



ASX ANNOUNCEMENT

4 DECEMBER 2017

CANN GROUP SUCCESSFULLY COMPLETES PLACEMENT

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- Placement increased to \$60 million from \$50 million to accommodate very strong demand from new and existing institutional investors
- Funding will allow Cann to deliver on strategic objectives, including accelerated expansion plans; clinical evaluation program; and product development/manufacturing
- Major shareholder Aurora Cannabis Inc to increase shareholding to 22.9% (previously 19.9%)
- Fully underwritten Share Purchase Plan (SPP) offer to open on Thursday 14 December 2017 to raise \$10 million
- The Institutional Share Placement and the Share Purchase Plan are both fully underwritten by Canaccord Genuity (Australia) Ltd. PAC Partners Pty Ltd, together with Canaccord, acted as Joint Lead Manager to the Offer

Cann Group Limited (ASX: CAN) (“**Cann Group**” or “**the Company**”) has successfully completed a Placement of fully paid ordinary shares in the Company (“**New Shares**”) at \$2.50 each (“**Placement Price**”) to institutional, sophisticated and professional investors which has raised \$58.7 million. The Placement was expanded to \$58.7 million, from \$48 million (an additional \$10.7 million), following very strong demand from new and existing shareholders, that were both domestic and international. Given the high institutional demand, Cann Group Directors will seek approval from Shareholders to subscribe to New Shares worth a total of \$1.3 million (from \$2 million), bringing the total Placement size to \$60 million. The Shareholder meeting to approve this issue of shares will be held on or about Wednesday 17 January 2018.

Major shareholder Aurora Cannabis Inc (“**Aurora**”) participated in the Placement and has committed to invest a total of up to ~\$26.0 million to achieve a 22.9% shareholding (up from 19.9%) at the completion of the capital raising. Aurora’s commitment will be satisfied through the Placement and placement of shortfall securities in the SPP (to the extent there is a shortfall). In the event there is not sufficient shortfall under the SPP to bring Aurora’s shareholding to 22.9%, the Company will place up to ~\$8.0 million to Aurora to achieve a 22.9% shareholding.

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The raising of up to an additional ~\$18 million (including the additional \$10.7 million as set out above and the estimated proceeds from the issue of additional New Shares to Aurora to ensure a 22.9% shareholding) will enable the Company to immediately move ahead with the planned phase 3 expansion, while allowing additional involvement in and support for clinical trial activity, and further development of product manufacturing capabilities. In addition, the increased level of funding will facilitate progress on further expansion plans as demand for medicinal cannabis continues to build.

The Share Purchase Plan will be available to eligible retail shareholders who were registered as Cann shareholders at 7.00pm (AEDT) on Wednesday 29 November 2017. The SPP will allow each of those shareholders to subscribe to a maximum of \$15,000 of additional New Shares at the Placement Price to raise up to \$10 million.

The total underwritten amount by Canaccord Genuity (Australia) Ltd ("**Canaccord**") remains at \$60 million, consisting of the original Placement size of \$50 million (which includes the New Shares placed to Cann directors) and the \$10 million of SPP (together the "**Offer**"). Canaccord acted as Bookrunner and Underwriter to the Offer. PAC Partners Pty Ltd, together with Canaccord, acted as Joint Lead Manager to the Offer.

Cann Group Chairman Allan McCallum said the Company is delighted with the response to the Placement offer and the support it has received from both new and existing shareholders, including Aurora.

"The response is a strong vote of confidence in the Company and the opportunity we have to capitalise on the value that will be generated from the growth of the medicinal cannabis market.

I am particularly encouraged that existing institutional shareholders supported the offer to such a strong extent, and it is also pleasing that we have been able to bring a number of new, high quality institutions onto our register."

Cann Group CEO Peter Crock said the opportunity to increase the size of the Placement and raise additional funding places the Company in a very strong position to accelerate plans to substantially expand cultivation capacity; to support additional clinical trial activity; and to establish its product development and full GMP manufacturing capabilities.

"We can now move ahead with full certainty on our phase 3 expansion program, which includes the development of a 16,000m² greenfield facility, incorporating some 9,600m² of flowering production area. In addition, we can progress plans for the development of further production sites located on a strategic basis to help mitigate production-related risks."

Mr Crock said the expanded capacity will enable Cann to serve the Australian market with a reliable supply of high quality, safe and innovative medicinal cannabis products, and will position the Company to take full advantage of export opportunities, should the Federal Government open export markets to Australian producers.

"The export opportunity is now being evaluated by the relevant authorities and I expect an announcement in the near future."

Mr Crock said the capital raising places Cann in a very strong financial position, with total funds raised expected to be up to ~ \$78 million.

"Leading into 2018 and beyond, the Company will continue to deliver on its strategic objectives and milestones, with an immediate focus on the phase 3 expansion program."

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Next steps in Capital Raising¹

The completion of this aspect of the Placement as set out above, represents the first stage in the capital raising process.

The SPP offer is expected to open on Thursday 13 December 2017 to eligible retail shareholders who were registered as Cann shareholders in Australia and New Zealand as at 7.00pm (AEDT) on Wednesday 29 November 2017, and will close on Monday 15 January 2018.

The SPP is subject to the terms to be set out in an SPP Offer Booklet, which will be lodged with ASX and sent to eligible Cann shareholders in due course.

A Shareholders Meeting to consider and approve the Directors Placement of 520,000 New Shares at the Placement Price to raise up to \$1.3 million is expected to be held on or about Wednesday 17 January 2018.

The final stage of the capital raising, upon completion of the SPP, will be the allotment of such number of shares as are required to top up Aurora to achieve a 22.9% shareholding in Cann, which is expected to be completed on or about Wednesday 24 January 2018.

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About Cann

Cann 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 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 – Canada's second largest listed medicinal cannabis company – is a cornerstone investor in Cann, with a 19.9% shareholding.

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¹ Please note that dates and times are indicative only and are subject to change at the discretion of Cann Board.

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This announcement contains certain forward-looking statements about Cann. The “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “continue”, and “guidance” and other similar expressions are intended to identify forward-looking statements. Forward-looking statements in this announcement include statements regarding: statements regarding plans, strategies, growth initiatives and objectives of management, anticipated production capacity, timing, expected costs or production outputs for Cann and the future operation and financial performance of Cann. Forward-looking statements, including projections and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including Cann). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. Actual results, performance or achievement may vary materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward looking statements and Cann assumes no obligation to update such information.

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