interest and costs, to Endpoints Capital.</li> </ul> <p>The improvement in net operating cash flows to date is demonstrated as follows:</p> <ul style="list-style-type: none"> <li>The net cash outflows for the current quarter – before interest – were -\$2.08 million, compared with an average quarterly outflow of -\$2.68 million for FY2024, and -\$4.70 million for FY2023. This demonstrates an improvement of 22% and 56% over FY2024 and FY2023 respectively.</li> <li>When including interest costs, net cash outflows for the quarter of -\$3.55 million are an improvement of 7% and 35% over the quarterly averages for FY2024 (-\$3.81 million) and FY2023 (-\$5.42 million) respectively.</li> </ul>	
8.6.2	<p>Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?</p> <p>Yes, the Company launched a non-renounceable entitlement offer (NREO) on 7 October 2024 to raise \$6.25 million (before costs) if fully subscribed. The NREO was priced at 4 cents per share, representing a 37% discount to the 30-day VWAP. The NREO also offers shareholders who participate one option for every three shares purchased. The Company believes this is an attractive offer and therefore should be successful.</p> <ul style="list-style-type: none"> <li>During the current quarter, the Company received a non-binding offer for a \$5 million convertible note facility. The Company is not proceeding with the convertible note at this time, however it does demonstrate the Company has access to additional capital, if required.</li> </ul>	
8.6.3	<p>Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?</p> <p>Yes. The NREO will provide funding for the business for at least the next two quarters.</p>	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: .....23 October 2024.....

Authorised by: .....The Board of Cann Group Limited.....  
(Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – e.g., Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.