



## ASX ANNOUNCEMENT

30 January 2019

### CANN GROUP DECEMBER 2018 QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C

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#### Highlights

- Cann signs research and development agreement with CSIRO
- Cann secures Victorian Government tender to supply cannabis resin

**30 January 2019** – Melbourne-based Cann Group is pleased to report on its activities for the quarter ended 31 December 2018.

During the quarter, Cann Group signed a broad, three-year agreement with the Commonwealth Scientific and Industrial Research Organisation (CSIRO) to extend its research and development collaboration.

The agreement enables Cann to investigate numerous opportunities across medicinal cannabis technologies. Cann will work with multiple CSIRO business units under the umbrella agreement, which will see technology development activities undertaken for use in the commercial manufacture and sale of medicinal cannabis products. As set out in the agreement, all resulting intellectual property will be owned by Cann.

During the period Cann also secured a contract with the Victorian Department of Health and Human Services (DHHS), through its Office of Medicinal Cannabis (OMC), for the supply of cannabis plant extract (resin). The agreement covers the supply of resin from April 2019 through to 30 June 2020, with commercial terms of the agreement to remain confidential.

The cannabis resin supplied by Cann Group will undergo further purification and processing into a Victorian Government medicinal cannabis product, which will be used to expand the Government's compassionate access scheme for children with severe and intractable epilepsy.

Cann Group's collaborative arrangements with other Victorian Government departments, including the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) which pioneered the cultivation of the cannabis plant and development of an extraction process in Australia, have been crucial in the development of Cann Group's cultivation capabilities.

Cann Group continued engagement with various stakeholders during the period, including attending the CannaTech Conference in Sydney alongside other key personnel from the medicinal cannabis sector both locally and overseas.

Aurora Cannabis' Chief Corporate Officer Cam Battley was in Australia to attend CannaTech, with Cann Group taking the opportunity to conduct a roadshow alongside Mr Battley which yielded excellent engagement with government officials, institutional investors and the medical community.



Mr Battley provided important perspective on the medicinal cannabis industry both in Canada and other international markets.

During the quarter, the company also provided an updated corporate presentation to the market, which can be viewed here: <https://www.asx.com.au/asxpdf/20181030/pdf/43zrvs2j4gsdfr.pdf>

## **Outlook**

The Company continues to focus on building a strong platform that will generate sustainable profits and shareholder value over the long term. Cann is maintaining a science-based focus and is also prioritising investing in the group's expanded capacity and its numerous partnerships and collaborations.

As outlined at the AGM, Cann Group expects to secure an export permit from the Office of Drug Control in the near future. This will allow the Company to set up at scale and access overseas markets while the Australian market continues to develop. Cann expects to take key steps forward as it moves to fulfill its vision to be a market leader in medicinal cannabis products.

Cann Group's major expansion program, Project Tullamarine, continues to evolve with the final design phase recently being completed for a state-of-the-art cultivation space, laboratories and a full GMP manufacturing facility. This allows Cann to complete the tender and final selection process with various contractors and suppliers to be engaged for Project Tullamarine. The company remains on track to commence construction on the facility in the first quarter of 2019, while Cann continues discussions with several parties in relation to potential offtake agreements.

Recently appointed General Manager Commercial Shane Duncan continues to develop the company's commercial and go-to-market strategies, which will result in a significant expansion in patient numbers being addressed by Cann.

### **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 DECEMBER 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (...6..months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1	3
1.2 Payments for		
(a) research and development	(105)	(121)
(b) product manufacturing and operating costs	(568)	(1,303)
(c) advertising and marketing	-	-
(d) leased assets	(1)	(2)
(e) staff costs	(1,178)	(2,324)
(f) administration and corporate costs	(757)	(1,361)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	409	893
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	92
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,200)</b>	<b>(4,123)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,148)	(2,970)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...6..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	<b>Net cash from / (used in) investing activities</b>	<b>(1,148)</b>	<b>(2,970)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
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	-	-
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	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	75,989	79,734
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,200)	(4,123)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,148)	(2,970)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (...6..months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>72,642</b>	<b>72,642</b>

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	489	571
5.2	Call deposits	3,503	2,952
5.3	Bank overdrafts	-	-
5.4	Other (term deposits)	68,650	72,466
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>72,642</b>	<b>75,989</b>

**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**

70

-

Quarterly Director's remuneration

**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. <b>Financing facilities available</b> <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)	30	8
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. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	500
9.2 Product manufacturing and operating costs	650
9.3 Advertising and marketing	-
9.4 Leased assets	1
9.5 Staff costs	1,350
9.6 Administration and corporate costs	750
9.7 Other (acquisitions of plant & equipment)	2,000
<b>9.8 Total estimated cash outflows</b>	<b>5,251</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	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: .....30 January 2019.....

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.