

CANN

GROUP LIMITED

ASX ANNOUNCEMENT

31 JULY 2018

CANN GROUP JUNE QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C

Highlights

- **Site secured to build Australia's largest state-of-the-art medicinal cannabis facility**
- **Agreement signed to lease and build Stage 3 cultivation and GMP manufacturing facility with Australia Pacific Airports (Melbourne) proposed to fund and conduct primary building**
- **Cann's business case investment estimated at approx. \$100 million, to be funded by debt and equity**
- **Research & Development (R&D) agreement with La Trobe University**
- **First imported genetic strains from Cann's Canadian partners in quarantine**
- **Cann receives first of four Aurora oil products**
- **Supply of biomass for research purposes completed**

31 July 2018 – Melbourne-based Cann Group is pleased to report on its activities for the quarter ended 30 June 2018.

During the quarter, Cann signed a heads of agreement with Australia Pacific Airports (Melbourne) Pty Ltd (APAM), securing the site of Cann's proposed Stage 3 medicinal cannabis cultivation and GMP manufacturing facility.

Under the lease arrangement, it is proposed that APAM will fund and undertake the primary build of the 37,000m² facility, representing a multi-million dollar contribution to the project. Aurora Larssen Projects (ALPS), a specialist greenhouse engineering consultancy providing technical consulting to the greenhouse industry worldwide, is designing the facility, known as 'Project Tullamarine'.

Upon completion of the construction, Cann – with the support of ALPS – will complete the fit-out and technology deployment required at the facility. It is estimated the investment by Cann in the project will represent a total capital expenditure of approximately \$100 million, and will employ 170 staff.

Cann successfully completed a capital raising late last year and will use a combination of debt and equity to fund the new expansion project. The 5ha site allows for a substantially larger facility than previously proposed by Cann, being part of the 2,500 hectares of land available within the Melbourne Airport precinct.

Under the heads of agreement Cann is permitted to operate cultivation, manufacturing, warehousing and distribution of medicinal cannabis, and is responsible for obtaining all necessary government approvals. The details set out in the agreement for lease are subject to the approval of the APAM board which must be obtained prior to the execution of the formal lease documents.

Cann also announced plans to expand its research and development operations with La Trobe University, signing a memorandum of understanding (MOU) that strengthens the relationship between the parties.

The MOU is a precursor to a potential strategic relationship agreement (SRA) whereby Cann and La Trobe can enhance its capabilities across research, teaching and knowledge related to the medicinal cannabis industry.



Subsequent to the end of the quarter, Cann also announced it had relocated its corporate headquarters to be within the Walter and Eliza Hall Institute of Medical Research at La Trobe, enabling Cann to continue its rapid expansion.

During the quarter Cann received into Australia several tissue culture varieties from its Canadian partners Aurora Cannabis and Anandia Labs. These are being processed through a government quarantine facility, with the objective of enabling Cann to further develop its cultivation and breeding activities and establish a genetics bank.

Cann also took delivery of the first of four Aurora-developed cannabis oil products which will be made available to Australian patients via the Special Access Scheme or Authorised Prescriber Scheme.

During the quarter Cann also supplied a quantity of medicinal cannabis biomass to Agriculture Victoria to be used for research purposes.

OUTLOOK

Cann continues to progress the Project Tullamarine cultivation and GMP (Good Manufacturing Practice) manufacturing facility with specialist design and construction consultancy Aurora Larssen Projects (ALPS) working on the detailed design phase. Completion of the glasshouse is being targeted for July 2019 with cultivation to start coming on line at the site the following month.

Discussions with several parties regarding future offtake have also advanced.

For further information please contact:

Peter Crock
Cann Group Limited
+61 (0) 3 9095 7088

Matthew Wright
NWR Communications
+61 (0) 451 896 420

contact@canngrouponlimited.com

matt@nwrcommunications.com.au

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 – one of Canada's 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")

30 JUNE 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..12...months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	616	616
1.2 Payments for		
(a) research and development	(153)	(238)
(b) product manufacturing and operating costs	(494)	(1,201)
(c) advertising and marketing	-	-
(d) leased assets	(1)	(4)
(e) staff costs	(793)	(1,984)
(f) administration and corporate costs	(561)	(1,783)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	486	897
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 (rental bank guarantees)	98	98
1.9 Net cash from / (used in) operating activities	(802)	(3,556)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,826)	(5,662)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..12...months) \$A'000
(d) intellectual property	(27)	(27)
(e) other non-current assets	-	(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)	-	-
2.6 Net cash from / (used in) investing activities	(1,853)	(5,702)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	77,983
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(80)	(3,058)
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	(80)	74,925

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	82,469	14,066
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(802)	(3,555)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,853)	(5,702)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(80)	74,925

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (..12...months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	79,734	79,734

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	1,125	151
5.2	Call deposits	3,252	5,282
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	75,357	77,036
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	79,734	82,469

6. Payments to directors of the entity and their associates

- 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

Current quarter \$A'000
25
-

--	--

7. Payments to related entities of the entity and their associates

- 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

Current quarter \$A'000
-
-

--	--

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (corporate credit card)	30	11
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.		


--

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	100
9.2 Product manufacturing and operating costs	463
9.3 Advertising and marketing	-
9.4 Leased assets	1
9.5 Staff costs	725
9.6 Administration and corporate costs	464
9.7 Other (payments to acquire plant & equipment)	4,520
9.8 Total estimated cash outflows	6,275

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
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:
(Company secretary) Date:31 July 2018.....

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.