



ASX ANNOUNCEMENT

21 April 2020

Cann Group executes five-year supply agreement with Pure Cann NZ and strengthens existing relationship

21 April 2020 – Cann Group Limited (ASX:CAN) and Pure Cann NZ Limited (“Pure Cann”) have entered into new arrangements to strengthen their relationship, including the execution of a five-year supply agreement whereby Cann Group will become the primary production and manufacturing partner for Pure Cann.

New Zealand based Pure Cann is building a patient-centric medicinal cannabis business focused on supplying cannabinoid-based medicines to patients in New Zealand and other key global markets. New Zealand’s medicinal cannabis regulations came into effect on 1 April 2020.

Cann Group, through its wholly owned subsidiary Botanitech Pty Ltd (“Botanitech”), currently holds 3.9 % of the issued capital of Pure Cann, for which it paid NZ\$1 million (out of a previously committed total amount of NZ\$6 million on a staggered basis, as announced to the market on 26 April 2019). The new arrangements will enable Cann Group to increase its holding to circa 7.7% in exchange for an issue to Pure Cann of new shares in Cann Group having a value of NZ\$1 million (based on the Volume Weighted Average Price of Cann Group’s shares during the seven full trading days on the ASX ending on the day immediately prior to their allotment to Pure Cann). Cann Group is no longer obligated to invest the unpaid balance of NZ\$4 million into Pure Cann given these new arrangements.

The exchange of shares will be triggered by the successful completion of any future capital raise (debt or equity) by Cann Group of a minimum of A\$10 million within 5 years, with such exchange being required to be subsequently completed within 75 days. The issue of the new Cann Group shares to Pure Cann is subject to shareholder approval for the purposes of Listing Rule 7.1, and if shareholders of Cann Group at a general meeting do not grant such approval, then Pure Cann will be paid NZ\$1 million in lieu of shares in Cann Group.

Under the new supply arrangements, Cann Group will exclusively supply Pure Cann in New Zealand with products manufactured from cannabis flower grown at Cann Group’s existing facilities and from its Mildura facility as it comes online under a 5-year supply agreement (with an option to renew until 29 October 2027) (“MSA”).

The existing technical services agreement between the parties has also been extended until 29 April 2026 (with an option to renew until 29 October 2027) (“TSA”).

If the MSA or TSA is lawfully terminated before the expiration of its initial term by Pure Cann due to a breach, Cann Group must then sell to Pure Cann all its shares in Pure Cann at a discount to their fair market value ranging from 80% (if terminated early) and up to 10% (if terminated late). The MSA and TSA contain termination provisions usual for agreements of this nature.



Cann Group CEO, Peter Crock, said: “Our ability to secure supply agreements with quality long-term partners helps support the value of our expansion plans and reinforces Cann Group as a leader in cannabis genetics, cultivation and manufacture.

The changes we have made to our agreements with Pure Cann strengthen our relationship at both a supply and technical services level; reduce Pure Cann’s capital investment requirements by leveraging off our Mildura facility expansion; and improve Cann Group’s cash position. We look forward to continuing to work closely with Pure Cann to support it to maximise the growth opportunity in the New Zealand market, together with Pure Cann’s broader export ambitions.”

Authorised for release by the Board of Directors, Cann Group Limited.

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About Cann Group

Cann Group Limited (ABN 25 603 949 739) is building a world-class business focused on breeding, cultivating, manufacturing and supplying medicinal cannabis for sale and use within Australia and for approved overseas export markets. The company has established research and cultivation facilities in Melbourne and is developing a state-of-the-art cultivation facility near Mildura, Victoria. Cann Group has executed collaboration agreements that have enabled 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. The Company is commercialising a range of imported and locally sourced and manufactured medicinal cannabis products. **Learn more about Cann Group at www.canngrouponlimited.com**