



ASX ANNOUNCEMENT

27 April 2018

CANN GROUP MARCH QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C

Highlights

- New research and medicinal cannabis licences and permits allow Cann to continue to scale its business in 2018
- Receipt of export permits from Health Canada, to accompany import permits from the Therapeutic Goods Administration (TGA), enable import of genetics and cannabis oils from Canadian partners to create its own genetics bank
- Aurora Cannabis oils to be made available to medical practitioners seeking medicinal cannabis options
- MOU signed with Under The Tree Biopharmaceuticals to establish an analytics service at Cann's R&D and cultivation facility
- Cann added to the S&P ASX All Ordinaries Index
- Aurora Cannabis' Neil Belot appointed to the Cann Board
- Agreement signed for the design and project management of \$55-\$60M Stage 3 cultivation and manufacturing facility. Site selection underway and advanced.

27 April 2018 – Melbourne-based Cann Group is pleased to report on its activities for the quarter ended 31 March 2018.

During the quarter, Cann received two new licences from the Office of Drug Control (ODC) to enable continuation of its cultivation and production of cannabis for research and medicinal purposes. Cann was required to reapply to the ODC as per current legislation, with the initial licences issued only valid for 12 months.

Cann also received the corresponding permits to these licences, including permits for cultivation relating to research activity, for the maintenance and use of mother plants and importantly, for cultivation and product for supply for therapeutic purposes.

Securing the licences and permits demonstrated Cann's capability as a reliable medicinal cannabis producer during 2017, having successfully completed multiple harvests of material. As well as scaling up its production during 2018, the licences will allow the company to continue its research and work with partners including La Trobe University, Aurora Cannabis, Agriculture Victoria, CSIRO and Anandia Labs.

Cann added to its corporate partnerships in February, when the Company announced it had signed a Memorandum of Understanding (MOU) with Melbourne-based Under The Tree Biopharmaceuticals Pty Ltd (UTT) for cannabis research.

UTT will set up a laboratory and work within Cann's licenced Northern facility in Melbourne where it will develop analytical techniques with a view to providing analytical services to the medicinal cannabis industry in Australia. UTT will establish the service through Australian Cannabis Laboratories, its joint venture with ACS Laboratories (Australia).

The analytical service proposed by UTT continues the push by the Victorian Government to be a leader in medicinal cannabis research. It will allow research into improving analysis of cannabis botanical raw



material, intermediates and finished medicinal cannabis products; development of medicinal cannabis manufacturing techniques for various delivery formulations; and development and implementation of enterprise software to control manufacturing operations and supply chain tracking/traceability.

In March Cann announced it had received export permits from Health Canada, to go with its import permits from the drug control section of the Therapeutic Goods Administration (TGA), enabling Cann to commence the import of genetics and cannabis oils from its Canadian partners.

The receipt of these permits will see Cann begin importing cannabis genetics via tissue culture from Aurora Cannabis and Anandia Labs, which it will use to develop mother plants for Cann's cultivation activities.

The importation of this material will allow Cann to establish a bank of various genetics, facilitating research into the suitability of particular strains for certain therapeutic applications.

In addition, by fostering a plant breeding program, Cann will establish surety around the supply of material moving forward and broaden this supply beyond locally available gene banks.

Cann Group immediately started the process to import the tissue culture, which will enter a quarantine screening process conducted by the Department of Agriculture and Water Resources.

The import permits for cannabis oil will allow Cann to bring four products developed by Aurora Cannabis to Australia, which will be made available to medical practitioners seeking to provide medicinal cannabis to patients under the Special Access Scheme or Authorised Prescriber Scheme.

CORPORATE

Board appointment

On 1 March, Cann announced the appointment of Aurora Cannabis Chief Global Business Development Officer Neil Belot as a Director of the Company. This followed Aurora's participation in Cann's \$60 million placement in which it increased its holding in Cann to 22.9%.

S&P/ASX Indices rebalance

During the quarter, Cann was added to the S&P ASX All Ordinaries Index, with the inclusion becoming effective as of 19 March 2018.

Outlook

Cann is progressing with the site selection process for its Stage 3 cultivation and GMP (Good Manufacturing Practice) manufacturing hub facility. Final design will be dependent on the site selected, but is expected to be approximately 23,500m², with some 14,000m² flowering room capacity. A design and construction services agreement relating to the new facility has been negotiated with Aurora Larssen Projects ("ALPS").

Cultivation is continuing for the Victorian Government, and requirements for the export market are being investigated, as are international offtake agreements.

For further information please contact:

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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")

31 MARCH 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (...9....months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(71)	(85)
(b) product manufacturing and operating costs	(322)	(706)
(c) advertising and marketing	(-)	(-)
(d) leased assets	(1)	(3)
(e) staff costs	(492)	(1,191)
(f) administration and corporate costs	(422)	(1,222)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	308	411
1.5 Interest and other costs of finance paid	(-)	(-)
1.6 Income taxes paid	(-)	(-)
1.7 Government grants and tax incentives	-	43
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,000)	(2,753)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,465)	(3,836)
(b) businesses (see item 10)	(-)	(-)
(c) investments	(-)	(-)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...9....months) \$A'000
	(d) intellectual property	(-)	(-)
	(e) other non-current assets	(-)	(13)
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	(1,465)	(3,849)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	19,283	78,031
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(864)	(3,026)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(-)	(-)
3.7	Transaction costs related to loans and borrowings	(-)	(-)
3.8	Dividends paid	(-)	(-)
3.9	Other (provide details if material)	(-)	(-)
3.10	Net cash from / (used in) financing activities	18,419	75,005

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	66,515	14,066
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,000)	(2,753)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,465)	(3,849)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	18,419	75,005

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...9....months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	82,469	82,469

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	151	213
5.2	Call deposits	5,282	27,766
5.3	Bank overdrafts	-	-
5.4	Other (term deposits)	77,036	38,536
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	82,469	66,515

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**

25

-

Item 6.1 consists of Directors Fees and Superannuation Guarantee contributions.

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**

-

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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 card)	30	7
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	100
9.2 Product manufacturing and operating costs	430
9.3 Advertising and marketing	-
9.4 Leased assets	1
9.5 Staff costs	600
9.6 Administration and corporate costs	460
9.7 Other (payments to acquire plant & equipment)	2,800
9.8 Total estimated cash outflows	4,391

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:
(Company secretary)



Date:27 April 2018.....

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.