



## ASX ANNOUNCEMENT

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### AGM ADDRESSES FROM THE CHAIRMAN & CEO

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**14 November 2018** – Cann Group Limited (ASX: CAN) is pleased to provide the following addresses to be delivered by its Chairman Allan McCallum and CEO Peter Crock at the company's Annual General Meeting held in Melbourne today.

#### CHAIRMAN'S ADDRESS

Good morning and welcome to Cann Group's 2018 Annual General Meeting.

The 2018 financial year has seen a substantial increase in activity within the quickly evolving medicinal cannabis sector here in Australia. During that 12-month period, we have seen a significant increase in the number of companies entering the industry; growing support and advocacy from an increasing number of stakeholder groups; and continued support for the sector from government at both a federal and state level.

With the Federal Government decision last January to allow Australian producers to access overseas export markets, and the growing number of countries moving to legalise medicinal cannabis, the opportunities for Australian companies continue to expand.

Independent estimates place the value of the global medicinal market today at some twenty billion US dollars, with projections it may reach approximately 100 billion US dollars by the year 2025.

Cann Group is well placed to take advantage of these opportunities and has, over the past 12 months, continued to build a platform that will generate sustainable profits and shareholder value over the long term.

The CEO, Peter Crock, will provide a more detailed review of our progress when he addresses you shortly. But I would like to briefly touch on what I believe are some key achievements for the company in the 12 months to the end of June.

From a regulatory perspective, Cann Group has worked diligently to maintain its various licences and permits. During the year, we secured a licence to import and export cannabis genetics and medicinal cannabis products. We have recently imported and received quarantine clearance on samples that help underpin the tissue culture and genetics programs now underway at our Northern Facility. These programs will be critical to ensuring Cann is able develop [proprietary] strains of medicinal cannabis that can be tailored to the treatment of specific conditions and be the basis of innovative and differentiated products.

We expect to secure an export permit from the Federal regulator – the Office of Drug Control – in the near future. This will enable Cann to access overseas markets while the

Australian market continues to develop and grow. The Office of Drug Control is doing an excellent job but is currently under-resourced. We are pleased to see that this resourcing issue is being addressed so that the ODC can efficiently process the considerable back-log of licence and permit applications. We are confident the Federal Government is committed to improving the efficiency of the process and we will support their efforts in this area.

Our strategy – right from the outset – has been to maintain a strong science-based focus which ensures we have the capabilities and resources to produce safe and effective medicinal treatments for patients here in Australia, and overseas.

In the past 12 months we have continued to invest in building out the capabilities of the company, both from the perspective of strengthening the organisation, and entering into and extending important partnerships and collaborations. These relationships include our strategic shareholder, Aurora Cannabis, in Canada; the CSIRO; La Trobe University; and Agriculture Victoria.

We also continue to invest in expanded capacity. During the year, additional works were carried out at both our Southern and Northern facilities to increase through-put and – late last year – shareholders supported a major capital raising that will help fund our stage 3 state-of-the-art cultivation, R&D, and GMP manufacturing expansion near Tullamarine airport.

Since first announcing this project, we have expanded the scale of the facility and have made decisions to incorporate new technology and design innovations. These changes – which have pushed our timetable back by about six months from what was originally forecast – will help secure Cann Group critical gains in production efficiency that will allow us to successfully compete in global markets.

With a capacity of up to 50,000 kgs, this new facility will generate revenues of between \$160 and \$200 million given the current wholesale price of cannabis dry flower. We are of course pursuing a value-added business model that will see Cann Group produce and supply innovative formulations of cannabis-based treatments at higher prices and margins.

As we continue to strengthen our research, cultivation and product development programs, we are also increasing our focus and activity within areas such as clinical evaluation, product manufacturing and distribution, education, and other commercial aspects of the business.

Ours is a fully integrated business model, with plans to establish direct involvement across all key areas of the medicinal cannabis value chain.

Cann has also been a strong advocate for the further streamlining of patient access which is still overly cumbersome and acts a deterrent for many people who could benefit from treatment. Our leadership role in establishing an industry association to provide a co-ordinated and common voice on issues like improved patient access is a good example of our commitment in this area.

These next 12 months will be a challenging but exciting time for the business.

We will see construction work underway on Project Tullamarine; important progress in our research, product development and manufacturing programs; meaningful expansion of our patient treatment numbers; and – subject to securing our permit – initial export activity. I'm extremely confident we have the plans and resources in place to deliver on those fronts.

Before handing over to Peter, I would like to acknowledge his and the entire Cann Group team for their commitment and achievements over the past 12 months. I would also like to thank my fellow Board Directors for their enthusiastic engagement and counsel. And, finally, I would like to express the Company's appreciation to our shareholders for your ongoing interest and support.

Thank you.

### **CEO'S ADDRESS**

Thank you, Mr Chairman. And let me add my welcome to those of you who have joined us here in Melbourne this morning for our second Annual General Meeting since becoming a publicly listed company in May of last year.

I will take the opportunity this morning to recap on some of the activities and key milestones for the company during the 2018 financial year and update you on developments in the early part of this, the 2019 financial year.

Cann Group's vision is to be a market leader in medicinal cannabis and of medicinal cannabis products, with a fully integrated business model that secures that leadership position from plant to patient.

We are committed to producing and supplying high-quality, trusted and innovative medicinal cannabis products and delivery platforms to enhance the wellbeing of patients in Australia and globally.

Over the past 12 months we have made substantial progress across our key areas of focus.

Cann currently operates from two licenced facilities in Melbourne.

At our Southern facility, we added capacity with four new secure cultivation rooms and additional drying and storage space.

The Northern facility – which is the base of our genetics and tissue culture research programs – was commissioned last December. This facility is configured to allow separate varieties of cannabis to be cultivated and harvested in parallel.

The company has now successfully completed some 25 harvests validating and enhancing our cultivation processes; providing samples for analytical testing and for the propagation of new crops.

We also announced plans to proceed with a major expansion program, involving the construction of state-of-the-art cultivation space, laboratories and a full GMP manufacturing facility. A strongly supported capital raising at the end of last year provided approximately \$78 million that will be used to help fund this project.

In June we signed a heads-of-agreement with Australian Pacific Airports Pty Ltd (or APAM) for this 37,000 square metre facility to be developed on land near Melbourne airport. Under the lease arrangement, it is proposed that APAM will undertake the primary build of the facility, representing a multi-million-dollar contribution to the project.

The facility construction is being designed by Aurora Larssen Projects, a specialist greenhouse engineering consultancy providing technical consulting to the greenhouse industry worldwide, and associated with our Canadian-based major shareholder, Aurora Cannabis.

Project Tullamarine will incorporate world-leading technology, with the final design benefitting from direct experience involving the development of Aurora's two latest production facilities in Canada – Aurora Sky and Aurora Sun.

We have recently completed the first design phase and released the vendor bid specifications for the greenhouse, warehouse, support building and utilities and expect construction of the new facility to start in the first quarter of 2019. Stage one of the project is expected to be commissioned by the end of next year – allowing cultivation activity to get underway.

On the current schedule, Project Tullamarine will be fully operational by the third quarter of 2020, with capacity to produce around 40 to 50,000 kilograms of dry flower equivalent product. This will place Cann Group in a very strong position to service the growing Australian market, while also capitalising on valuable export opportunities.

We have started discussions with several parties in relation to potential offtake agreements and the Company will update shareholders on the outcome of those discussions in due course.

Until such time as we have our own GMP product manufacturing capability, we will utilise third party facilities. To that end, we announced in August that we have entered into a manufacturing agreement with IDT Australia Limited for the production of medicinal cannabis-based product formulations intended for supply to patients in Australia and overseas.

IDT's capabilities and experience in working with leading pharmaceutical companies make it an excellent manufacturing partner and we look forward to developing a range of delivery systems and dosage forms that can meet the varying needs of patients who can benefit from medicinal cannabis treatments.

The Chairman commented on the importance of our success in securing the relevant licences and permits to undertake our various areas of activity. During the 2018 financial year, we received two new licences and the corresponding permits to continue our research programs and cultivation activity as well as facilitating our supply of product to patients in Australia.

We also secured a licence to import and export cannabis genetics and medicinal cannabis products. Our permit application to export medicinal cannabis is now before the relevant regulatory authorities.

In June this year we received a number of cannabis varieties via tissue culture into Australia from Aurora Cannabis and Anandia Labs. These genetics have now been processed and in October they were released from quarantine by the Department of Agriculture and Water Resources and are now established in our Northern Facility.

The receipt of the new genetics marks an important step forward for the Company in establishing our accelerated breeding program, which provides surety around future supply and gives us access to a much broader genetic base for product development.

I would like to acknowledge the excellent work of Cann's regulatory and operations teams for their efforts over the past 12 months. I believe we have established a strong reputation with the regulatory authorities – and government in general – for adhering to very high standards and developing processes and procedures that meet and exceed the requirements.

As the Chairman has said, our strategy is science-based. We believe that an ongoing commitment to research and development; new technologies and innovative thinking forms the foundation of a business that will secure a competitive advantage and generate sustainable value over the long term.

While we have invested in strengthening the capabilities and experience of the Cann team, we have also broadened our partnerships and collaborations in order to access leading edge technology and expertise from organisations that can bring complementary skills to our business.

The cornerstone investment by Aurora Cannabis – one of the world's largest cannabis producers – is facilitating a valuable exchange of know-how and support which is formalised under a Technical Services Agreement. Cann and Aurora are currently collaborating in areas including cultivation technology; processing; extraction; and analysis.

And, as I've mentioned, we are also benefitting from Aurora's experience in designing and constructing the world's most advanced purpose-built cultivation facilities in Canada, which will help ensure our own new facilities are best-in-class.

Last month we hosted a visit to Australia by Cam Battley, Aurora's Chief Commercial Officer. During that visit, Cam was able to provide a valuable perspective on the Canadian and global medicinal cannabis industry to many of our institutional shareholders; various stakeholder and advocacy groups; some of our research partners and a range of government officials at both a State and Federal level. Cam's message was one of strong confidence about the growth of the industry and the value that can be captured by companies that secure a leadership position in their markets.

Our partnerships with organisations like the CSIRO; La Trobe University and Agriculture Victoria are also adding substantial value to our business. These organisations have a strong commitment to further our understanding of the benefits of medicinal cannabis through research and we are fortunate to have them in our corner. Over the past 12 months, we have executed new or extended agreements with each of those organisations.

Generating increased public awareness; streamlining access for patients; and increasing the number of medical prescribers are all key objectives for Cann Group as we continue to execute on our product distribution plans.

In an important milestone for the company in August, Cann supplied its first patients in Australia with product through the Therapeutic Goods Administration's Special Access Scheme. We are now importing additional supplies of cannabis oil from Aurora in several different formulations so that we can extend that supply to additional patients who qualify under either the Special Access Scheme or Authorised Prescriber Scheme.

We also recently announced that the Company had been successful in securing a contract with the Victorian Department of Health and Human Services for the supply of cannabis plant extract in the form of resin.

The resin will undergo further purification and processing into a Victorian Government medicinal cannabis product, which will be used to expand the Government's compassionate access scheme for children with severe and intractable epilepsy. We have executed an agreement for the supply of that resin from April 2019 through to June 2020 on commercial terms, which are to remain confidential.

The Victorian Government continues to play an important role in leading the establishment of medicinal cannabis in Australia. The Government announced recently that a Phase I safety study based on purified cannabis resin has been conducted, and has also provided \$1.2 million to the Olivia Newton-John cancer research institute for specific medicinal cannabis clinical trial work.

As well as collaborating with the Olivia Newton-John Institute, Cann is working with other organisations to investigate potential pre-clinical and clinical trial work and will provide a platform for additional trial activity.

We continue to closely monitor and assess options for commercial distribution in Australia and this will be a key focus over the coming 12 months as we expand our production and supply activity. I'm pleased to announce that we have just recruited a senior and experienced commercial lead – Shane Duncan is returning to Australia from North America and will take up the position of General Manager Commercial at the start of December. Shane has more than 20 years experience in over the counter, medical device and pharmaceutical marketing, sales and medical communications. He has most recently held sales, marketing and business development roles in Cincinnati and Charlotte in the US, and prior to this founded local medical education and healthcare advertising agency Lifeblood.

Before handing back to the Chairman, I would again like to express my appreciation to the hard working and dedicated team at Cann for their work over the past year and their ongoing commitment to the business. In a quickly developing and complex industry, the demands on our people have been considerable. But they continue to rise to the challenge.

I would also like to echo the Chairman's appreciation for the support of our various partners and other stakeholders, including you, our shareholders.

Thank you.

**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 companies – is a cornerstone investor in Cann, with a 22.9% shareholding.