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ASX ANNOUNCEMENT

26 July 2021

Cann Group announces capital raising of up to \$20 million to secure substantial cost savings and accelerate growth opportunities

- Funding to support investment in further integration of supply chain and expanded production capabilities
 - New investment expected to deliver substantial cost savings, including:
 - a ~60% reduction in manufacturing COGS for proprietary Gelpell products
 - up to \$23 million per annum¹ in cost savings associated with extraction processes at full capacity
 - Additional resources to be allocated to Satipharm marketing and distribution in UK/Europe and to accelerating registration program for low dose OTC CBD product in Australia
 - Commissioning program now underway at new Mildura facility
 - Capital raising comprises:
 - \$10.0m institutional placement, with Cann Directors subscribing for approximately \$1 million in new shares
 - Placement Price of \$0.275 representing a 27.6% discount to the Company's closing price ending on 21 July 2021, the last trading date prior to the pricing of the placement
 - A Share Purchase Plan (SPP) of \$10m (subject to shareholder approval), with new shares to be issued at the same price as the placement price
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26 July 2021 – Cann Group Limited (ASX: CAN) (**Cann** or the **Company**) today announced an institutional placement (**Placement**) and a Share Purchase Plan (**SPP**) (which will be subject to shareholder approval) to raise a total of \$20 million (**Capital Raising**).

The proceeds from the Capital Raising will be used to invest in initiatives which are expected to deliver substantial cost savings as Cann moves to large scale production with the commissioning of its new manufacturing facility near Mildura. Funding will be used to expedite and strengthen Cann's in-house extraction, laboratory and manufacturing capabilities, which are expected to de-risk Cann's supply chain and lower COGS by reducing the Company's reliance on third party manufacturers and service providers.

¹ Assumes in-house extraction at full capacity (12,500 kgs) of initial production stage compared to current external cost base

Proceeds will also be used to expand and grow the Company's wholly-owned subsidiary business, Satipharm, including fast-tracking the preparation of applications to register Satipharm's low-dose CBD capsules on the Australian Register of Therapeutic Goods classed as Schedule 3 (Pharmacist Only Medicine). Satipharm's low-dose CBD capsules incorporate proprietary "Gelpell" technology and access a significant market opportunity.

Recent progress consistent with strategic objectives

Since Cann completed its successful capital raise in August 2020, the Company has continued to pursue its strategic objective of consolidating its leadership in the Australian medicinal cannabis industry and leveraging a combination of technology and scale to become a significant supplier to markets around the world. In support of that objective, Cann has achieved several important milestones over the past 12 months. These have included:

- Securing a \$50 million bank debt facility with NAB for construction of the Mildura facility;
- Securing the necessary regulatory licences from the Office of Drug Control for the Mildura facility;
- Shipping of orders to UK supply partner, Astral;
- Strategic investment in German company, iuvo Therapeutics, and shipment of more than 20,000 units to iuvo for distribution in the German market;
- Acquisition of Satipharm, which includes distribution of Satipharm products through major pharmacy chains in the UK, and initiating registration process for low-dose over-the-counter CBD product in Australia;
- Supply of medicinal cannabis for a clinical trial in advanced cancer patients; and
- Progressing the construction of the state-of-the-art production facility at Mildura, with laboratory commissioning underway, installation of the extraction and manufacturing suite underway and cultivation activity scheduled to commence before the end of the calendar year.

The acquisition of Satipharm has provided Cann with a springboard for growth in both the low-dose CBD market, as well as the broader medicinal cannabis market. Satipharm branded low-dose CBD capsules are currently distributed in the UK via leading pharmacy chains and distribution pathways have been established in some European markets and Argentina. These products are also available in Australia on a prescription-only basis and recent sales growth has been promising.

Proposed use of funds

Cann intends to deploy funds secured from the Capital Raising to invest in projects and activities which are expected to accelerate the Company's growth and generate substantial cost savings, enabling Cann to compete more effectively in global markets. Key uses of funds raised include:

- An investment in the upgrading of the current Southern production facility to enable dried flower to be packed to cGMP standard, delivering a substantial cost saving over third-party supply;
- Expediting the installation and commissioning of the Gelpell manufacturing line at Mildura, enabling expansion into the manufacture of THC-containing capsules, significant cost savings and an ability to supply products through both domestic and export pathways;

- Expediting the establishment of a cGMP laboratory at the Mildura production facility, enabling in-house quality control, lower testing costs and reduced testing timelines;
- Inclusion of large-scale cannabis extraction capability at Mildura, providing a major cost-saving versus external extraction;
- Expansion of Satipharm marketing and distribution in the UK/Europe to support higher near term revenue targets; and
- Funding the registration costs of the S3 low-dose CBD capsule in Australia, with the aim of being first to market.

Cann's CEO, Peter Crock, said: *"With the commissioning of a number of important components of the Mildura facility to be underway over the balance of this calendar year, we are confident in our ability to secure and supply additional geographic markets and market segments over the next 12 months. The Mildura facility provides the Company with a platform for sustainable and profitable growth as we scale up with improved supply chain security and a reduced reliance on third parties."*

"We expect that the funding we are seeking via this capital raising will be sufficient to support our operations and expansion as we build our revenue base and move towards sustainable profitability."

"While the past 12 months presented significant challenges in terms of COVID-related delays – particularly on the regulatory front – the Company has generated in excess of \$4.2 million² in revenues and has established key supply partnerships here in Australia and overseas."

Details of Capital Raising

Placement

The Company has received firm commitments from sophisticated and institutional investors to raise \$10.0 million (before costs) by way of a private placement (**Placement**). Cann will issue 36,363,636 new fully paid shares (**New Shares**) at an issue price of \$0.275 per New Share (**Placement Price**), which represents a 27.6% discount to the closing price of Cann shares on 21 July 2021, being the last trading date before the Placement, and a 28.4% discount to the 10-day VWAP prior to that date.

The Company received strong interest from new and existing investors, resulting in oversubscriptions for the Placement. The Placement was limited to \$10.0 million based on the Company's existing placement capacity.

New Shares issued under the Placement will be issued under Cann's available capacity pursuant to ASX Listing Rule 7.1.

Directors of Cann have elected to participate in the Placement and have subscribed for 3,890,912 New Shares to raise \$1,070,000. As the directors are related parties of the Company, the issue of these shares will be subject to shareholder approval under ASX Listing Rule 10.11, to be sought at an extraordinary general meeting (**EGM**) of the Company, expected to be held in early September 2021.

² Unaudited estimate of product sale revenues for the period July 1 2020 to June 30 2021.

Proposed Share Purchase Plan

The SPP will seek to raise \$10.0 million, and the issue price under the SPP will be \$0.275, which is equal to the issue price in respect of New Shares applied for under the Placement. To enable the SPP to proceed at the same issue price as the Placement, and given the Placement will utilise all of Cann's placement capacity under ASX Listing Rule 7.1, Cann will be seeking shareholder approval to conduct the SPP. Further details of the terms of the proposed SPP will be set out in a Notice of Meeting for the EGM. Assuming that shareholders approve the SPP, the SPP offer will be undertaken as soon as possible after the EGM.

Timeline

Key dates for the Placement are set out below:

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|--|------------------------|
| • Settlement of Placement New Shares | Wednesday 28 July 2021 |
| • Allotment and normal trading of New Shares | Thursday 29 July 2021 |

Key dates for the SPP will be confirmed if the SPP is approved by shareholders at the EGM.

Lead Manager and Corporate Advisers

PAC Partners Securities Pty Ltd (**Lead Manager**) has led the Placement on behalf of Cann and marketed the Placement to Australian sophisticated and institutional investors. MA Moelis Australia Advisory Pty Ltd (**Moelis Australia**) also assisted the Company with the Capital Raise.

Authorised for release by the Board of Directors of 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. Cann also owns Satipharm, a Europe-based business exclusively licensed to manufacture, develop and market the proprietary Gelpell delivery system for cannabinoids. Cann has established research and cultivation facilities in Melbourne and is developing a state-of-the-art cultivation and manufacturing facility near Mildura, Victoria. Cann Group has established 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 at: www.canngrouplimited.com | www.satipharm.com