



ASX ANNOUNCEMENT

10 March 2021

Cann Group completes acquisition of Satipharm

10 March 2021 – Cann Group Limited (ASX: CAN) (**Cann** or the **Company**) announced today that it had completed the acquisition of the Satipharm business from Harvest One Cannabis Inc.

In accordance with the share sale agreement executed by the parties on 15 February 2021 (and as announced by the Company on that date), the acquisition involves a total maximum consideration of CAD\$4.0m (including conditional deferred consideration of up to CAD\$1.5M).

The initial payment of CAD\$2.5m was completed today by the issue of 4,278,615 new Cann shares, based on the value of the AUD equivalent of CAD2.5 million at an issue price of \$0.602 per share, calculated as the VWAP of Cann's shares during the 5 full trading days on the ASX ending on 9 March 2021.

The balance of up to CAD\$1.5m is payable on a deferred basis on achieving agreed operational and financial results. This deferred consideration is payable by the issuance of further new Cann shares or cash, at the option of Cann Group. A key summary of the arrangements relating to the conditional deferred consideration was included as an annexure to the Company's announcement on 15 February 2021, and for ease of reference is repeated in Annexure 1 of this announcement. The Company still expects that the final element of the conditional deferred consideration will be paid by September 2021.

Authorised for release by the Board, 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.canngrouplimited.com**

Annexure 1 – Summary of deferred consideration arrangements

The deferred consideration is up to CAD\$1.5 million and its elements and payment is subject to the satisfaction of the following conditions:

- CAD\$0.750 million following delivery of the Gelpell Manufacturing Equipment in accordance with the required specifications and satisfactory working conditions to Cann's nominated facility in Australia;
- first earn out payment of up to CAD\$0.250 million linked to an agreed Revenue of the Satipharm business for the 6 months to 30 June 2021 set out in the transaction document – if the actual Revenue for the 6 months to 30 June 2021 is below the agreed Revenue for that period, the first earn out payment will be effectively reduced to an amount equal to an agreed fraction of the actual Revenue for that period set out in the transaction document;
- second earn out payment of up to CAD\$0.250 million linked to Gross Profit of the Satipharm business for the financial year ended 30 June 2021 set out in the transaction document – if the actual Gross Profit for the financial year ended 30 June 2021 is below the agreed Gross Profit for that period, the second earn out payment will be effectively reduced to an amount equal to an agreed multiple of the actual Gross Profit for that period set out in the transaction document;
- third earn out payment payable of up to CAD\$0.250 million linked to an agreed EBITDA loss of the Satipharm business for the 6 months to 30 June 2021 set out in the transaction document – if the actual EBITDA loss for the 6 months to 30 June 2021 is greater than the agreed EBITDA loss for that period, the third earn out payment will be effectively reduced by CAD\$1 for every CAD\$1 that the actual EBITDA loss for that period is greater than the agreed EBITDA loss for that period.

The three financial earn out elements of the conditional deferred consideration described above incentivise revenue outperformance and the minimisation of the EBITDA loss of the Satipharm business for the 6 months to 30 June 2021. The vendor's entitlement to receive each of these earn out elements of the conditional deferred consideration, whether in scrip or cash at the election of Cann, is limited to the conditions or milestones applicable to that earn out element being met (or partly met, in which case the earn out amount for that element will be reduced) during the condition or milestone period applicable to that earn out element.

Each element of the conditional deferred consideration described above is to be paid in new Cann shares or cash at the election of Cann. If Cann elects to pay any element (or all elements) of the deferred consideration in cash, Harvest One has no right to be issued new Cann shares in respect of that element of deferred consideration.

If Cann does not elect to pay each element of the deferred consideration in cash but instead decides to issue new Cann shares, then the number of new Cann shares to be issued for each element of the deferred consideration will be determined as follows:

- following delivery of the Gelpell Manufacturing Equipment, Cann will issue a number of new Cann shares to the value of the AUD\$ equivalent of CAD\$0.750 million at an issue price per share to be based on the VWAP of Cann's shares during the 30 full trading days on the ASX ending on the ASX trading day immediately prior to the date on which delivery of the Gelpell Manufacturing Equipment to the satisfaction of Cann occurs; and
- in respect of each of the three earn out amounts, Cann will issue a number of new Cann shares up to the value of the AUD\$ equivalent of CAD\$0.250 million at an issue price per share to be based on the VWAP of Cann's shares during the 30 full trading days on the ASX ending on the ASX trading day immediately prior to 30 June 2021.