



## **ASX ANNOUNCEMENT**

**30 October 2018**

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

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#### **Highlights**

- **Cann supplies first Australian patients with Aurora cannabis oil**
- **Importing additional supplies of Aurora's cannabis oil in different formulations for access by patients approved for medicinal cannabis treatment**
- **Cann enters manufacturing agreement with IDT Australia to produce medicinal cannabis-based product formulations**
- **Cann to partner in Australia's first research hub for medicinal agriculture at La Trobe University, Melbourne**
- **Cann signs research Memorandum of Understanding with Agriculture Victoria**
- **New corporate headquarters at La Trobe University to support Cann's rapid growth**

**30 October 2018** – Melbourne-based Cann Group is pleased to report on its activities for the quarter ended 30 September 2018.

During the quarter, Cann marked an important milestone in its plans to be a fully integrated medicinal cannabis company by supplying the first Australian patients with Aurora cannabis oil through the Therapeutic Good Administration's (TGA) Special Access Scheme.

Cann acted as sponsor to import the first products from its strategic partner and major shareholder, with the product supplied being 'Aurora 1:1 Drops' comprising an equal ratio of THC and CBD.

Cann will import additional supplies of cannabis oil from Aurora in several different formulations. Patients will have access to the medicinal cannabis oils after being approved for treatment through the TGA's Special Access Scheme or Authorised Prescriber Scheme.

In August, Cann and IDT Australia Limited (ASX: IDT) executed a manufacturing agreement that will see IDT provide manufacturing support in relation to medicinal cannabis-based product formulations intended for supply to patients in Australia and overseas.

Cann signed a Memorandum of Understanding (MOU) with Agriculture Victoria to undertake further medicinal cannabis research. Cann and Agriculture Victoria outlined several common areas of interest which will be pursued under a set of Research Projects. Areas of focus will include activities relating to medicinal cannabis cultivation, medicinal cannabis extraction, cannabis strain genome analysis and strain identification, accelerated precision breeding and development of novel and designer medicinal cannabis strains that will add to Cann's intellectual property portfolio.

Cann welcomed news from Federal Education and Training Minister Simon Birmingham that government funding would help establish Australia's first research hub for medicinal agriculture at La Trobe University's Bundoora campus in Melbourne. Cann is an industry partner in the project.

The initiative, which is expected to cost about \$27 million, will combine extensive research and industry expertise to create new jobs and drive better health outcomes. Industry partners are contributing \$6 million to the project.



## **CORPORATE**

In late July, Cann advised it had relocated its corporate headquarters and registered office to the Walter and Eliza Hall Institute of Medical Research at La Trobe University. While remaining in the La Trobe University precinct, the new location will allow Cann to continue its rapid expansion.

Cann issued a Notice of Meeting and Explanatory Statement to Shareholders for its Annual General Meeting. The meeting will be held at 11am AEST on 14 November 2018 at the Exhibition Room at William Buck, Level 20, 181 William Street, Melbourne.

Cann finished the quarter with cash at bank of \$75.8 million.

## **Outlook**

The Company continues to make positive progress on Project Tullamarine, which incorporates world scale greenhouse, associated support areas and GMP standard production rooms for final form medicinal cannabis. Aurora Larssen Projects (ALPS) is providing design and consulting services, with the first design phase completed and construction scheduled to start in the first quarter of calendar year 2019. Project Tullamarine is expected to be fully operational by the third quarter of 2020, with capacity to produce 40,000-50,000 Kg of dry flower equivalent (indicative – variety dependant).

The December quarter will also see a significant increase in activity associated with the Company's tissue culture and accelerated breeding programs. These programs are identifying and developing optimum strains of cannabis for future product development.

Work with our manufacturing partner, IDT, will continue with a targeted commissioning of the custom GMP manufacturing line in the first quarter of 2019. In the interim, the Company expects to take delivery of additional imported product from Aurora for delivery to Australian patients.

### **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 – 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 SEPTEMBER 2018

| Consolidated statement of cash flows                      | Current quarter<br>\$A'000 | Year to date<br>(...3...months)<br>\$A'000 |
|---|----------------------------|--|
| <b>1. Cash flows from operating activities</b>            |                            |  |
| 1.1 Receipts from customers                               | 2                          | 2  |
| 1.2 Payments for  |                            |  |
| (a) research and development                              | 77                         | 77   |
| (b) product manufacturing and operating costs             | (735)                      | (735)                                      |
| (c) advertising and marketing                             | -                          | -  |
| (d) leased assets   | (1)                        | (1)  |
| (e) staff costs   | (1,145)                    | (1,145)                                    |
| (f) administration and corporate costs                    | (604)                      | (604)                                      |
| 1.3 Dividends received (see note 3)                       | -                          | -  |
| 1.4 Interest received                                     | 483                        | 483  |
| 1.5 Interest and other costs of finance paid              | -                          | -  |
| 1.6 Income taxes paid                                     | -                          | -  |
| 1.7 Government grants and tax incentives                  | -                          | -  |
| 1.8 Other (provide details if material)                   | -                          | -  |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(1,923)</b>             | <b>(1,923)</b>                             |

|  |         |         |
|--|---------|---------|
| <b>2. Cash flows from investing activities</b> |         |         |
| 2.1 Payments to acquire:                       |         |         |
| (a) property, plant and equipment              | (1,822) | (1,822) |
| (b) businesses (see item 10)                   | -       | -       |
| (c) investments                                | -       | -       |

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date<br>(...3...months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|--|
|                                      | (d) intellectual property                             | -                          | -  |
|                                      | (e) other non-current assets                          | -                          | -  |
| 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                                  | <b>Net cash from / (used in) investing activities</b> | <b>(1,822)</b>             | <b>(1,822)</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                                     | -        | -        |
| 3.4       | Transaction costs related to issues of shares, convertible notes or options | -        | -        |
| 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      | <b>Net cash from / (used in) financing activities</b>                       | <b>-</b> | <b>-</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               | 79,734  | 79,734  |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | (1,923) | (1,923) |
| 4.3       | Net cash from / (used in) investing activities (item 2.6 above)              | (1,822) | (1,822) |
| 4.4       | Net cash from / (used in) financing activities (item 3.10 above)             | -       | -       |

| Consolidated statement of cash flows |  | Current quarter<br>\$A'000 | Year to date<br>(...3...months)<br>\$A'000 |
|--------------------------------------|--|----------------------------|--|
| 4.5                                  | Effect of movement in exchange rates on cash held  | -                          | -  |
| 4.6                                  | <b>Cash and cash equivalents at end of quarter</b> | <b>75,789</b>              | <b>75,789</b>                              |

| 5.  | Reconciliation of cash and cash equivalents<br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|-----|--|----------------------------|-----------------------------|
| 5.1 | Bank balances  | 571                        | 1,125                       |
| 5.2 | Call deposits  | 2,952                      | 3,252                       |
| 5.3 | Bank overdrafts  | -                          | -                           |
| 5.4 | Other (term deposits)  | 72,466                     | 75,357                      |
| 5.5 | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>   | <b>75,989</b>              | <b>79,734</b>               |

**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**

294

-

\$264,000 paid to an entity defined as a related party of a Director for consulting services.  
\$30,000 quarterly Directors' remuneration.

**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**

-

-

N/a

| 8. <b>Financing facilities available</b><br><i>Add notes as necessary for an understanding of the position</i>   | Total facility amount<br>at quarter end<br>\$A'000 | Amount drawn at<br>quarter end<br>\$A'000 |
|--|--|---|
| 8.1 Loan facilities  | -  | -   |
| 8.2 Credit standby arrangements  | -  | -   |
| 8.3 Other (corporate credit cards)   | 30   | 3   |
| 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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|  |
|--|

| 9. <b>Estimated cash outflows for next quarter</b> | \$A'000      |
|--|--------------|
| 9.1 Research and development                       | 100          |
| 9.2 Product manufacturing and operating costs      | 500          |
| 9.3 Advertising and marketing                      | -            |
| 9.4 Leased assets                                  | 1            |
| 9.5 Staff costs                                    | 950          |
| 9.6 Administration and corporate costs             | 500          |
| 9.7 Other (acquisitions of plant & equipment)      | 700          |
| <b>9.8 Total estimated cash outflows</b>           | <b>2,751</b> |

| 10. <b>Acquisitions and disposals of business entities<br/>(items 2.1(b) and 2.2(b) above)</b> | 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: .....30 October 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.