



ASX ANNOUNCEMENT

30 JULY 2019

CANN GROUP JUNE 2019 QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C

Highlights

- **\$2.3 million revenue achieved, representing a 413% increase on the previous financial year**
- **Groundworks underway at Mildura site**
- **Import permit received from Health Canada; export of medicinal cannabis being finalised**
- **Manufacturing partner IDT receives medicinal cannabis manufacturing licence, installs extraction equipment and completes TGA audit**
- **First harvest of internationally sourced genetics**
- **Advancements on breeding and manufacturing programs with Agriculture Victoria and CSIRO respectively**
- **Completion of strategic investment in Pure Cann New Zealand Limited**
- **Subsequent to the end of the period, receipt of manufacturing licences from the Office of Drug Control (ODC) for Cann's Southern & Northern facilities**

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

Supply agreement with the Victorian Government

During the quarter the Victorian Government took delivery of the first Australian sourced and commercially grown cannabis resin for use by Australian patients. The cannabis resin has been extracted from dry cannabis flower produced at Cann Group's Southern Facility in Melbourne as part of the Company's supply contract with the Victorian Department of Health and Human Services (DHHS).

Mildura expansion

During the quarter Cann Group took possession of the Mildura site which has been secured as part of its planned third facility; a state-of-the-art greenhouse for large scale cultivation and production of medicinal cannabis.

Groundworks have since commenced at the site in addition to remodeling of the existing manufacturing area. The first prefabricated elements required for the greenhouse structure have now been shipped by Cann's supplier in the Netherlands.

Incorporation of design enhancements and scope changes from Aurora Larssen Projects are being finalised, with the potential to expand the facility further through an additional flowering room and processing areas into the final design.



Canada import permit granted & testing of export pathways

In late June Aurora Cannabis received an import permit from Health Canada for cannabis cultivated by the Cann Group.

Cann Group has delivered material to its manufacturing partner, IDT Australia, for Good Manufacturing Practice (GMP) testing, labeling and packing before Cann exports this product.

The permit enables Cann to deliver the material for process validation purposes, with commercial terms of the supply to remain confidential.

Announced in March 2019, Cann's offtake agreement with Aurora Cannabis will see GMP processed dry flower, extracted resin and manufactured medicinal cannabis products supplied to Aurora by Cann until 2024. This covers Cann's full production capacity beyond that produced for domestic needs.

Manufacturing agreement with IDT

IDT Australia announced during the period it had been granted a manufacturing licence by the Office of Drug Control (ODC), allowing it to undertake various activities related to the manufacture of medicinal cannabis products.

IDT has now installed Cann's supercritical CO₂ extraction equipment required for the processing of medicinal cannabis, with an audit required by the Therapeutic Goods Administration (TGA) also successfully completed.

Commissioning and validation works are now underway as IDT readies itself to be the key manufacturing partner in relation to Cann's cannabis-based product formulations intended for supply both locally and overseas.

Cultivation & collaboration

During the quarter Cann completed its first harvest of internationally sourced genetics as it continues to expand its capabilities as a commercial medicinal cannabis cultivator.

The Company also continues various programs with industry collaborators, with further advancements in the advanced breeding program being conducted with Agriculture Victoria, in addition to delivery of first material to CSIRO for analysis as part of an advanced manufacturing program.

Strategic investment in Pure Cann New Zealand

In April Cann Group announced that it has completed a strategic investment in New Zealand based medicinal cannabis company, Pure Cann NZ Limited. Pure Cann is rapidly establishing itself as a leading player in the NZ market and is anticipating regulatory changes that will permit the cultivation and broader supply of its medicinal cannabis in New Zealand.

Cann Group's strategic investment of NZ\$6 million in Pure Cann secures a 20% ownership stake, accruing over stages with the initial 10% to be completed on or before 30 August 2019 and a further 10% upon the earlier of the new NZ regulations coming into force and Pure Cann's Board approving the construction of its commercial cultivation facility. Cann Group also has an option to increase that position to 30%.



Cann Group and Pure Cann also entered into a Technical Services Agreement (TSA) with the primary objective of accelerating Pure Cann's growth plans and path to market. The TSA provides for the mutual exchange of intellectual property between Cann Group and Pure Cann and the companies will work together to capitalise on the growing domestic demand for medicinal cannabis in New Zealand.

Investor presentation

The Company released an updated investor presentation in April outlining Cann's major expansion plans, and recent achievements and upcoming milestones. The presentation can be viewed [here](#).

Revenues

Sales amounting to \$2.3 million were secured during the quarter, giving the Company a 413% revenue increase on the previous financial year.

Subsequent developments – manufacturing licences granted

On 26 July, the Company announced that the Federal Department of Health's Office of Drug Control (ODC) had approved manufacturing licences for Cann Group'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. Appropriate permits will be required in relation to the undertaking of specific activities under the licences.

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

The licences will complement the manufacturing arrangements in place with IDT, which was granted its ODC manufacturing licence in May.

Outlook

The current quarter will again be one of significant activity for Cann Group across many areas.

Progressing the construction and development of the new Mildura facility will be a focus for management, as the Company moves toward operating at scale.

The debt funding arrangements required for the facility are progressing and are expected to be confirmed.

Bringing online the Company's manufacturing capability with IDT Australia is pivotal to the business plan, and the penultimate point has been reached in this effort with ODC and TGA approvals now secured.

Cann continues to refine its commercial strategy, investigating several paths to market in addition to clinical trial involvement that will be vital to developing the medicinal cannabis sector.



Supply to DHHS is expected to remain consistent through the quarter, while the Company will action its first exports to Canada under the supply and offtake agreements with Aurora Cannabis.

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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 22.9% 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 JUNE 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..12...months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,463	1,466
1.2 Payments for		
(a) research and development	(27)	(493)
(b) product manufacturing and operating costs	(740)	(2,935)
(c) advertising and marketing	(1)	(21)
(d) leased assets	(1)	(4)
(e) staff costs	(1,413)	(5,076)
(f) administration and corporate costs	(1,758)	(3,822)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	230	1,645
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	165	257
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,081)	(8,982)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(13,923)	(23,618)
(b) businesses (see item 10)	-	-
(c) investments	(951)	(1,201)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..12...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	(14,874)	(24,819)

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	740	740
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	(200)	(200)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	540	540

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	62,888	79,734
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,081)	(8,982)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(14,874)	(24,819)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	540	540

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (..12...months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	46,473	46,473

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	9,650	10,820
5.2	Call deposits	9,502	7,501
5.3	Bank overdrafts	-	-
5.4	Other (term deposits)	27,321	44,567
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	46,473	62,888

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
-

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
-
-

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	19
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	500
9.2 Product manufacturing and operating costs	950
9.3 Advertising and marketing	10
9.4 Leased assets	-
9.5 Staff costs	1,500
9.6 Administration and corporate costs	800
9.7 Other (acquisitions of property, plant and equipment)	10,000
9.8 Total estimated cash outflows	13,760

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

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: Date:30 July 2019.....
(Company secretary)

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.