



ASX ANNOUNCEMENT

21 October 2019

CANN GROUP SEPTEMBER QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C

Highlights

- **Mildura facility capacity increases by 40% – construction remains on schedule**
- **Manufacturing licences secured for existing facilities**
- **Execution of new commercial opportunities**
- **Receipt of imported product from Aurora Cannabis**

21 October 2019 – Melbourne-based Cann Group is pleased to report on its activities for the quarter ended 30 September 2019.

During the quarter, Cann Group finalised the design for its large-scale state-of-the-art greenhouse facility in Mildura which will increase the annualised production capacity of the facility by 40% to 70,000kg of dry flower per annum.

The raw cannabis flower produced at the Mildura site will be processed by IDT into downstream products ready for supply to Australian patients and export.

Cann has been collaborating with its construction partner Aurora Larssen Projects, to improve space utilisation and efficiencies with the plant production systems. This has allowed an additional flowering room to be incorporated into the design, and an increase in planting density.

The increased capacity is expected to generate annual revenues of approximately \$220 million to \$280 million based on cannabis dry flower. Cann will also target some production towards value-added downstream formulations and products, which will generate higher margins and revenues.

Cann has executed a term sheet with a major Australian bank for debt financing, which will be formalised and announced once the final amendments to construction costs are tendered by the facilities' contractors and the revised project budget is confirmed.

Siteworks have been completed and construction of the facility is well underway and remains on schedule. Completion of the facility is estimated to occur in Q4 CY2020, with cultivation of mother plants at the site to commence in Q3 2020.

Earlier in the quarter Cann Group took a key step forward to support its fully integrated business model with the Federal Department of Health's Office of Drug Control (ODC) approving manufacturing licences for the Company's existing Northern and Southern medicinal cannabis facilities in Melbourne.

The licences relate to the manufacturing, packaging, storage, transport and disposal of medicinal cannabis in final dose and intermediate forms. The ability to undertake these activities at both the Northern and Southern Facilities gives the Company flexibility as it progresses the development of the Mildura facility. Appropriate permits will be required in relation to the undertaking of specific activities under the licences.

Cann Group now holds all requisite cultivation, production and manufacture licences under the Narcotics Drugs Act, along with import and export licences under the Customs Act.

The licences complement the manufacturing arrangements in place with IDT Australia Ltd, which was granted its ODC manufacturing licence in May. IDT has GMP approved facilities which offer Cann Group immediate access to proven expertise in pharmaceutical manufacturing while the Company moves forward to develop additional capabilities.



Cann signed a manufacturing agreement in August 2018 with IDT for production of medicinal cannabis formulations.

Cann management has executed on several commercial opportunities during the quarter as it builds out various patient access pathways, timed to coincide with the arrival of imported product from Aurora Cannabis and multiple products Cann Group expects to be manufactured and available by early in Q1 CY2020.

The company is also collaborating with a network of Australian compounding pharmacies that will allow Cann Group to produce bespoke medicinal cannabis formulations created from domestically grown material.

Cann Group is also engaged in advanced negotiations with medicinal cannabis service providers who will allow the Company to meet the growing needs of its Australian patient base.

In late September, Cann Group took receipt of product from its Canadian partner, Aurora Cannabis. Cann Group has obtained multiple import/export permits from the ODC, which will allow the company to establish a reliable and consistent supply of cannabis-based medicines for Australian patients, without the risk of product shortages.

The receipt of product imports allows Cann Group to further its efforts to reach Australian patients with high quality cannabis-based medicines.

Cann Group continues to expand its team to reflect the growth and corporate strategy of the business. Multiple Medical Science Liaison staff are now active in consulting with physicians and the medicinal cannabis clinics, an important step in the education and adoption of cannabis-based medicines across Australia.

Revenues

Revenues, in the order of \$500,000, remain highly variable at present as local manufacturing capacity comes online. Validation of GMP manufacturing processes and associated analytical and release testing impacts on the volume of finished product available for sale.

Outlook

Looking ahead the construction of the Mildura facility will remain a focus with specialised components from the Netherlands continuing to arrive at the Mildura site and construction progressing to plan.

The debt funding required for completion of the facility has progressed well and is expected to be confirmed this month.

Cann Group is currently assessing and testing available export pathways for medicinal cannabis product which allows the Company to meet domestic demand and validate its supply chain and export procedures while the Mildura facility is constructed and commissioned.

Cann continues to move forward towards establishing its third-party GMP product manufacturing capability with IDT, enabling production of value-added formulations which can be supplied to Australian patients and to Aurora, under the offtake agreement with that entity. Aligned with this, Cann is focused on its commercial strategy including planned delivery of product to Australian patients and involvement in clinical studies.



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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 22.5% 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 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..3...months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,660	1,660
1.2 Payments for		
(a) research and development	(356)	(356)
(b) product manufacturing and operating costs	(773)	(646)
(c) advertising and marketing	(25)	(25)
(d) leased assets	-	-
(e) staff costs	(2,148)	(2,148)
(f) administration and corporate costs	(2,378)	(2,378)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	207	207
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (Co-operative Research Centre Project initial funding grant)	266	266
1.9 Net cash from / (used in) operating activities	(3,547)	(3,547)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(17,665)	(17,665)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..3...months) \$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 Net cash from / (used in) investing activities	(17,665)	(17,665)

3. Cash flows from financing activities		
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 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 quarter/year to date	46,473	46,473
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,547)	(3,547)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(17,665)	(17,665)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (..3...months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	25,261	25,261

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	6,138	9,650
5.2	Call deposits	5,002	9,502
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	14,121	27,321
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	25,261	46,473

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
90
-

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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
-
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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 cards)	60	10
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. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	400
9.2 Product manufacturing and operating costs	825
9.3 Advertising and marketing	100
9.4 Leased assets	-
9.5 Staff costs	2,250
9.6 Administration and corporate costs	2,500
9.7 Other (acquisitions of property, plant and equipment))	14,250
9.8 Total estimated cash outflows	20,325

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

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:21 October 2019.....

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.