

CANN

GROUP LIMITED

Investor Presentation July 2021



Disclaimer: important notice

IMPORTANT: You must read the following before continuing.

This notice and disclaimer applies to this investor presentation (**Presentation**) and you are therefore advised to read this carefully before reading or making any other use of this Presentation or any information contained in this Presentation. By accepting this Presentation you represent and warrant that you are entitled to receive this Presentation in accordance with the restrictions contained in it and agree to be bound by the limitations contained in it. This Presentation has been prepared by Cann Group Limited (ABN 25 603 949 739) (**Cann**) and relates to an institutional placement of new Cann fully paid ordinary shares (**New Shares**) to certain professional or sophisticated investors under section 708 of the *Corporations Act 2001* (Cth) (**Corporations Act**) (**Offer**).

Not a prospectus or an offer of securities

This Presentation is not a prospectus or any other offering or disclosure document under the Corporations Act (and will not be lodged with the Australian Securities and Investments Commission (**ASIC**)) or under the law of any other jurisdiction in which an offer of New Shares may be received. This Presentation does not form the basis of any contract or commitment to sell or apply for New Shares or other securities in Cann or any of its subsidiaries.

Summary information

This Presentation contains summary information about Cann and its activities which is current as at the date of this Presentation. Except as required by law (including the ASX listing rules), Cann undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. This Presentation does not necessarily contain all information which may be material to the making of a decision in relation to an investment in Cann. It is not recommended that any person makes any investment decision in relation to Cann based solely on this Presentation. Any prospective investor should make his or her own independent assessment and determination as to Cann's prospects prior to making any investment decision and should not solely rely on the information in this Presentation for that purpose. This Presentation should be read in conjunction with Cann's periodic and continuous disclosure announcements lodged with the ASX, which are available at www.canngrouponlimited.com.au or www.asx.com.au. Certain market and industry data used in connection with this Presentation may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. Neither Cann, its officers, employees, agents nor advisers have independently verified any such market or industry data provided by third parties or industry or general publications. The information contained in this Presentation is intended only for the persons to whom it is transmitted for the purposes of evaluating Cann. The information contained in this Presentation supersedes any prior presentation or conversation concerning Cann.

Distribution limited

The distribution of this Presentation in jurisdictions outside Australia may be restricted by law and you should observe any such restrictions.

Not for release or distribution in the United States

This Presentation may not be distributed or released in the United States or to any person acting for the account or benefit of a person in the United States. This Presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or any other jurisdiction in which such an offer would be illegal. The New Shares referred to in this Presentation have not been, and will not be, registered under the US Securities Act of 1933 as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States or to any person acting for the account or benefit of a person in the United States, unless the securities have been registered under the US Securities Act (which Cann has no obligation to do or procure) or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable securities laws, of any state or other jurisdiction in the United States.

Disclaimer: important notice

Not investment advice

Each recipient of this Presentation should make its own enquiries and investigations regarding all information in this Presentation including but not limited to the assumptions, uncertainties and contingencies which may affect the existing and future operations of Cann and the impact that different existing and future outcomes may have on Cann. This Presentation has been prepared without taking account of any person's individual investment objectives, financial situation or particular needs. Before making an investment decision or any decision in relation to this Presentation, prospective investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and should seek legal, accounting and taxation advice appropriate to their jurisdiction. Cann is not licensed to provide financial product advice in respect of Cann shares. An investment in Cann shares is subject to known and unknown risks, some of which are beyond the control of Cann. Cann does not guarantee any return or particular rate of return or the performance of Cann. Prospective investors should have regard to the risks described in this Presentation under the "Key Risks" Appendix of this Presentation when making their investment decision. This Presentation does not involve or imply a recommendation or a statement of opinion in respect of whether to buy, sell or hold securities in Cann. The New Shares to be issued by Cann are considered highly speculative and there is no guarantee that they will make a return on the capital invested, that dividends will be paid on the New Shares or that there will be an increase in the value of Cann shares in the future.

Future performance

This Presentation may contain certain 'forward-looking statements', including but not limited to, projections, guidance on future revenues, earnings, margin improvement, other potential synergies and estimates and the future performance of Cann. Indications of, and guidance or outlook on, financial position or performance or costs or expenses are also forward-looking statements. Forward-looking statements can generally be identified by the use of forward-looking words such as, 'expect', 'anticipate', 'likely', 'intend', 'should', 'could', 'may', 'predict', 'plan', 'propose', 'will', 'believe', 'forecast', 'estimate', 'target', 'outlook', 'guidance', 'potential' and other similar expressions within the meaning of securities laws of applicable jurisdictions or otherwise their ordinary meaning. The forward-looking statements in this Presentation are only made as at the date of this Presentation. Any forward-looking statements in this Presentation involve subjective judgment and analysis and are subject to significant uncertainties, risks and contingencies and other factors, including the risks described in this Presentation under the "Key Risks" Appendix of this Presentation. Risks may be outside the control of, and are unknown to, Cann and its officers, employees, agents or advisers. Any forward-looking statement included in this Presentation are provided as a general guide only. Such statements are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward-looking statements. No representation or warranty, express or implied, is made by Cann that the matters stated in this Presentation will be achieved or prove to be correct.

Past performance

Prospective investors should note that past performance, including the past share price performance of Cann and any historical information or pro-forma historical information in this Presentation cannot be relied upon as an indicator of (and provides no guidance as to) future Cann performance including future share price performance.

Financial Data

All dollar values are in Australian dollars ("A\$") unless stated otherwise. Financial information given in this Presentation is for information purposes only and should not be relied upon as (and is not) an indication of Cann's views on its future financial performance or position. The historical information included in this Presentation is, or is based on, information that has previously been released to the market.

Investment Risk

An investment in shares in Cann is subject to investment and other known and unknown risks, some of which are beyond the control of Cann. Cann does not guarantee any return or particular rate of return or the performance of Cann, nor does it guarantee the repayment of capital from Cann or any particular tax treatment. Readers should have regard to the risks outlined in the "Key Risks" Appendix of this Presentation.

Disclaimer: important notice

Disclaimer

Neither PAC Partners Securities Pty Ltd, nor its or Cann's respective advisers or any of their respective affiliates, related bodies corporate, directors, officers, partners, employees and agents (**Relevant Parties**), have authorised, permitted or caused the issue, submission, dispatch or provision of this Presentation and, except to the extent referred to in this Presentation, none of them makes or purports to make any statement in this Presentation and there is no statement in this Presentation which is based on any statement by any of them.

To the maximum extent permitted by law, Cann and the Relevant Parties exclude and disclaim all liability, including without limitation for negligence or for any expenses, losses, damages or costs incurred by you as a result your reliance on the information in this Presentation being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise. To the maximum extent permitted by law, Cann and the Relevant Parties make no representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of information in this Presentation and, with regards to the Relevant Parties, they take no responsibility for any part of this Presentation. Cann and the Relevant Parties make no recommendations as to whether you should trade in shares in Cann or participate in the Offer. You represent, warrant and agree that you have not relied on any statements made by any of the Relevant Parties in relation to any trade of Cann shares or participation in the Offer and you further expressly disclaim that you are in a fiduciary relationship with any of them. Statements made in this Presentation are made only as the date of this Presentation.

Third parties

This Presentation references contractual arrangements involving various third parties. These parties, their personnel and advisers, do not take any responsibility for the contents of this Presentation, including without limitation the accuracy and completeness of any representation made, or the merits of the investment to which it relates nor infer any endorsement of the Offer by virtue of being referred to in the Presentation. The references to research and development activities in the Presentation appear as a matter of record only.

Acceptance, Withdrawal and Cooling-off

By attending an investor presentation or briefing, or accepting, assessing or reviewing this Presentation you acknowledge and agree to the terms set out in this "Disclaimer: Important Notice" section of this Presentation. Cann reserves the right to withdraw, or vary the timetable for, the Offer or any part of it without notice. Cooling off rights do not apply to the acquisition of New Shares.

Photographs and Diagrams

Photographs used in this Presentation which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Presentation or its contents or that the assets shown in them are owned by Cann. The photographs contained in this Presentation are the property of or are licensed to Cann and are protected under copyright laws. No permission is granted for the reproduction of these photographs outside of their appearance in this Presentation. Diagrams in this Presentation have been prepared by Cann and are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Presentation.

All rights reserved







No part of this Presentation may be reproduced, distributed, or transmitted in any form or by any means, including photocopying, recording, or other electronic or mechanical methods, without the prior written permission of Cann, except in the case of brief quotations embodied in critical reviews and certain other non-commercial uses permitted by copyright law.

Executive summary

| | |
|---|---|
| Strategy gaining momentum | <ul style="list-style-type: none"> Cann continues to pursue a strategy of consolidating its leadership in the Australian medicinal cannabis industry and leveraging a combination of technology and scale to be a significant supplier to markets around the world Executing this strategy by securing near term revenue opportunities underpinned by contracts with multiple customers and in multiple markets |
| Business update | <ul style="list-style-type: none"> Debt funding for Mildura in place Mildura construction on schedule – initial commissioning phase now underway Significant recent product shipments to overseas customers in the UK and Germany Low dose CBD “Gelpell” capsule registration program underway Over \$4.2m in revenues (unaudited) for FY21 |
| Cost savings and accelerating profitable growth | <ul style="list-style-type: none"> New funding sought to support investment in further integration of supply chain and expanded production capabilities Investment expected to deliver substantial cost savings, including: <ul style="list-style-type: none"> - a ~60% reduction in manufacturing COGS for proprietary Gelpell products - up to \$23 million¹ in annual cost savings associated with extraction processes Additional resources to be allocated to Satipharm marketing and distribution in UK/Europe and to accelerating registration program for low dose OTC CBD product in Australia |
| Announcement of \$20m equity raise | <ul style="list-style-type: none"> Cann is seeking to raise \$10.0m by way of an institutional placement (“Placement”). Capital raise is to support Cann’s capital expenditure program, working capital and Mildura project ramp-up \$0.275 Placement Price, which represents a 27.6% discount to the closing price of Cann Group shares on 21 July 2021 Approximately 36.3m new fully paid ordinary shares (“New Shares”) for the Placement (equivalent to 13.1% of current issued capital) Subject to shareholder approval, a Share Purchase Plan (“SPP”) of \$10m with New Shares under the proposed SPP to be issued at \$0.275 per share, the same price as the Placement Price |

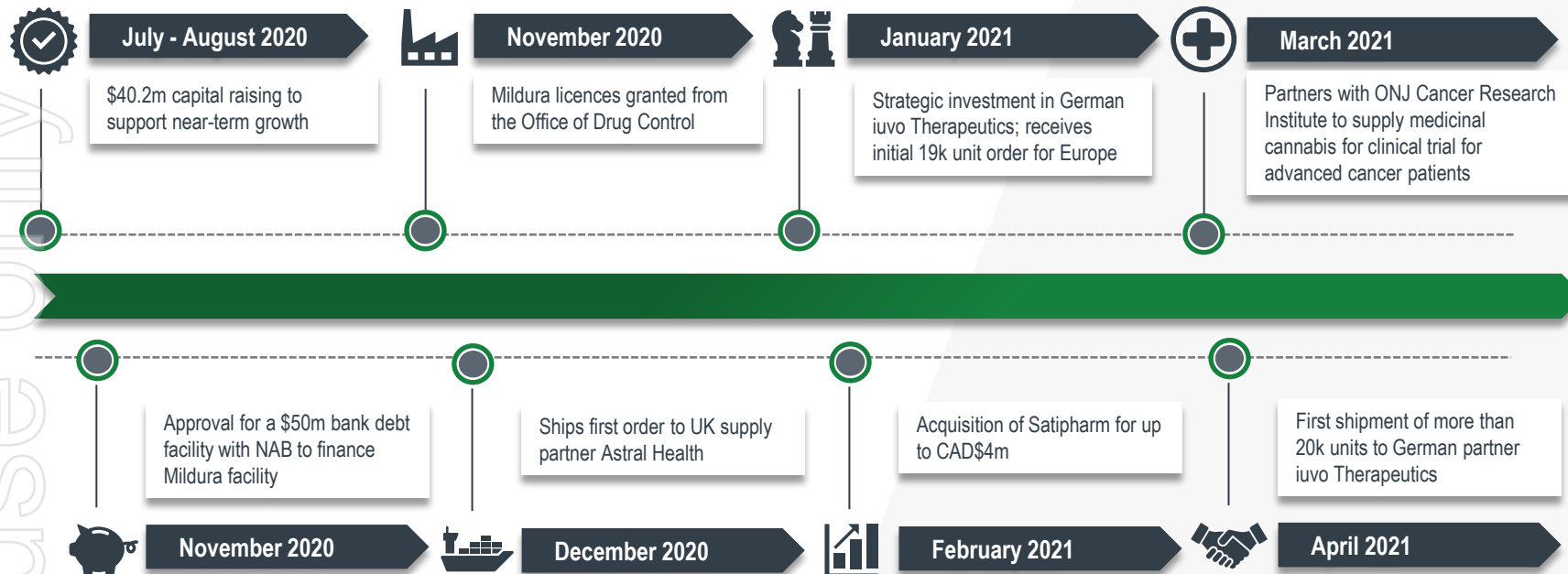
Notes: ¹ Assumes in-house extraction at full capacity (12,500 kgs) of initial production stage versus current external cost base

Key investment highlights

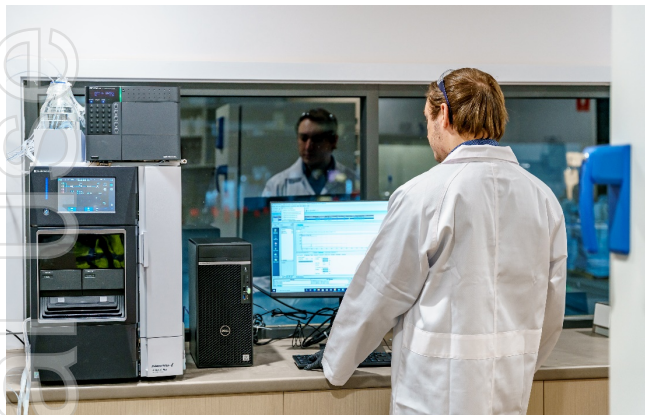
| | | |
|---|---|--|
| 1 |  | ✓ Proven capability to produce & supply to international cGMP standard |
| 2 |  | ✓ Commissioning of large scale, state of the art production and extraction (manufacturing) facility now underway with cultivation activity scheduled to commence end of CY21 – expected to deliver scale benefits, substantial cost savings and improved supply chain security |
| 3 |  | ✓ Export supply agreements in place with repeat customer orders – recent shipment of 20,000+ units to Germany bringing total shipments to 34,000+ in FY21; growing domestic customer base in number and volume; FY21 sales revenues in excess of \$4.2 million² (up from ~ \$650,000 in FY20) |
| 4 |  | ✓ Registration program underway in Australia for OTC S3 low dose CBD capsules – incorporates unique and proprietary formulation technology and seeks to address a significant market opportunity |
| 5 |  | ✓ Extensive genetics program and focused R&D to support pipeline product opportunities; proven regulatory approval expertise |
| 6 |  | ✓ Experienced management team |

Notes: ² Unaudited estimate of product sale revenues

Achievements / progress over past 12 months



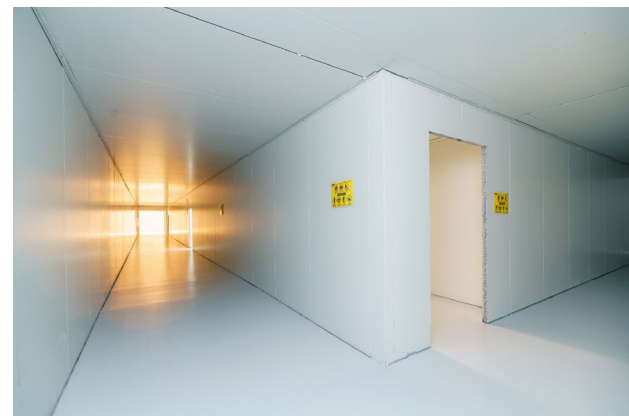
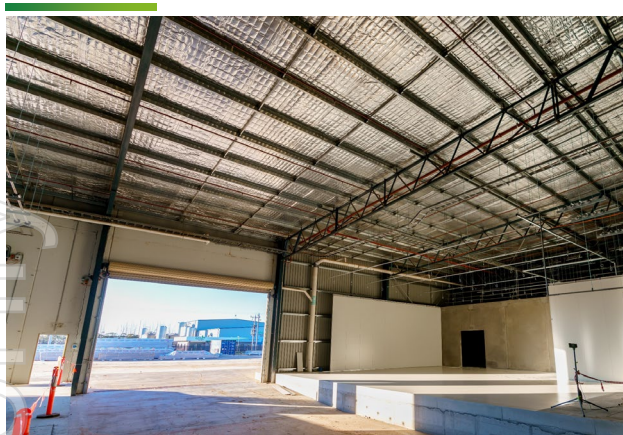
Mildura – Significant progress



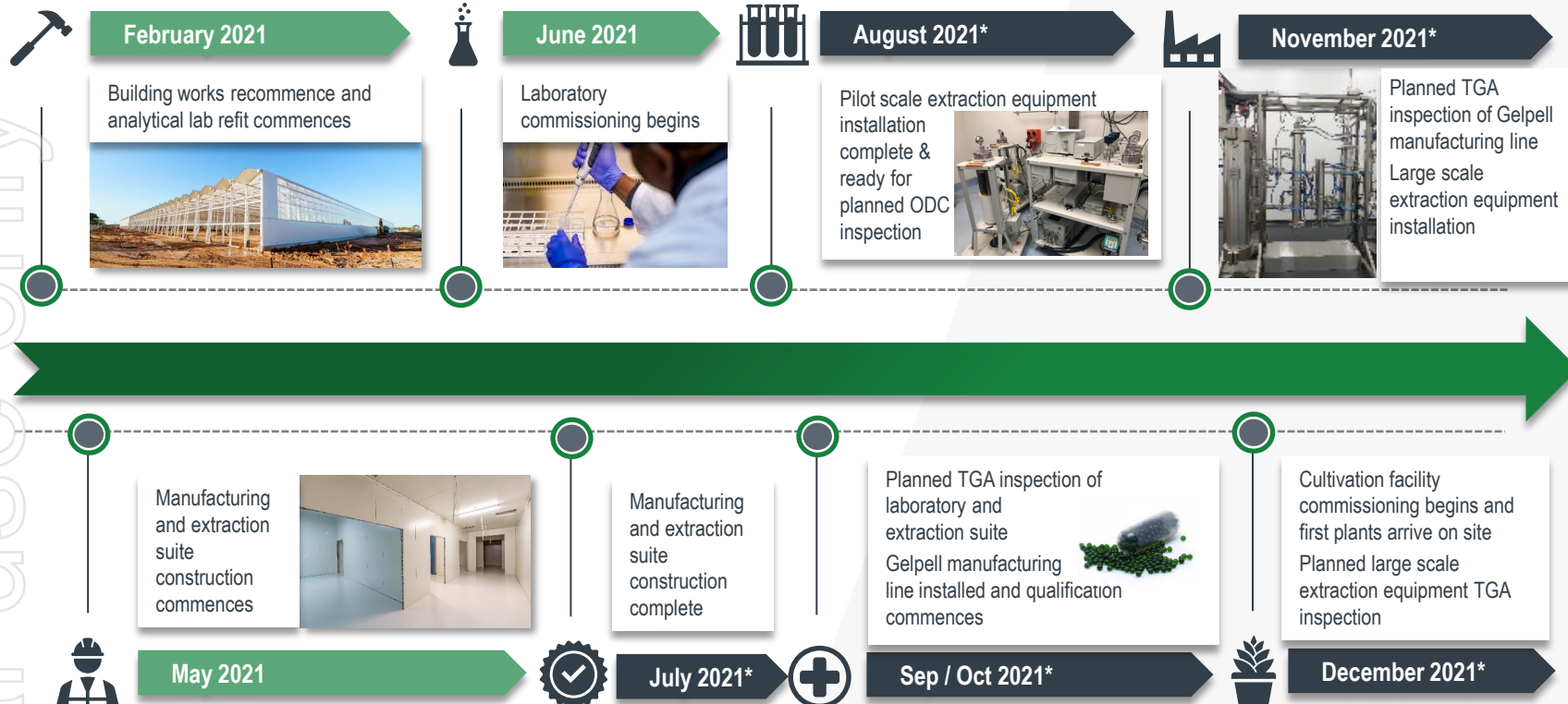
Mildura – Significant progress



Mildura – Significant progress



Mildura: On schedule; initial commissioning stages underway



* Expected timelines

New funding will help deliver substantial cost savings and de-risk and accelerate growth

CONFIDENTIAL

Southern facility upgrade

- ✓ Provides immediate ability to produce cGMP packed flower at substantial cost saving over third-party supply

Gelpell manufacturing line installed at Mildura

- ✓ Enables expansion to include THC products
- ✓ Potentially >60% COGS saving per Gelpell pack by manufacturing in-house
- ✓ Ability to establish both domestic and export commercial supply pathways

Faster establishment of cGMP laboratory

- ✓ Expedite establishment of cGMP laboratory at new Mildura facility
- ✓ In-house quality control, lower testing cost & reduced testing timelines

Satipharm marketing & distribution in UK / Europe

- ✓ Planned expansion of Satipharm marketing & distribution in UK/Europe
- ✓ Supports growth of near-term revenue targets

Cannabis extraction capability at Mildura

- ✓ Inclusion of cannabis extraction capability at Mildura
- ✓ Major cost savings vs outsourced extraction (estimated ~\$23m p.a. savings for crude extract production at full capacity of 12,500 kgs v current external cost base)

S3 low dose CBD capsule

- ✓ Planned registration of S3 low-dose CBD capsule in Australia
- ✓ Aiming to be first to market in potential \$250m market size³

Notes: ³ FreshLeaf Analytics, H1 2021



- Satipharm products include **cannabis oils and capsules containing small beads (microspheres) of cannabinoids**



- Patents granted in **US, Canada, Australia, New Zealand and several European countries** for Satipharm capsule products



- Products distributed through **major pharmacy groups and regional / independent pharmacies** within the UK



- Distribution pathways established for supply into **Argentina, Australia and Europe**



- Published successful phase II trial in pediatric refractory epilepsy in **Epilepsy & Behavior** (peer reviewed journal)⁴

satipharm platform to capitalise on the growing CBD market

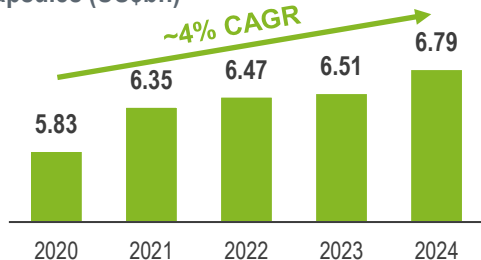
CONFIDENTIAL

satipharm

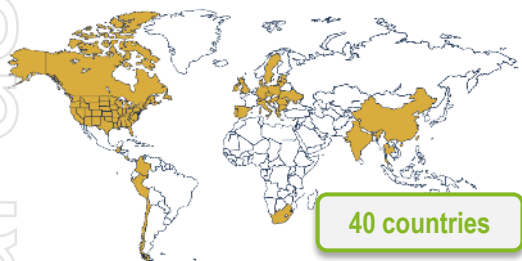
- Satipharm platform provides Cann with a foothold in the high growth retail CBD market
- Branded, IP protected product gaining sales traction in the European market, positioned for global distribution

Immediate global market opportunity in food supplements

Global market for CBD oils, tinctures & capsules (US\$bn)



Legalised low-dose CBD without a prescription



satipharm

Gelpell®



- ✓ Commercialised product
- ✓ European sales
- ✓ Positioned for global expansion
- ✓ Global licensing opportunities

Near term opportunity in regulated low-dose OTC CBD products in Australia



- ✓ Decision of Australian TGA to **allow OTC low-dose CBD products** in December 2020



- ✓ Expected to **improve patient access** and **attract new patients**



- ✓ **~2 million customers** at market maturity



- ✓ **Requires S3 registration** – testing quality, safety and efficacy of the medicine

- R&D program expanded to include S3 CBD product registration
- Leverage Satipharm platform IP and manufacturing technology

satipharm POS & product placement*

CONFIDENTIAL



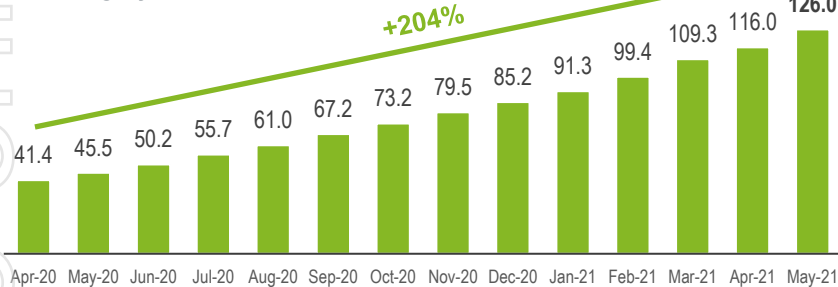
Global medicinal cannabis market remains significant opportunity



- Satipharm platform underpins Cann's strategy to become a leading player in the medicinal cannabis industry
- Developing registrable, differentiated & IP protected medicinal cannabis products for global distribution

Australian patient approvals continue momentum

SAS Category B approvals



Triple the number of
SAS-B approved
patients since Apr-20



\$359 per month
average patient spend



Averaging >6,700
SAS-B approvals per
month since Jun-20



More than six times
number of Authorised
Prescribers since Dec-19

Global market provides significant growth opportunities

~US\$16bn market
opportunity in the
US by 2025

> 88%
Increase from 2020

UK, France and Germany –
key European markets by 2025

+€2.5bn European
medicinal cannabis
Market by 2025

X 11
Market growth
from 2020



Limited supply
of GMP compliant
product in key markets



Streamlined export
pathway with partner
iuvo Therapeutics



Established and
proven export
capabilities



~€840m German
market opportunity by
2025

Summary

1

✓ Executing on a strategy to build **world-class capability**; a **globally competitive cost position**; and a **pipeline of proprietary products** that access significant and growing markets around the world

2

✓ Investing in an **integrated supply chain**

3

✓ Expanding market access via **supply agreements in Australia and UK/Europe** - with other markets now in focus

4

✓ A **unique technology platform** (Gelpell) to support product development across multiple market segments

5

✓ Regulatory pathways now established to **facilitate export business**

6

✓ **Strong revenue growth** expected for FY22

Equity raising

Key details of the equity raise

| | |
|-----------------------------------|---|
| Equity raising size and structure | <ul style="list-style-type: none">• \$10.0m Placement• Approximately 36.3m New Shares (equivalent to 13.1% of current issued capital)• Subject to shareholder approval, a SPP of \$10m with New Shares under the proposed SPP, to be issued at \$0.275 per share, the same price as the Placement Price |
| Offer price | <ul style="list-style-type: none">• \$0.275, which represents a 27.6% discount to the closing price of Cann Group shares on 21 July 2021 |
| Placement | <ul style="list-style-type: none">• Placement will be completed on Wednesday, 28 July 2021 |
| Ranking | <ul style="list-style-type: none">• New shares issued under the Placement will rank equally with existing Cann Group ordinary shares from issue |
| Shareholder participation | <ul style="list-style-type: none">• Subject to shareholder approval, Shareholders will be provided with an opportunity to participate in the SPP at the same price as the Placement |

Sources and uses of Equity Raising proceeds

Sources

| | |
|-----------|---------|
| Placement | \$10.0m |
|-----------|---------|

| | |
|-----|---------|
| SPP | \$10.0m |
|-----|---------|

| | |
|----------------------|----------------|
| Total Sources | \$20.0m |
|----------------------|----------------|

Uses

| | |
|---------------------|--------|
| Capital expenditure | \$6.4m |
|---------------------|--------|

| | |
|---|--------|
| Mildura ramp-up costs – staff & operating costs | \$4.6m |
|---|--------|

| | |
|---|--------|
| Mildura ramp-up costs – Work In Process | \$3.3m |
|---|--------|

| | |
|-----------------------|--------|
| S3 registration costs | \$1.0m |
|-----------------------|--------|

| | |
|-----------------------|--------|
| Cash to balance sheet | \$3.6m |
|-----------------------|--------|

| | |
|-------------------|--------|
| Transaction costs | \$1.1m |
|-------------------|--------|

| | |
|-------------------|----------------|
| Total Uses | \$20.0m |
|-------------------|----------------|

- \$20m capital raising by way of a Placement and SPP
- Capital expenditure of \$6.4m relates to:
 - Extraction capabilities at Mildura
 - Installation / construction of Gelpell manufacturing equipment at Mildura
 - GMP packaging capabilities at the Southern facility
- \$4.6m to fund the ramp-up in production at Mildura including staff and operating costs
- \$3.3m primarily relates to the building of inventories as a result of Mildura production coming online

Pro forma impact of offer

Capital raise provides support for Cann's momentum in FY22

Equity Impact

| Post-equity raise pro forma | | |
|---|----------------|-------------|
| Pre-raise ordinary shares | 277.9m | 79.3% |
| Pre-raise market capitalization ⁵ | \$105.6m | |
| New shares issued (Placement) | 36.3m | 10.4% |
| New shares issued (SPP) | 36.3m | 10.4% |
| Maximum shares post-equity raise⁶ | 350.6m | 100% |
| Issue price | \$0.275 | |
| Implied market capitalisation (at issue price) (ex. options) post Placement & SPP | \$96.4m | |
| Cash | \$22.0m | |
| Drawn debt | - | |
| Implied enterprise value (at issue price) | \$74.4m | |

Summary Pro Forma Balance Sheet

| (\$m) | Statutory (unaudited) 30-Jun-21 | Impact of \$20m Placement & SPP | Pro Forma |
|---------------------|---------------------------------------|------------------------------------|----------------|
| Cash | \$3.1m | \$18.9m | \$22.0m |
| Drawn Debt | - | - | - |
| Net Cash | \$3.1m | \$18.9m | \$22.0m |
| Debt facility | \$50.0m | - | \$50.0m |
| Available liquidity | \$53.1m | \$18.9m | \$72.0m |

Commentary

- Committed debt facility is dedicated to construction of the Mildura facility
- Internal records indicate net cash of \$3.1m as at 30 June 2021 (subject to review and audit finalisation)

Notes: ⁵ Based on closing price of \$0.38 on Wednesday 21 July 2021

⁶ Excludes 20,983,371 options expiring 31 March 2022 (ex \$0.46), 145,007 options expiring 31 March 2022 (ex. \$0.945) and 1,990,000 performance rights

Offer timetable

| Indicative timetable | Date |
|---|------------------------|
| Trading halt and announcement of Equity Raising | Thursday 22 July 2021 |
| Institutional Placement opens | Thursday 22 July 2021 |
| Institutional Placement closes | Friday 23 July 2021 |
| Trading Halt lifted and announcement to ASX of results of Institutional Placement | Monday 26 July 2021 |
| Settlement of Placement New Shares | Wednesday 28 July 2021 |
| Allotment and normal trading of New Shares | Thursday 29 July 2021 |

Appendix

Key risks

| Topic | Summary |
|----------------------------------|---|
| Mildura Facility risks | <p>Cann is in the process of building its third facility (being at an undisclosed location in the vicinity of Mildura) (Mildura Facility), by way of a staged construction and commissioning process, comprising three stages. Once the first stage (1A) is commissioned, Cann intends to operate this part of the Mildura Facility at full capacity whilst the remaining two proposed stages of construction are completed and commissioned. It is anticipated that the construction of stages 1B and 2 will not interfere with or impede the operations of the commissioned part of the Mildura Facility but this cannot be guaranteed. A number of other risks include, but are not limited to:</p> <ul style="list-style-type: none"> • The construction of the Mildura Facility is complex in nature and involves the design, building and installation of high level automated and environmental/climate control systems and therefore, is subject to various potential problems and uncertainties; • There may be defects or other problems with the installation or operation of the new systems or plant and equipment required at the Mildura Facility; • The connections for essential services to the Mildura Facility, such as electricity, internet, water and other utilities, at the requisite capacities may not be connected within Cann's estimated timeframes; • All necessary approvals, certifications, licences and permits from the relevant regulatory authorities (including the ODC and the TGA) for research and the cultivation and production of cannabis and the manufacture of medicinal cannabis products at the Mildura Facility may not be varied and/or granted or not varied and/or granted within Cann's estimated timeframes or if varied and/or granted, may not be maintained; • Cann may have difficulties in attracting and/or retaining personnel to work at the Mildura Facility, especially given its distant location; and • COVID-19 may continue to lead to delays in construction due to material shortages and/or the inability to mobilise specialised overseas workers and some local / regional workers. |
| Supply agreements | <p>Cann has entered into a number of supply agreements with various third parties, pursuant to which Cann has agreed to supply various medicinal cannabis products and/or cannabis to third parties (Supply Agreements). There are various risks associated with the Supply Agreements, depending on their terms. Having regard to the nature and the terms of the Supply Agreements, the following will or is likely to have a material adverse effect on the viability of Cann and Cann's business, its financial position, financial performance and prospects:</p> <ul style="list-style-type: none"> • Cann is unable to produce the cannabis and/or medicinal cannabis products to supply to the various partners; • Partners do not place anticipated orders under the Supply Agreements; and / or • Cann's cannabis and/or medicinal cannabis products do not meet the specifications of the Supply Agreements. <p>Satipharm has several distribution agreements in place with UK and Irish based pharmacy chains for supply of certain Satipharm products for retail purposes, and is seeking further agreements within other markets in Europe. Sales of Satipharm products are reliant on products being successfully marketed to consumers either through online or Point-of-Sale advertising by those distributors. There is no guarantee that the Satipharm products will be successfully marketed in the highly competitive marketing operating in the UK, Ireland and Europe, and such activities are outside the control of Cann. Failure of our distribution partners to effectively market the Satipharm products will result in lower revenues for Cann and may adversely affect Cann's profits and prospects.</p> |
| Early stage growth company risks | <p>Cann was incorporated in January 2015, admitted to the official list of the ASX in May 2017 and generated its first revenues in June 2018. Potential investors should be aware that investing in an early-stage growth company, and in a newly developing medicinal cannabis industry in Australia, should be considered highly speculative and involves numerous significant risks including under capitalisation, failure to obtain or maintain the necessary regulatory approvals, licences and permits and obstacles or delays in the implementation of Cann's business plan or revenue generation coupled with existing and future legislative and regulatory risks. Cann makes no representation that any of its research and development will be successful, that its development milestones will be achieved, or that products will be developed that are commercially exploitable. 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 expects to continue to significantly increase its capital expenditures and operating expenses as it implements initiatives to grow 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 early stage of its business and proposed expansion of its operations. There is no guarantee that Cann's growth initiatives, including to construct additional cannabis production and manufacturing facilities, and to expand its sales initiatives, will be successful. Cann's failure to successfully execute its expansion strategy may have a significant adverse effect on its financial performance and prospects.</p> |

Key risks

Topic

Summary

Medicinal cannabis industry risks

Cann's business operates in a highly regulated industry, which brings a number of industry risks common amongst those businesses that operate in this space. These include those described below, and each risk (if not mitigated successfully or appropriately) may have an adverse effect on the business, reputation, financial position, financial performance and/or prospects of a business operating in this industry:

- **General Regulatory Risk:** Companies which operate in the medicinal cannabis industry are subject to a highly regulated environment and numerous laws, regulations. Changes to such laws, regulations and directives may cause adverse effects on a business operating in this industry, its financial position, financial performance and/or prospects.
- **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 the Regulatory Approvals, or to migrate or renew the Regulatory Approvals after their expiry dates, would have a material adverse impact on Cann's business
- **Product Approvals:** Medicinal cannabis products are regulated as medicines in Australia. Generally, medicines imported into, supplied in, and exported from Australia must be entered in the Australian Register of Therapeutic Goods (ARTG), which is administered by the Therapeutic Goods Administration (TGA) or through the Special Access Scheme (SAS), Authorised Prescriber (AP) scheme or clinical trial exemptions. Cann cannot guarantee that any or all of its medicinal cannabis products will be approved for supply to patients under these pathways.
- **Clinical Trial Outcomes:** There are various clinical trials being conducted in Australia and internationally in relation to medicinal cannabis. Cann cannot predict the outcome of any current or future clinical trials. Any adverse finding from an approved or recognised clinical trial is likely to or may have a material adverse effect on the medicinal cannabis industry generally and in turn on Cann's existing and proposed operations and financial position, financial performance and/or prospects.
- **Compliance with Licence conditions:** A licence to cultivate, produce and/or manufacture under the Narcotic Drugs Act 1967 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 exist in respect of ensuring that all staff engaged are suitable, that directors and officers (and the business itself) is a fit-and-proper person, that certain security and reporting measures are maintained, and a number of additional conditions.
- **Diversionary Risk and Theft:** Given the nature of Cann's cannabis products and despite meeting or even exceeding the TGA and ODC security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of Cann's facilities could expose Cann to additional liability and to potentially costly fines, penalties and litigation, increased expenses relating to the resolution and future prevention of these breaches and may result in the possible suspension or revocation of licences and permits, and may also deter existing or potential customers from purchasing Cann's products.
- **Industry Confidence:** There is a risk that incidents beyond the control of Cann could occur which would have the effect of reducing patient, medical/scientific or regulatory confidence or preferences for cannabis or medicinal cannabis products, including serious adverse effect incident involving medicinal cannabis, negative medical or scientific findings, material breach of a law or regulation by Cann or a competitor.

Export risks

Some of Cann's expected revenue is based on its expected exports of medicinal cannabis and cannabis products to foreign jurisdictions. There is no guarantee that Australian government legislation and regulations will not change in the future and prohibit export of cannabis or cannabis products from Australia.

Similarly, there is no guarantee that foreign government legislation and regulations will not change in the future and prohibit the importation of cannabis or cannabis products from Australia. Any adverse legislative or regulatory change of this type would have a significant adverse effect on the viability of Cann's business, its financial position, financial performance and prospects.

Cann may incur some revenue and expenditure in Canadian, US and Euro dollars, UK pound sterling or other foreign currencies. There may be circumstances where Cann is unable to sufficiently minimise its exposure to foreign exchange rate movements where the cost of appropriate financial products is not commercially viable. Such exposures could affect Cann's financial performance and/or financial position.

Key risks

| Topic | Summary |
|------------------|---|
| Production risks | <p>Cann's ability to continue the production of cannabis and/or the manufacture of products derived from cannabis at the same pace as it is currently producing or at all, and its ability to continue to increase both its production capacity and actual production, may be adversely affected by a number of factors, including plant design errors, non-performance by third party contractors, increases in materials or labour costs, construction performance falling below expected levels of output or efficiency, adverse agricultural outcomes, environmental pollution, contractor or operator errors, breakdowns, aging or failure of equipment or processes, labour disputes, as well as factors specifically related to indoor agricultural and processing practices, such as reliance on provision of energy and utilities to the facility, and potential impacts of major incidents or catastrophic events on any of its facilities, such as infestation, fires, explosions, earthquakes or storms.</p> <p>Cann's strategic plan is to bring significant aspects of the manufacturing process in-house, which will involve the installation, commissioning and operation of manufacturing equipment within the Mildura Facility and other facilities. Cann may not be able to successfully or in a timely manner ensure that the installation and commissioning of the equipment occurs. Cann may also not be able to hire suitably qualified personnel to operate this equipment. Further, Cann may not obtain the requisite approvals, licences, permits and regulatory validations to operate the equipment at its facilities. Any delays may cause Cann to incur higher costs while those matters are resolved, reducing Cann's profits.</p> <p>Cann's revenues are expected to be derived from the production, manufacture, sale and distribution of cannabis and cannabis-derived products. The price of production, sale and distribution of these products is dependent on several key inputs and their related costs, including raw materials and supplies related to its growing operations, as well as electricity, water and other utilities. Cann's cannabis growing operations consume considerable energy, making Cann vulnerable to rising energy costs. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact Cann's business, its financial position, financial performance and/or prospects. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on Cann's business and financial performance.</p> <p>We have raw material supply agreements in place with external suppliers to supplement the raw material produced by Cann. These agreements are short term and timed to end when our large-scale cultivation facility comes on-line. Risks exist should these third party suppliers not meet our demand forecasts, which may reduce Cann's revenue and adversely affect its relationships with its customers.</p> <p>Cann's business revolves significantly around the cultivation and processing of cannabis, an agricultural product. Risks inherent with agricultural businesses apply to Cann's business, including . lower than expected yields, disease and insect pests.</p> <p>Although Cann currently grows and expects to grow the significant majority of its product in climate controlled, monitored, indoor locations, there is no guarantee that changes in outside weather and climate will not adversely affect production. The glasshouse structure is also at risk of damage from extreme weather events such as high winds or hailstorms. All such losses may not be able to be adequately insured and Cann may be required to contribute to any insurance excess, pay additional premiums and/or meet replacement costs, adversely impacting Cann's costs and profits.</p> <p>Power failure could lead to heat build-up within the facility and subsequent damage to crops, and may have a material adverse effect on Cann's ability to produce cannabis.</p> <p>Any damage may delay or hinder production, which may reduce Cann's revenues and adversely affect its relationships with its customers.</p> |
| Funding risks | <p>In the future, Cann may seek to further expand its business. This includes the construction of subsequent stages of the Mildura Facility. Cann may also enter into transactions to acquire medicinal cannabis or related or synergistic businesses or companies. However, any such expansion of Cann's business is likely to require additional capital, depending on the nature of the development or expansion.</p> <p>The failure to raise the necessary funding, whether as debt or equity, could result in the delay or indefinite postponement of its business strategy. 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. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. In addition, funding financed, wholly or partially, with debt, which may materially increase Cann's debt levels and therefore increase the risk of Cann being in default or being unable to pay its debts in the future without further dilutionary fund raising, if at all.</p> |
| R&D risks | <p>As the Australian medicinal cannabis market matures, the competition will, or is likely to, increase as well. In order for Cann to remain competitive, it will need to invest significantly in research and development, particularly with respect to new products.</p> <p>If for any reason, Cann does not allocate sufficient resources to invest in this area, Cann's ability to compete in the market could be adversely affected and this could have a material adverse effect on its business, financial position, financial performance and/or prospects.</p> |

Key risks

| Topic | Summary |
|---|--|
| Vertical integration risks | <p>Part of the funds that Cann is seeking from investors are to be used by Cann to become more vertically integrated, including by installing and commissioning extraction and Gelpell manufacturing at the Mildura Facility, and building cGMP capabilities at its Southern facility. These initiatives may require the installation and commissioning of equipment and recruitment and training of staff to use such equipment. There may be delays in sourcing equipment and staff to operate the equipment, and the installation and commissioning of these may take longer than planned. These delays may have an impact on the ability for Cann to become vertically integrated within the planned timeframes.</p> |
| Third party manufacturer and supply risk | <p>Cann is currently reliant on two commercial manufacturers to manufacture some of Cann's products. Although these relationships are governed by master services agreements, there is no guarantee that the third party manufacturers will continue to have the capacity or ability to undertake manufacturing for Cann in the future. Assuming funding is obtained and Cann is able to undertake the bulk of early-stage manufacturing in-house, there will still be aspects of manufacturing (particularly regarding the filling and finishing, and final packaging of products) that will need to be outsourced to third party manufacturers.</p> <p>At the end of any services agreements' respective terms, there is no guarantee that the agreements will be renewed or, if renewed, will be renewed on the same or more favourable terms to Cann. If Cann identifies suitably qualified alternative manufacturers, Cann may not be able to agree on terms with such alternative manufacturers that are as favourable to Cann, or that those alternative manufacturers will be able to supply Cann in the quantities required. As a result, Cann's revenues and its relationships with its customers may be adversely affected.</p> <p>From time to time, Cann (either itself or its commercial manufacturers) needs to source materials and active pharmaceutical ingredients (APIs) from third party suppliers. Supply of such materials and / or APIs may be limited, or may contain defects, including latent defects. Such delays and / or defects may contribute to manufacturing delays and potentially recalls of product.</p> <p>If any of these risks eventuate or occur, it may have a material adverse effect on Cann's business, financial position, financial performance and/or prospects.</p> |
| Technology, innovation and cyber-attack risk | <p>Cann's business activities include the need to innovate and use techniques which can assist in both risk mitigation and cost reductions. Failure to invest in both innovation and new technology may significantly impact on Cann's operations and capacity to generate revenue, while exposing it to the risk of incurring additional costs of harming its longer term prospects.</p> <p>Cann's operations depend partly on how well Cann and its technology suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including cable cuts, damage to physical plants, natural disasters, fire, power loss, hacking, computer viruses, and theft. Cann's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software. The inability to manage these threats and other events could result in information system failures, production delays and/or increase in capital expenses, as well as adversely impacting Cann's business, financial position, financial performance and/or prospects. Cann may suffer material losses from cyber-attacks or other information security breaches. As cyber threats continue to evolve, Cann may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.</p> |
| Overseas jurisdiction risk | <p>With the acquisition of the Satipharm business in March 2021, Cann now has operations in overseas jurisdictions, mainly the UK and Ireland. Cann needs to ensure that its subsidiaries in those jurisdictions and Cann, as the ultimate holding company, comply with any applicable laws affecting the operation of the Satipharm business. It must also ensure that employees within those overseas operations are able to be supervised appropriately from Australia. With the continuing effect of COVID preventing Cann senior management from travelling to the UK and Ireland to oversee the business, it must rely on supervision from a distance. Cann also has limited experience in operating in those markets and initially must rely on the existing employees in that business to manage legal and other risks until that knowledge and expertise is shared more widely across the Cann group.</p> |

Key risks

General risks

| Topic | Summary |
|---|--|
| Nature of investment | There are inherent risks associated with investment in any listed company. The New Shares under the Offer do not guarantee payment of dividends, return on capital or maintenance of capital or value. No assurances can be given that the New Shares will trade at or above the Offer Price at any time, or that they may be sold at any price. The value of the New Shares may vary depending on the financial and operating performance of Cann and external factors over which Cann and its directors have no control, including changes to market sentiment. |
| Inability to secure all funds sought under Offer | Cann is seeking to raise funds by way of an institutional placement and a share purchase plan. Failure to secure all of the funds sought under the Offer may adversely impact Cann's ability to implement its plans to improve its operations and cash position, generate savings from those improvements or expand its marketing and sales of Satipharm products, with a resulting adverse impact on Cann's revenues and costs, and therefore financial position and prospects. |
| Dilution risk | If Cann needs to raise additional equity in the future, this may dilute the shareholdings of existing shareholders, who may not have the opportunity to participate in that raising. |
| General economic conditions | Adverse changes in economic conditions such as to interest rates, exchange rates, inflation, government policy, taxation law, investor sentiment towards particular market sectors, demand for and supply of capital, national and international economic conditions (including any trade conflicts between major countries, terrorism, war, social upheaval or other hostilities) amongst others are outside Cann's control and have the potential to have an adverse impact on Cann (including Cann's financial performance and/or financial position) and its operations. |

CONTACTS:

Clive Fanning
Head of Investor Relations
Cann Group Limited
+61 (0) 3 9095 7088
contact@canngrouponlimited.com

Peter Crock
CEO
Cann Group Limited
+61 (0) 3 9095 7088
contact@canngrouponlimited.com

