



ASX ANNOUNCEMENT

30 NOVEMBER 2017

Cann Group announces fully-underwritten \$60 million capital raising to support accelerated growth plans

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- Expanded phase 3 facility will enable company to meet both domestic and prospective export demand
- Expansion will significantly increase cultivation/production capacity and will include full GMP manufacturing facility
- Provides additional working capital to support future growth plans
- Reinforces leadership position in Australian medicinal cannabis industry
- Funding will be through a fully underwritten institutional share Placement to raise \$50 million at a Placement price of \$2.50 per share, followed by a fully underwritten Share Purchase Plan to raise \$10 million at the same price of \$2.50 per share
- Major shareholder Aurora Cannabis Inc commits to participate in Placement, and increase its holding in Cann from 19.9% to 22.9%
- Shareholders' meeting planned for mid-late January 2018 to approve Directors' participation in Placement to a level of \$2 million
- The Institutional Share Placement and the Share Purchase Plan are both fully underwritten by Canaccord Genuity (Australia) Ltd. PAC Partners Pty Ltd, together with Canaccord, are the Joint Lead Managers to the Offer

Cann Group Limited (ASX: CAN) ("**Cann Group**" or "**the Company**") is pleased to announce a fully underwritten \$50 million institutional share Placement ("**Placement**") and fully underwritten \$10 million Share Purchase Plan ("**SPP**") to raise a total of \$60 million. The proceeds from the Placement and SPP will be used to fund the Company's accelerated growth plans which include the construction of a phase 3, large-scale cultivation facility and full GMP manufacturing capabilities.

Expanded Cultivation/Production Capacity

Cann Group has been progressing a three-phase growth strategy aimed at building cultivation capacity and enabling the Company to capture additional value from a more integrated business model.

An expansion of the Company's phase 1 Southern facility was recently completed, and work is progressing on the commissioning of the phase 2 Northern facility, which is expected to be operational by the end of this year. Approval was secured last month from the Office of Drug Control ("ODC") to allow the Company to use the full expanded capacity at its Southern Facility and extend its cultivation, production and research activities to the new Northern Facility (subject to the issuance of cultivation permits by the ODC).

Following a further assessment of the market opportunity, and the prospect of Australian cannabis producers being approved to export product into overseas markets, the Company has decided to revise the original phase 3 expansion plans to incorporate a much larger production and manufacturing facility. There is no assurance that regulatory approval for export will be granted.

The state-of-the-art, greenfield phase 3 development is now expected to incorporate 16,000m² of glasshouse cultivation space, research and development laboratories and a GMP manufacturing facility at an estimated cost of \$40-45 million. Various scoping studies on both location and design, including climate assessment, power and water consumption and other engineering requirements are underway. Subject to various planning permits and regulatory approvals, the new phase 3 facility is expected to be commissioned in the first half of calendar year 2019.

Cann Group CEO Peter Crock said the Company has established a leadership position in the Australian medicinal cannabis industry and the new expansion plans will reinforce that position.

"As the Australian industry continues to develop, we expect to see a steady increase in demand for safe, quality and innovative medicinal cannabis treatments. We continue to execute on a growth plan that will enable us to meet that demand.

"With the Federal Government now reviewing the possibility of allowing exports from Australia to overseas markets where cannabis is approved, there is the prospect of a major additional opportunity that our accelerated expansion will help facilitate."

Mr Crock said the ODC has sought comment and submissions from interested parties on the proposal to allow exports and has disclosed that the majority of those submissions are in support of the proposal.

"While we await with interest the Federal Government's decision on exports, we are confident that the commitment to move ahead with our expansion plans will place Cann Group in the best position to capitalise on expanded market opportunities."



He said the Company had consulted closely with major shareholder Aurora Cannabis Inc (“**Aurora**”), one of Canada’s leading publicly-listed medicinal cannabis companies, on the expansion plans and is benefitting from Aurora’s experience and technical expertise.

Aurora has committed to participate in the Placement and the Company has agreed to issue new Placement shares to Aurora that will, on completion of the capital raising under the Placement and the SPP, increase Aurora’s shareholding from its current 19.9% holding to 22.9%.

Placement and SPP

Cann is undertaking a fully-underwritten \$50 million Placement and a fully-underwritten SPP of \$10 million, in total raising \$60 million (before costs), to fund the expanded growth initiatives described above.

On the completion of the Placement and SPP, Cann expects to issue 24 million New Shares resulting in total shares on issue of 132,353,334.

Canaccord Genuity (Australia) Ltd is the Joint Lead Manager and Bookrunner to the Placement and SPP. PAC Partners Pty Limited is the Joint Lead Manager to the Placement and SPP.

The Placement and the SPP are both fully underwritten by Canaccord Genuity (Australia) Ltd.

Placement

The fully underwritten Placement will raise \$50 million and will be made to eligible institutional, sophisticated and professional investors (and Cann’s Directors’ participation of \$2.0M, subject to Cann shareholders’ approval) in Australia and certain overseas jurisdictions. The Placement price of \$2.50 per share represents a 16.7% discount to Cann’s closing price of \$3.00 per share on 29 November 2017 and a 16.3% discount to the 10 day VWAP (\$2.99) and a 12.5% discount to the 15 day VWAP (\$2.86).

The new Cann shares (“**New Shares**”) to be issued under the Placement will rank equally with existing Cann shares. Approximately 20 million New Shares will be issued under the Placement.

Aurora, has committed to participate in the Placement and increase its shareholding in Cann to 22.9% (from 19.9%) on or following completion of the Placement and the SPP.

The Placement will be undertaken in **two stages** at the same Placement price of \$2.50 per share:

- **First stage** - placement of New Shares to all eligible institutional, sophisticated and professional investors (including Aurora) to raise \$48 million; and
- **Second stage** - subject to Cann’s shareholders’ approval, placement of New Shares to Cann’s Directors to raise \$2.0M.



Completion of the first stage of the Placement is not conditional upon the successful completion of either the second stage or the SPP. Completion of the second stage of the Placement is not conditional upon the successful completion of the SPP.

SPP

The fully underwritten SPP will raise \$10 million at the same price as the Placement price (being \$2.50 per share). The SPP will provide eligible shareholders in Australia and New Zealand with the opportunity to participate in the SPP.

Eligible shareholders who are registered as Cann shareholders as at **7.00pm (AEDT) on Wednesday, 29 November 2017** will be invited to subscribe for up to a maximum of \$15,000 of additional New Shares per eligible shareholder, free of brokerage and transaction costs. Cann may, in its absolute discretion, elect to scale-back the maximum amount per shareholder if total demand exceeds \$10 million.

The SPP is subject to the terms to be set out in an SPP Offer Booklet, which will be lodged with ASX and sent to eligible Cann shareholders in due course. As with the New Shares issued under the Placement, the New Shares issued under the SPP will rank equally with existing Cann shares.

Top Up of New Shares for Aurora

Aurora will be issued such number of New Shares to Aurora to ensure that Aurora holds 22.9% of the issued share capital of Cann on or following completion of the Placement and the SPP.

In the event of a shortfall under the SPP ("**SPP Shortfall**"), as a matter of priority and as agreed between the Company and the Underwriter, Aurora will be issued such number of New Shares up to a 22.9% shareholding to satisfy SPP Shortfall.

In this situation, following the completion of the Placement and SPP, Cann expects to issue 24 million New Shares resulting in total shares on issue of 132,353,334.

In the event of there being no SPP Shortfall, Aurora will be issued such number of New Shares up to a shareholding of 22.9%. This will result in Cann raising additional capital of \$3.65 million over and above its fully-underwritten \$60 million capital raising (ie. a total of \$63.85 million).

In this situation, Cann expects to issue 25,425,682 New Shares resulting in total shares on issue of 133,779,016.



INDICATIVE TIMETABLE* - PLACEMENT AND SPP

Event	Date
Record Date for SPP	7.00pm (AEDT) Wednesday, 29 November 2017
Announcement of outcome of Placement (First stage of Placement) and resumption of trading on ASX	Monday, 4 December 2017
Settlement of New Shares issued under the Placement (First stage of Placement)	Monday, 11 December 2017
Allotment and trading of New Shares issued under the Placement (First stage of Placement)	Tuesday, 12 December 2017
Expected SPP Offer opening date	Thursday, 14 December 2017
Expected SPP Offer closing date	Monday, 15 January 2018
General Meeting of Shareholders of Cann to consider and approve Directors' Placement	Wednesday, 17 January 2018
Settlement of New Shares issued under the Directors' Placement (Second stage of Placement)	Friday, 19 January 2018
Settlement of New Shares issued under the SPP	Friday, 19 January 2018
Allotment of New Shares issued under the Directors' Placement (Second stage of Placement)	Monday, 22 January 2018
Allotment of New Shares issued under the SPP	Monday, 22 January 2018
Settlement of Top Up New Shares issued to Aurora to ensure that Aurora holds 22.9%	Tuesday, 23 January 2018
Dispatch of holding statements for SPP New Shares	Tuesday, 23 January 2018
Quotation of New Shares issued under the Directors' Placement (Second stage of Placement)	Wednesday, 24 January 2018
Quotation of New Shares issued under the SPP	Wednesday, 24 January 2018
Allotment of Top Up New Shares issued to Aurora to ensure that Aurora holds 22.9% of Cann	Wednesday, 24 January 2018
Aurora Top Up New Shares expected to commence trading on ASX	Thursday, 25 January 2018

* These dates are indicative only and are subject to change at the discretion of Cann's Directors

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About Cann

Cann 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 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 – Canada's second largest listed medicinal cannabis company – is a cornerstone investor in Cann, with a 19.9% shareholding.

Important Notices and Disclaimer

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This announcement contains certain forward-looking statements about Cann. The "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "continue", and "guidance" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements in this announcement include statements regarding: statements regarding plans, strategies, growth initiatives and objectives of management, anticipated production capacity, timing, expected costs or production outputs for Cann and the future operation and financial performance of Cann. Forward-looking statements, including projections and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including Cann). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward looking statements and Cann assumes no obligation to update such information.