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CANN GROUP LIMITED

ASX ANNOUNCEMENT

21 OCTOBER 2020

CANN GROUP SEPTEMBER 2020 QUARTERLY

ACTIVITIES REPORT AND APPENDIX 4C

Highlights

- **In August Cann substantially strengthened its balance sheet through a capital raising of $40.2m.**
- **The raising was the combination of a $14.3m institutional placement and a $25.9m share purchase plan to existing shareholders.**
- **Both the Placement and the SPP were strongly supported by new and existing shareholders.**
- **The capital raised will be used to support Cann's near term growth plans and the staged construction of the Mildura cultivation facility.**

21 October 2020 – Melbourne-based Cann Group Limited (ASX:CAN) is pleased to report on its activities for the quarter ended 30 September 2020.

Successful capital raising

During the quarter, Cann Group successfully completed a capital raising of $40.2 million to support the Company's business development and growth strategy. On 20 August 2020, the Company reported that it had completed the settlement and allotment of shares pursuant to the share purchase plan offer (**SPP**) announced on Friday, 17 July 2020. The SPP was oversubscribed and the Company received application monies totalling $25.9 million from 2,793 shareholders, reflecting a participation rate of over 14.5% of eligible shareholders. In response to the strong demand from shareholders, the Company decided to increase the size of the SPP by $15.9 million to a total of $25.9 million to enable retail shareholders to participate to the fullest amount.

The completion of the SPP followed the successful completion of the oversubscribed share placement to institutional investors (**Placement**) which was announced on 16 July and raised $14.3 million.

The total amount raised under the Placement and the SPP is $40.2 million (**Capital Raising**) before costs. The net proceeds from the Capital Raising will be used to provide working capital to support the Company's near-term growth plans and provides additional equity that will strengthen the Company's position in terms of securing external debt funding to proceed with the first stage of the Mildura expansion.

Cann Group CEO, Peter Crock, said the strong interest and support from retail shareholders is an endorsement of the Company's strategic growth plans, which remain firmly focused on building a robust, vertically integrated medicinal cannabis business, with an expanding revenue base, and proceeding with the cultivation expansion project at Mildura.

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2020 FY results and presentation

On 27 August 2020 Cann Group released its full year results and hosted a webinar for all shareholders featuring a presentation by CEO Peter Crock. A copy of the presentation can be found on the Company's website here.

Research and development

Whilst many industries were shut down due to COVID 19, Cann Group and its research affiliates were able to continue their important work over the last quarter.

These include projects focussed on increasing the yield and profile of desired cannabinoids and cannabis by improving agronomy with the ARC Medical Agriculture Hub headed by La Trobe University and the study on improving production by CSIRO, whilst Agriculture Victoria has continued the analysis of the Company's cannabis genetics.

The Co-operative Research Centre-Program (CRCP) – "Growing the medicinal cannabis industry-precision farming to pharmaceuticals" – which is co-supported by Commonwealth Department of Industry, Science, Energy and Resources, NSW Department of Primary Industries, Southern Cross University, University of Newcastle and Aglive Pty Ltd, with Cann Group as the main industry partner, has moved into the second year of the program, where Cann has commenced validating promising results at the Northern facility.

Outlook

A key priority for the Company during the next quarter is to work closely with new offtake customers to finalise their specific product and volume requirements and complete related regulatory approvals. The Company is otherwise continuing to operate within the COVID-19 restrictions, ensuring that the health and wellbeing of its employees are maintained.

Authorised for release by the Board of Directors, 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**

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity	
Cann Group Limited	
ABN	**Quarter ended ("current quarter")**
25 603 949 739	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	93	93
1.2	Payments for		
	(a) research and development	(207)	(207)
	(b) product manufacturing and operating costs	(3,603)	(3,603)
	(c) advertising and marketing	(23)	(23)
	(d) leased assets	-	-
	(e) staff costs	(1,672)	(1,672)
	(f) administration and corporate costs	(1,233)	(1,233)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	38	38
1.8	Other (provide details if material)	649	649
1.9	**Net cash from / (used in) operating activities**	**(5,959)**	**(5,959)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(541)	(541)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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)	325	325
2.6	**Net cash from / (used in) investing activities**	**(216)**	**(216)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	40,198	40,198
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,900)	(1,900)
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**	**38,298**	**38,298**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,639	1,639
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,959)	(5,959)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(216)	(216)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	38,298	38,298

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**33,762**	**33,762**

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	33,677	1,554
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	85	85
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**33,762**	**1,639**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	Financing facilities *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (Corporate Credit Cards)	60	20
7.4	**Total financing facilities**	60	20
7.5	**Unused financing facilities available at quarter end**		40
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	**(5,959)**
8.2	Cash and cash equivalents at quarter end (item 4.6)	**33,762**
8.3	Unused finance facilities available at quarter end (item 7.5)	**40**
8.4	Total available funding (item 8.2 + item 8.3)	**33,802**
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	**5.70**

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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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.

Date: ***21 October 2020***

Authorised by: ***The Board of Directors of Cann Group Limited***
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow 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 cash flow 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.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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