



ASX ANNOUNCEMENT

21 November 2019

Cann announces revised staged approach of Mildura production facilities & market update on bank facility

21 November 2019 - Cann Group Limited (ASX: CAN) today announced that it plans to complete the construction of its new medicinal cannabis production facilities near Mildura in stages (**Mildura facility**).

Previously, the Company had intended to complete the Mildura facility as a single stage development with a total capacity of 70,000 kgs and an estimated project cost of \$184 million. Commissioning was scheduled for late 2020. Works commenced on the Mildura facility earlier this year and to date the Company has expended \$47 million (including acquisition of the Mildura site and existing buildings) with the glasshouse structure now in place.

Cann Group CEO, Peter Crock, said the decision to now proceed on a staged basis allows the Company to initially build capacity on a timetable that provides more certainty around capacity utilisation while reducing the Company's initial capital investment requirements.

"Staging the commissioning of the Mildura facility over time will help ensure that our production capacity more closely matches anticipated growth in demand for medicinal cannabis."

"We will continue to liaise closely with our strategic partner Aurora Cannabis Inc (Canada) in relation to future offtake requirements while also continuing to develop our further market opportunities overseas and in Australia."

A review of the revised construction plan is now underway involving consultation with the Company's external design and engineering consultants, including Aurora Larssen Projects.

While details (including revised project costings) are to be finalised and confirmed following that review, the first stage is expected to provide for the annual production of ~ 25,000 kgs of dry flower with a target commissioning in late 2020 (subject to obtaining all the necessary funding and regulatory approvals, licences and permits). The timetable for stages 2 and 3 will be determined based on an ongoing assessment of product demand.

The Company will continue to keep the market informed of further material developments.

Loan facility

As previously announced the Company is in discussions with a leading Tier 1 Australian bank to assist in the funding of the Mildura facility.

The Company confirms it received a credit approved Term Sheet from that lender for a \$95 million loan facility to assist in funding the original construction scope and timetable for the Mildura facility. That loan facility assumed a total project cost of \$184 million (including the cost of original site acquisition and capital expended to date).

The lender has indicated ongoing in-principle support to the revised construction plan and will evaluate its position on a new Term Sheet following completion of a submission from the Company detailing the revised staging of the project and associated costs.

The Company will keep the market informed on finalised costings for the staged approach and associated debt funding in due course.

For further information please contact:

Peter Crock
CEO
Cann Group Limited
+61 3 9095 7088
contact@cann grouplimited.com

Clive Fanning
Head of Investor Relations
Cann Group Limited
+61 498 000 762
clive.fanning@cann grouplimited.com

Matthew Wright
NWR Communications
+61 451 896 420
matt@nwrcommunications.com.au

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 22.5% shareholding.