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QUARTERLY REPORT

31 December 2022

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Appendix 4C Cashflow Statement & Quarterly Activities Report

Cann Global Limited (ASX:CGB) ("Cann Global" or the "Company") submits the following Activities Report and Quarterly Cash Flow Statement (Appendix 4C) for the quarter ending 31 December 2022 ("Q1 FY23").

Quarterly Activity Summary

- Revenue for Q2 FY23 of $78k, primarily driven by Grass Roots domestic sales and a last push in bulk sales at low margins to clear stock previously written off.
- November was a strong month with volume up 29% on the prior month with retailers stocking up before the end of year holiday.
- Online sales for Fuss Pot at high growth with volume and value up driven by Fuss Pot 50% off consumer sale
- New domestic distributor onboarded during the quarter for Grass Roots.
- Key digital pillars (social & eDM) continued, with all brands running multiple campaigns including bundles, Black Friday and Cyber Monday offers
- As at 31 December, the Company continued to have a healthy cash balance of $8.3m.

Financial Performance Overview

Cann Global presents the Q2 FY23 financial report.

Total revenue for the quarter was $78k, an increase of 46% on the prior quarter with a once off increase in bulk sales' volume to clear old stock. Revenue is primarily driven by sales of Grass Roots to food retailers, wholesalers and distributors in Australia with the onboarding of a new distributor during the quarter. Although we have seen a higher revenue from bulk this quarter as opposed to 37% last quarter this was driven by a stock clearance strategy for stock that had previously been written off. We do not anticipate to buy any further bulk goods as we move away from this business model where margins are too low.

Whilst revenue has already started to increase and Cann Global is confident that this growth trend will continue as more marketing strategies are being launched to underpin sales we anticipate a small growth in Q3 as January is a slow month with most businesses being closed during the summer break in Australia.

Product manufacturing and operating costs have decreased by 10%, which is consistent with what we previously reported and in line with expectations under the new business model and structure. As previously advised there will be an upcoming cash investment in the next production of the Grass Roots range to meet the demand of our distributors. Production of Fuss Pot has been delayed, as reported in our last quarterly report and again in our Annual Report to shareholders. Advertising and marketing expenses are on par with last quarter and are expected to increase slightly over coming quarters as Cann Global continues to strengthen its brand awareness activities through digital marketing.

Administration and corporate costs of 71k are 66% less than prior quarter mostly due to some Q2 payments having gone through in Q3 following the business closure during the holiday period. We have still seen a decrease overall in admin and corporate costs in line with the new business structure however we will see an increase in Q3FY23 with an increase in audit fees and accounting fees.

The credit of 88k under proceeds from disposal of other assets is the result of the sale of the Company's Caldwell drilling rig.

Pursuant to ASX LR4.7C.3, at item 6.1 of the appendix 4C, the company reported an aggregate amount to related parties of $32k. These payments represent payment for non-executive directors' fees.

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Operational Performance Overview & Activities

Health Food

While we saw extremely soft sales in December as expected, slowing the total quarterly result, we still saw a strong result for the quarter. Grass Roots' sales volume and value both grew 16% overall.

Key calls out being distributors with sales volume up 36% and sales value up 41% with state-based distributors having a higher purchase price.

Bulk Sales volume was up 114% and value up 165% following a focus on clearing older bulk out of warehouse including large sales of hulled hemp seeds which are now sold out.



Key marketing activities during the quarter included continuing the partnership with I Quit Sugar where CGB is working to amplify all content to increase traffic. We've also commenced paid advertising on Amazon.com late in December and will have more to report on this digital marketing activity in Q3.

We've also commenced work with Austrade to identify export opportunities and will have a meeting with the Austrade Vietnam team in Q3 FY23.

As previously reported, New Product Development activities commenced in Q1 FY23 and have progressed in Q2 with the development of two new capsule formulations to launch later in the financial year. Activities to secure Australia wide distribution of these capsules ahead of production have also commenced. We continue establishing the development of an NPD pipeline, focusing on key consumers trends.

We saw a 25% growth in online sales compared to Q1, and a 48% increase in website performance. Continued work on search engine presence (SEO/SEM) has helped with site performance with more paid activities to begin in Q3 FY23.

Across our Social Media platforms, we have focused on organic posts following a lack of conversion from paid social advertising across main platforms (Facebook and Instagram). The average engagement rate has remained consistent across both platforms.

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Operational Performance Overview & Activities

Hemp Cultivation & Processing

Cann Global Thailand (CGT) (55% owned by CGB), is successfully growing CBD hemp in Thailand, that is being used to produce CBD wholesale products.

In the first crop cycle, CGT has subcontracted Green Pharma Botanicals to grow 15,000 CBD hemp plants for the Plant Funding Program, and 10,000 CBD hemp plants for CGT. The cultivation of the plants commenced in 2022, and the harvesting of the first plants began in December 2022. The plants are being grown at 32 sites in Thailand. The current status is that approximately 30% of the plant material has been delivered to the extraction laboratory in Chiang Rai Thailand, with the remaining plants being either dried and cured at contract grower sites, or waiting harvest.



CBD hemp being grown by a subcontractor at a EU and USDA certified organic site

CGT is waiting for the extraction laboratory to process the CBD hemp. With the recent changes to Thailand's hemp and cannabis regulations, CGT is now able to sell CBD hemp wholesale products into Thai Traditional Medicine operations. Overseas buyers in Asia and Europe are also waiting for the production of samples. The main wholesale product that is being prepared to be sold is CBD isolate. A crop of 20,000 autoflowering plants to produce CBD isolate is being planted in Nakhon Ratchasima in the week commencing 27th February 2023.

Medicinal

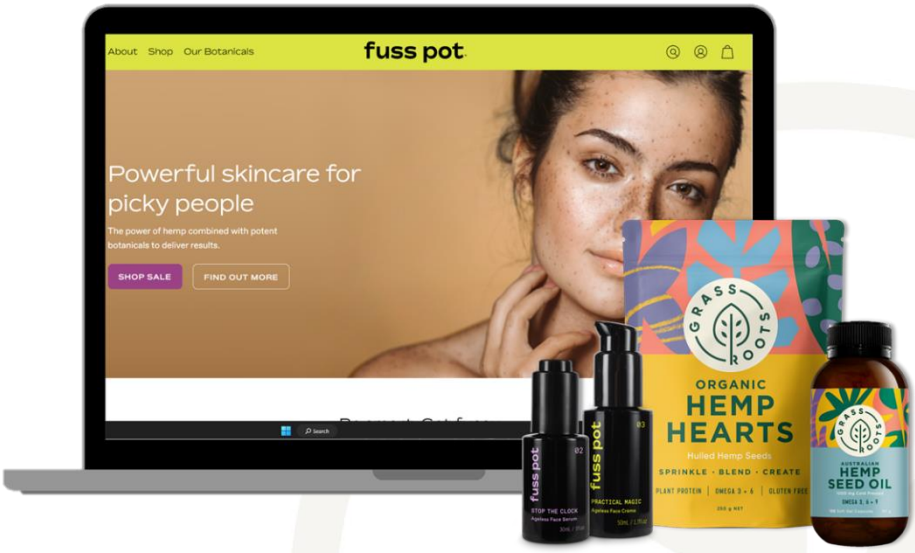
The Canntab Joint Venture sales are currently on hold pending a resolution on the court case with Medcan, which we will report on in due course as matters develop.

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Operational Performance Overview & Activities

Cosmeceuticals

As reported in our latest Annual Report and in our Q1 activities' report, in July, the Joint Venture between Cann Global and JV partners Pharmocann Ltd entered into in July 2020 with the aim to distribute skincare products in Australia and other markets has been dissolved by mutual agreement of both parties. Cann Global is now able to recognise 100% of revenue resulting from the sales of its skincare products under the Fuss Pot™ brand. As a result our sales team has now commenced key online marketing activities to sell the products manufactured under the soft launch pilot run. The goal is to clear the stock before producing the new batch which will be produced with updated product formulation and packaging.



In November Fuss Pot showed high growth with volume & value up 125% from a low base and driven by Fuss Pot's 50% off consumer sale. In December Fuss Pot online sales went up 33%, totalling an overall increase of 56% driven by high sales of the newly introduced 'Ultimate Hemp Bundle' and by repeat purchases.

As previously announced, unfortunately the planned production in Q4 FY22 had to be postponed due to unforeseen global supply chain disruptions. Following the pandemic, even though things are slowly getting back to normal the disruption to supply chains continues to be severe and we are working with our manufacturers and suppliers to minimise the delays this is causing.

The delay in production continues to allow us to focus on key activities to further develop brand awareness and secure distribution partners ahead of manufacturing. At this stage, production at the start of Q3FY23 is planned for Europe as we continue our discussions with serious leads including leads with some prestigious pharmacy-led health and beauty retailers in the UK.

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Outlook

With geopolitical conflicts and inflation being the most current economic risks, and as has been the forecast for some time, consumer spending in 2023 will continue to tighten. We are already seeing this with a slowing of Grass Roots wholesale orders during January, as retailers focus on cashflow and reducing stock holdings. Consumer research released by Australia's financial institutions looking at consumer spending in 2023, all aligns to reducing non-essential spending and a focus on finding ways to reduce costs, which will impact specialised retailers like those who stock Grass Roots, more than the major supermarket chains.

CBA's research found that 93 per cent of respondents had some kind of financial goal for 2023, with 51 per cent indicating that their top financial goal was to reduce living costs and expenses and 50 per cent said they wanted to spend less on non-essential items.

Given this, we've revised our sales forecast for H2 and anticipate a recovery in the second half of the calendar year.

We continue to develop strategies and new product that will continue to respond to those trends and the consumers' need to reduce spending whilst still looking for healthy and eco-responsible food and cosmetic alternatives.

As previously reported, we understand that the slow growth in revenue has been very disappointing to shareholders, but Cann Global's management team are experts in the consumer markets and have developed the right strategies to continue to drive revenue growth with a focus on higher margins and with a good understanding of the current economic environment. Our focus remains on driving volumes through domestic and international distribution as we continue pushing revenue growth. We expect revenue growth to be steady in FY23 as we penetrate new markets and grow our market share in current markets, but we expect both sales volume and value to grow more rapidly in FY24.

About Cann Global

Cann Global continues to focus on the path to profitability supported by four growth pillars: market penetration, product development, diversified portfolio and market development. As a result, we have now positioned ourselves solidly in an established and growing market. We have strong implementation and execution strategies around our product positioning, pricing, user experience, and marketing in order to gain competitive advantage and grow our market share rapidly.

Cann Global has a strong debt-free balance sheet, and significant cash reserves which not only support current business activities, but allows the company to consider additional opportunities for growth.

Authority & Contact Details

This announcement has been authorised for release by Sholom Feldman, Managing Director.

For further information please contact Investor Relations on +61 2 8379 1832, or via email at investorrelations@cannglobal.com.au.

Appendix 4C

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

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Name of entity	
CANN GLOBAL LIMITED	
ABN	**Quarter ended ("current quarter")**
18 124 873 507	31 December 2022

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	78	132
1.2	Payments for		
	(a) research and development	-7	-8
	(b) product manufacturing and operating costs	-121	-254
	(c) advertising and marketing	-21	-43
	(d) leased assets		
	(e) staff costs	-179	-403
	(f) administration and corporate costs	-72	-284
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid	-21	-24
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (GST Refund)	6	6
1.9	**Net cash from / (used in) operating activities**	**-337**	**-878**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	-4	-15
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 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	88	88
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material): Cash flows spent on inventory purchase, R&D and Marketing Activities towards the Canntab JV	-23	-18
2.6	**Net cash from / (used in) investing activities**	**61**	**55**

3.	**Cash flows from financing activities**		
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		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**		

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	8,649	9,196
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-337	-878

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	61	55
4.4	Net cash from / (used in) financing activities (item 3.10 above)		
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**8,373**	**8,373**

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	8,373	8,649
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**8,373**	**8,649**

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	32
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

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.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	**Total financing facilities**		

7.5	**Unused financing facilities available at quarter end**	
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.	

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	-337
8.2	Cash and cash equivalents at quarter end (item 4.6)	8,373
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	8,373
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	25

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.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 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?

Answer:

8.6.2 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?

Answer:

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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.

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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: ..31 January 2023.....

Authorised by: .....Sholom Feldman, Managing Director.....
(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 – eg 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.

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