



ASX ANNOUNCEMENT

27 August 2019

Cann Group to increase capacity of Mildura facility by 40%

Highlights

- Targeted production capacity to increase to 70,000kg of dry flower per annum
- Increased capacity expected to generate annual revenues of approximately \$220 million to \$280 million based on the current wholesale price of cannabis dry flower
- Revised design will result in increased production efficiencies and lower overheads
- Siteworks completed and construction underway, with completion of the facility expected in Q4 CY2020
- Modelling underway to determine capital expenditure increase for the revised design
- Debt facility term sheet signed with major Australian bank

26 August 2019 – Cann Group Limited (ASX:CAN, 'Cann' or 'Company') announced today that an amended design for the Company's large-scale state-of-the-art greenhouse facility in Mildura will increase the full production capacity of the facility by 40% to 70,000kg of dry flower per annum.

Cann has worked with its construction partners, including 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.

With the increased capacity of the Mildura facility, Cann Group expects to generate annual revenues of approximately \$220 million to \$280 million based on the current wholesale price of cannabis dry flower. Cann will also target some production toward value-added downstream formulations and products, which will generate higher margins and revenues.

Cann's major shareholder and strategic partner, Canada-based Aurora Cannabis Inc, has confirmed its support for the revised design.

Cann is undertaking extensive modelling to determine what impact the revised design and expanded production will have on the project budget for the facility.

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 facility's contractors.

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

The large-scale cultivation and production of medicinal cannabis at the Mildura facility will service both domestic and export markets after Cann announced its five-year offtake agreement with Aurora Cannabis earlier this year.



The raw cannabis flower produced at the Mildura site will be processed by Cann’s manufacturing contractor IDT Australia (IDT) into downstream products ready for supply to Australian patients and export.

Cann CEO Peter Crock said the decision to increase the capacity of Mildura was in line with the longstanding goals of the Company.

“We’ve previously stated our intention to set up at scale, and the opportunity to amend the plans for the Mildura facility significantly boosts our production capacity; improves our production efficiencies and results in greater revenue potential from the site. These design revisions draw on the very latest learnings from new cannabis production facilities being constructed in other parts of the world, in particular the state-of-the-art facilities designed by Aurora Larsen Projects for Aurora Cannabis in Canada.

“Specialised components from the Netherlands continue to arrive at the site and construction is progressing well. We are looking forward to pushing on with this major expansion and keeping the market informed of our progress over the next year.”

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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 company – is a cornerstone investor in Cann, with a 22.54% shareholding.