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ASX ANNOUNCEMENT

17 July 2020

Cann Group announces \$24.3 million capital raising to support near-term growth

- **Proceeds from capital raising will be used to fund the Cann business while it pursues near-term growth opportunities**
 - **Cann gaining strong commercial momentum, with multiple new supply agreements executed this year**
 - **Cann is forecasting FY21 revenues of \$15 million**
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17 July 2020 – Cann Group Limited (ASX: CAN) (**Cann or the Company**) today announced a Placement and Share Purchase Plan to raise a total of up to \$24.3 million (**Capital Raising**).

The proceeds from the Capital Raising will be used to provide working capital to support the Company's near-term growth plans. Since announcing a strategic re-set in January 2020, Cann has secured multiple new offtake and supply agreements which support short-term revenues and de-risk its expansion plans.

The Mildura expansion remains a critical component of Cann's growth strategy. COVID-19 impacts have slowed progress of potential funding options for Mildura as well as the practical timing of any construction, due to the need to engage European-based specialist contractors. All funding options for the Mildura expansion continue to be pursued, including a bank debt facility.

The Company is forecasting revenues of \$15 million in FY21, underpinned by existing supply contracts, and is confident that a proven track record of sustainable revenues will support both the business case for Mildura and help secure the support of financiers.

Strong commercial momentum

Cann has secured commercial supply agreements involving medicinal cannabis products and dried flower material for sale in Australia and to export markets, including the UK and Europe.

Recently executed supply contracts include an agreement announced in early June with Astral Health Limited, a UK-based specialist importer and distributor of medicinal cannabis products. Astral Health is a subsidiary of LYPHE Group, a European leader in medicinal cannabis solutions across distribution channels, including medicinal cannabis clinics, online pharmacies, and healthcare practitioner training.

Also in June, an agreement was executed and announced with Germany-based iuvo Therapeutics GmbH for the supply of cannabis material in oil and dried flower form for sale within Germany and other European countries. Germany is Europe's largest medicinal cannabis market with 2019 sales exceeding those of all other European markets combined. iuvo Therapeutics GmbH is a leading independent GMP certified importer and distributor in Germany, and a subsidiary of Wundr Co., a pharmaceutical company focused on providing a diversified portfolio of medical cannabis products for European patients.

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A supply agreement was executed in April with Entoura, an Australian operated healthcare company, developing and supplying high quality medicinal cannabis products. Cann Group is supplying its whole plant extract product range to Entoura for distribution to Australian patients via the TGA's Special Access Scheme.

Cann has in place a distribution agreement with Symbion Health to deliver Cann medicinal cannabis products to pharmacies and hospitals throughout Australia, with stock to be held on consignment pending a script or order from a pharmacy or hospital customer. Symbion supplies healthcare services and products to more than 4000 retail pharmacies and 1300 hospitals throughout Australia.

Cann Group also executed a supply agreement with New Zealand based Zalm Therapeutics Ltd (formerly Pure Cann NZ Limited) which 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 also has in place a five-year offtake agreement with Aurora Cannabis Inc. The offtake agreement enables Cann to supply GMP processed dry flower, extracted resin and manufactured medicinal cannabis products to Aurora until 2024. Aurora has marketing arrangements in 25 medical cannabis markets, including in Europe and South America.

Cann has demonstrated an ability to supply a broad range of products from specific medicinal cannabis cultivars to unique finished product formulations that meet the specific requirements of supply customers in Australia and overseas. The Company's manufacturing arrangements with IDT Australia (ASX: IDT) ensures it can meet the high GMP standards that reputable distributors in Australia and overseas markets such as the UK and Europe require.

Cann is currently pursuing additional supply contracts with third parties in Australia and overseas.

Covid-19 impacts

COVID-19 impacts have slowed progress of potential funding options for Mildura as well as the practical timing of any construction, due to the need to engage European-based specialist contractors. The Mildura facility is based on world-leading design principles that require specialist construction support. That support – including the contractors who will assist with the build – is based overseas and the personnel involved are currently unable to enter Australia due to travel restrictions.

The Company has been in discussions with a Tier 1 Australian bank to secure a debt facility as part of the intended funding package for the first stage of the Mildura expansion. Given the impact of COVID-19 on the external funding environment, discussions with the bank have taken longer than anticipated. The Company believes the demonstration of an established revenue stream will strengthen its position in relation to potential external funding options for Mildura.

Capital Raising

Placement

The Company has received firm commitments from sophisticated and institutional investors to raise \$14.3 million (before costs) by way of private placement (**Placement**). Under the Placement, Cann will issue 35,750,000 million new fully paid ordinary shares (**New Shares**) at an issue price of \$0.40 per New Share, which represents a 51.2% discount to the closing price of Cann shares on 14 July 2020, being the last trading date before the Placement, and a 56% discount to the 10 day VWAP prior to that date.

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The Company received very strong interest from both new institutional investors and existing sophisticated shareholders resulting in significant oversubscriptions for the Placement. The Placement was limited to \$14.3 million based on placement capacity available under Listing Rule 7.1 (as expanded under the temporary class waiver).

New Shares issued under the Placement will be issued under Cann's available capacity under ASX Listing Rule 7.1 and in reliance on the ASX's COVID-19 temporary class waiver.

2,796,080 New Shares to raise \$1,118,432 under the Placement have been subscribed for by related parties (directors) of the Company and their issue will be subject to shareholder approval under ASX Listing Rule 10.11, to be sought at an extraordinary general meeting of the Company, expected to be held in late August.

Cann's major shareholder, Aurora Cannabis Inc (Canada) did not participate in the Placement. Cann believes Aurora remains committed to the strategic relationship.

Share Purchase Plan Offer

Following the Placement, Cann is pleased to offer a share purchase plan (**SPP**) to eligible shareholders to raise up to \$10 million.

Eligible shareholders will have the opportunity to apply for up to \$30,000 worth of New Shares.

The issue price under the SPP will be \$0.40 which is equal to the issue price of New Shares allocated to institutional investors in the Placement.

No brokerage or commissions are payable by shareholders in respect of New Shares applied for under the SPP.

If applications under the SPP exceed \$10 million, the Company will scale back those applications on a pro-rata basis.

In determining the proposed amount that Cann seeks to raise under the SPP, Cann has considered the relatively large retail component on its share register and has sought to provide an equitable opportunity for its retail shareholders to participate in this overall offer.

Eligible shareholders are those shareholders who have a registered address in Australia and New Zealand at 7:00PM (AEST) on 16 July 2020 (unless you are otherwise an ineligible shareholder - as set out in the SPP offer document). Entitlements to participate in the SPP are not tradeable.

The SPP offer period is expected to open Wednesday 22 July 2020 and close on Wednesday 12 August 2020.

Eligible Shareholders who wish to participate in the SPP will need to complete the personalised application form accompanying the SPP offer document and pay the applicable funds in accordance with the instructions in those documents, prior to the closing date.

The Company reserves the right, in its absolute discretion, to withdraw, or close the SPP offer early.

The SPP offer document and application form are expected to be despatched to eligible shareholders on Wednesday 22 July 2020 via post or email in accordance with their communication preferences. Shareholders receiving email communications can download the SPP offer booklet and personalised SPP application form from the SPP offer open date at the Company's website (www.canngrouponlimited.com).

Key dates for the SPP are set out below. These dates are indicative only and may be varied by Cann.

Event	Date
Record Date	16 July 2020
SPP Offer announced	17 July 2020
Dispatch of SPP Offer documents (including personalised application forms)	22 July 2020
SPP Offer opens	22 July 2020
SPP Offer closes	12 August 2020
Notification of results of SPP Offer	19 August 2020
New Shares allotted under SPP Offer	20 August 2020
New Shares expected to trade on ASX	21 August 2020
Holding statements dispatched	21 August 2020

The issue of the New Shares under the Placement and SPP may also trigger the conversion of 7,900,000 outstanding convertible notes issued in February 2020. If the noteholders elect to convert those convertible notes, they will convert at the lower of:

- \$0.70;
- The 5-day VWAP following this announcement; and
- 85% of the lower of the SPP and Placement price.

If those convertible notes are converted by 2 October 2020 (being the date 30 business days after the issue of shares under the SPP Offer), then on conversion, the noteholders will also receive unlisted options on a 1 for 1 basis with New Shares, exercisable at any time until 31 March 2022 at an exercise price at a 35% premium to the conversion price.

Further details of the terms of the convertible notes can be found in the Company's ASX announcements dated 7 February 2020.

Further information:

For further information regarding the Capital Raising, please contact Cann's Share Registry, Link Market Services Limited:

Tel: 1300 135 403 (within Australia)

Tel: +61 1300 135 403 (outside Australia)

Mildura production facility

Cann remains strongly committed to the Mildura expansion. The Company intends to seize immediate growth opportunities to support its ongoing discussions on funding options, including a potential bank debt facility. A growing revenue base and expanding supply arrangements considerably strengthen the business case for the Mildura expansion.

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Cann's proposed new production facilities near Mildura incorporate state-of-the-art, controlled-environment greenhouse technology. Based on design and engineering features incorporated in the world's largest and most advanced cannabis cultivation facilities, it includes provision for a 34,000 square metre greenhouse and 12,000 square metres of processing and associated support facilities. The production efficiencies resulting from a combination of scale and technology are expected to provide Cann Group with a globally competitive cost position.

Cann Group has invested approximately \$50 million to date on the facility and has completed site works, service connections and the construction of the super-structure that can accommodate total annual capacity to produce up to 70,000 kgs of cannabis dry flower. The Company plans to commission the project in stages, with the initial stage to include production capacity of 12,500 kgs. The estimated cost to complete this initial stage to commissioning is \$65 - 75 million, with a build time of approximately 9 months.

The Victorian Government earlier this month announced its support for the Mildura project and confirmed a grant of \$1.975 million under its Regional Jobs Fund.

A vertically integrated medicinal cannabis company

Cann Group CEO Peter Crock said the Company is executing on its strategy to consolidate a leadership position in the Australian market and to be a supplier to expanding markets around the world.

"Cann is now established as a vertically integrated medicinal cannabis company with strong capabilities and partnerships across its research, cultivation, manufacturing, product development and distribution activities.

"We have strong commercial momentum and we are confident of generating meaningful near-term sales while we continue to develop new and exciting medium and longer term market opportunities.

"We have executed supply and offtake agreements with customers in Australia and overseas and we are in discussions with additional potential customers."

Mr Crock said the Company's commitment to genetics research and thorough clinical evaluation will help ensure Australian patients – and patients in overseas markets – have access to safe, innovative and high-quality medicinal cannabis treatment options.

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**