



## ASX ANNOUNCEMENT

31 JANUARY 2018

### CANN GROUP QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C

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#### Highlights

- Cann Group granted an import/export licence for cannabis genetics and medicinal cannabis products from the Australian Government
- Cann Group's new, larger Northern cultivation and research facility commissioned in Melbourne as part of Phase 2 of expansion strategy
- Northern facility expands on ~160m<sup>2</sup> cultivation capacity at existing Southern facility with up to 600m<sup>2</sup> additional flowering capacity
- ~\$78 million capital raising (Share Placement and Share Purchase Plan) completed to fund Phase 3 expansion program
- Phase 3 expansion program will include a 16,000m<sup>2</sup> state-of-the-art green field development
- Aurora Cannabis Inc increases its holding to 22.9%

**31 January 2018** – Melbourne-based Cann Group is pleased to report on its activities for the quarter ended 31 December 2017.

During the quarter, Cann Group was granted a licence to import and/or export cannabis genetics and medicinal cannabis products by the Australian Government Department of Health, through the Office of Drug Control (ODC).

As a holder of this licence, the Company can apply for a permit to export raw cannabis material and cannabis oil for analytical testing. The Company intends to utilise the analytical services of Anandia Laboratories in Canada to complement the capabilities available to the Company in Australia (subject to the granting of an export permit and reciprocal Canadian import approvals).

The licence also allows the Company to apply for a permit to import cannabis genetics and medicinal cannabis products from legal international sources.

Cann Group worked closely with Canadian companies Aurora Cannabis and Anandia Laboratories to identify suitable genetics and medicinal cannabis products for inclusion in import permit applications which have now been granted by the Australian Government. The Company is now awaiting export approvals with Health Canada.

Cann's import/export licence was followed by an announcement from the Australian Government on 4 January that subject to the passage of regulations (which the ODC anticipate will be in place by late February), Australian producers of medicinal cannabis will be permitted to export their products overseas, which is expected to lead to further investment in the Australian industry and provide local companies with an incentive to accelerate their development plans.

Cann Group commissioned its new Northern cultivation and research facility in Melbourne in December.

The Northern Facility features Physical Containment Level 2 (PC2) certified greenhouse cultivation areas and adjoining laboratory/research facilities. The cultivation areas are configured as a series of

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individual cultivation compartments, allowing the separation of different cannabis varieties during cultivation and harvest.

The Northern Facility allows Cann to expand its cultivation capacity with up to 600m<sup>2</sup> of new flowering room capacity, complementing the existing Southern Facility (160m<sup>2</sup> flowering room capacity), also in Melbourne.

The official commissioning of the facility followed the receipt of a relevant permit from the Office of Drug Control (ODC) in October. Cann Group was eligible for the new permit under its cultivation licences for medicinal and research purposes, which were varied by the ODC to include the Northern Facility.

Following ODC approvals of the Northern Facility, the Company took immediate receipt of tissue culture material for several strains of medicinal cannabis under its technical services agreement with Agriculture Victoria (AgVic), which are being scaled up over coming months.

The Northern Facility is a key component in the Company's Phase 2 expansion plans. Its Phase 3 expansion program will include a 16,000m<sup>2</sup> state-of-the-art green field development incorporating glasshouse cultivation space, research and development laboratories, and a GMP manufacturing facility.

## **CORPORATE**

### **Capital raising**

During the period, Cann completed a fully underwritten \$60 million institutional share placement and announced a fully underwritten \$10 million Share Purchase Plan (SPP). Proceeds from the capital raising will be used to fund the Company's accelerated growth plans which include the construction of its Phase 3, large-scale cultivation facility and full GMP manufacturing capabilities.

Major shareholder Aurora Cannabis Inc (Aurora) committed to participate in the placement and the Company agreed to issue new placement shares to Aurora, increasing its shareholding from 19.9% to 22.9%.

With the completion of the SPP and placement subsequent to the end of the quarter, Cann has raised a total of approximately \$78 million at a price of \$2.50 per share. The placement price of represented a 16.7% discount to Cann's closing price of \$3.00 per share on 29 November 2017, and a 16.3% discount to the 10-day VWAP (\$2.99) and a 12.5% discount to the 15-day VWAP (\$2.86).

The placement was undertaken in two stages:

- First stage – placement of New Shares to all eligible institutional, sophisticated and professional investors (including Aurora), which raised \$58.7 million. This stage was completed on 4 December 2017; and
- Second stage – placement of New Shares to Cann's Directors to raise \$1.3M, which received shareholder approval at a meeting on 17 January 2018. This stage was completed on 23 January 2018.

The SPP was available to eligible retail investors who were registered as Cann shareholders at 7.00pm (AEDT) on Wednesday 29 November 2017, allowing each of those shareholders to subscribe for a maximum of \$15,000 of additional New Shares to raise up to \$10 million.

The SPP closed on 15 January 2018 heavily oversubscribed, with applications received totalling approximately \$16 million. With the SPP capped at A\$10 million, and in accordance with the terms of the SPP, the Directors determined that all applicants will be provided a minimum allocation of



\$2,000 (800 shares at 2.50 per share) and applications greater than \$2,000 were scaled back on a pro-rata basis. The SPP was fully underwritten by Canaccord Genuity Australia Ltd.

Canaccord Genuity Australia Ltd, together with PAC Partners Pty Ltd, acted as Joint Lead Managers to the SPP as well as the placement of new shares.

The ~\$78 million raised will enable the immediate commencement of the planned phase 3 expansion. The phase 3 expansion will allow additional involvement in, and support for, clinical trial activity, and further development of product manufacturing capabilities. Further expansion plans will progress as demand for medicinal cannabis continues to build.

#### **Change of address**

During the quarter, Cann's corporate and registered office moved to La Trobe University's Technology Enterprise Centre (TEC) in Bundoora, Victoria.

The TEC is a key facility within the La Trobe University Research and Development Park and houses innovative businesses and organisations from a variety of sectors. The relocation of its corporate headquarters to La Trobe's TEC comes as Cann expands its operations from both a production and headcount perspective.

The new address is:

Suite 6, Building RD2  
2 Park Drive  
La Trobe University  
Victoria 3086

Cann's postal address, telephone and email contact detail remained unchanged.

#### **Outlook**

While construction at the Southern facility is largely complete, and cultivation is now running at maximum capacity, further work is planned to house new imported strains in secure "mother-rooms" at the Southern and Northern facilities. Work is also underway for site selection and planning of the Phase 3 facility.

#### **For further information please contact:**

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#### **About Cann Group**

Cann Group is building a world-class business focused on breeding, cultivating and manufacturing medicinal cannabis for sale and use within Australia. The company has established research and cultivation facilities in Melbourne and is striving to provide access to medicinal cannabis for Australian patients. Cann Group has executed collaboration agreements that will enable it to establish a leading position in plant genetics, breeding, extraction, analysis and production techniques required to facilitate the supply of medicinal cannabis for a range of diseases and medical conditions. It was issued with Australia's first medicinal cannabis research licence in February 2017, in addition to Australia's first medicinal cannabis cultivation licence in March 2017. Aurora Cannabis Inc – Canada's second largest listed medicinal cannabis company – is a cornerstone investor in Cann, with a 22.9% shareholding.

## Appendix 4C

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

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

CANN GROUP LIMITED

**ABN**

25 603 949 739

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

DECEMBER 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (...6...months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	-	(14)
(b) product manufacturing and operating costs	(305)	(384)
(c) advertising and marketing	(-)	(-)
(d) leased assets	(1)	(2)
(e) staff costs	(335)	(699)
(f) administration and corporate costs	(344)	(800)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	56	103
1.5 Interest and other costs of finance paid	(-)	(-)
1.6 Income taxes paid	(-)	(-)
1.7 Government grants and tax incentives	-	43
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(929)</b>	<b>(1,753)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,766)	(2,371)
(b) businesses (see item 10)	(-)	(-)
(c) investments	(-)	(-)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...6...months) \$A'000
	(d) intellectual property	(-)	(-)
	(e) other non-current assets	(13)	(13)
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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>(1,779)</b>	<b>(2,384)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	58,700	58,748
3.4	Transaction costs related to issues of shares, convertible notes or options	(2,162)	(2,162)
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)	(-)	(-)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>56,538</b>	<b>56,586</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 quarter/year to date	12,685	14,066
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(929)	(1,753)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,779)	(2,384)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	56,538	56,586

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (...6...months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>66,515</b>	<b>66,515</b>

<b>5. Reconciliation of cash and cash equivalents</b>	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	213
5.2	Call deposits	27,766
5.3	Bank overdrafts	-
5.4	Other (term deposits)	38,536
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>66,515</b>
		<b>12,685</b>

<b>6. Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Item 6.1 consists of Directors Fees and Superannuation Guarantee contributions.

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1	Aggregate amount of payments to these parties included in item 1.2
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (corporate credit card)	30	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	600
9.2 Product manufacturing and operating costs	500
9.3 Advertising and marketing	-
9.4 Leased assets	1
9.5 Staff costs	600
9.6 Administration and corporate costs	378
9.7 Other (payments to acquire plant & equipment)	2,500
<b>9.8 Total estimated cash outflows</b>	<b>4,579</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration	N/A	N/A
10.3 Consideration for acquisition or disposal	N/A	N/A
10.4 Total net assets	N/A	N/A
10.5 Nature of business	N/A	N/A

**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.

Sign here: .....  ..... Date: .....31 January 2018.....  
(Company secretary)

Print name: .....Richard Baker.....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

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