

ASX ANNOUNCEMENT

23 December 2022

Cann Group agrees terms for sale of Southern Facility

- **Sale to include land and business assets**
 - **Cann also to provide contract manufacturing and genetics access**
 - **Total consideration to be \$5.48 million**
 - **Key consolidation step towards achieving efficiencies at new Mildura facility**
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23 December 2022 – Cann Group Limited (ASX: CAN) (**Cann** or the **Company**) announced today that it has reached terms with Sativite Pty Ltd (**SatiVite**) on the sale of Cann’s Southern cultivation and manufacturing facility (**Southern Facility**). As announced in October 2022, Cann commenced a process for the divestment of the Southern Facility as part of its 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.

To maintain operational continuity at the facility, the transaction will proceed in two stages.

Firstly, SatiVite will acquire the land and building at the Southern Facility and provide Cann with a lease to continue operating at the site on behalf of SatiVite. Cann and SatiVite today entered into a contract of sale for the land and building for a total consideration of \$3,100,000, including a 10% non-refundable deposit which has been received by Cann. The lease, which will involve a nominal rental, will commence on or about settlement of the land contract, which is expected to be 28 February 2023 (**Land Settlement**).

Secondly, SatiVite has agreed to acquire the business assets of Cann at the Southern Facility for \$1,900,000 and the parties have entered into a binding MOU to reflect that sale. Long form documentation for the asset sale reflecting otherwise customary terms is expected to be entered into on or about the time of the Land Settlement, with settlement on the asset sale to take place once SatiVite receives its licence from the Office of Drug Control to operate at the Southern Facility (**ODC Approval**) which is expected in the second half of calendar year 2023. SatiVite will also take over the employment of Cann personnel who are operating those assets at that time.

In addition to the transfer of land and assets, the parties have agreed under the binding MOU for Cann to contract manufacture at the Southern Facility on behalf of SatiVite. SatiVite will pay service fees to Cann to cover operating costs at the Southern Facility for the cultivation and production of bulk flower. It is anticipated that the parties will also come to a separate commercial agreement covering GMP manufacturing of patient-ready flower products and potentially other transitional services to be provided by Cann to SatiVite.

This contract manufacturing arrangement will be in place for the time necessary for SatiVite to secure the ODC Approval, after which operational responsibility for the site will be transferred to SatiVite. SatiVite currently operates another ODC-licensed medicinal cannabis cultivation facility which the parties believe should assist SatiVite in obtaining the ODC Approval in a timely manner.

Finally, the parties have also agreed for Cann to provide access rights to certain genetic strains, for a total fee of \$480,000 payable by SatiVite in equal monthly instalments for a period of two (2) years from the Land Settlement date. Again, long form documentation for the contract manufacturing agreement and genetic access and otherwise reflecting customary terms is expected to be entered into on or about the time of the Land Settlement.

Cann Group CEO, Peter Crock, said, "This is a great outcome for both Cann Group and SatiVite. We are very pleased that the Southern Facility will remain in the medicinal cannabis ecosystem and that the agreement with SatiVite will allow commercial operations at Southern to smoothly transition across without negatively impacting the supply of medicines to patients. We are working collaboratively with the Office of Drug Control to ensure this transaction proceeds in accordance with all regulatory requirements, as quickly as possible."

SatiVite Managing Director and CEO, Mike Cleary, said, "SatiVite is excited by the opportunity to work with Peter and the team at Cann to continue innovation in the sustainable production of medicines. The acquisition of an established production and manufacturing facility continues the journey for SatiVite to ensure patients have access to good quality Australian-grown medicines".

Authorised for release by Deborah Ambrosini, Company Secretary, Cann Group Limited.

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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 built world-class research, cultivation and GMP manufacturing facilities in Melbourne, and 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.canngrouplimited.com | www.satipharm.com