



**CANN**  
GROUP LIMITED

ANNUAL REPORT 2019

ADVANCING THE CAUSE

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## DIRECTORS

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**Mr Allan McCallum** (Chairman)

**Mr Philip Jacobsen** (Deputy Chairman)

**Mr Douglas Rathbone**

**Mr Geoffrey Pearce**

**Mr Neil Belot**

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### CANN GROUP LIMITED

and its controlled entities

ABN 25 603 949 739

### ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Note: to be read in conjunction with the  
Appendix 4E: Preliminary Final Report lodged  
with the Australian Securities Exchange on  
27 August 2019.

## CORPORATE INFORMATION

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These are the full financial statements of Cann Group Ltd (the **Company**) and its subsidiaries, including Cannproducts Pty Ltd (incorporated and domiciled in Victoria, Australia), Cannoperations Pty Ltd (incorporated and domiciled in Victoria, Australia), Cann IP Pty Ltd (incorporated and domiciled in Victoria, Australia) and Botanitech Pty Ltd (incorporated and domiciled in Victoria, Australia), (together, the Group). These financial statements are for the year ended 30 June 2019. Unless otherwise stated, all amounts are presented in \$AUD.

A description of the group's operations and of its principal activities is included in the review of operations and activities in the attaching directors' report.





# PROGRESSING THE PLAN

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FIVE-YEAR OFFTAKE  
AGREEMENT WITH  
AURORA CANNABIS

FOCUS ON STRATEGIC  
PARTNERSHIPS &  
RESEARCH

**LARGE-SCALE  
CULTIVATION  
FACILITY UNDER  
CONSTRUCTION  
IN MILDURA**

MANUFACTURING  
PARTNERSHIP WITH  
IDT AUSTRALIA FOR  
CANNABIS-BASED  
PRODUCT  
FORMULATIONS

AUSTRALIA'S  
MOST  
EXPERIENCED  
CULTIVATOR  
OF MEDICINAL  
CANNABIS

**DHHS CANNABIS  
RESIN CONTRACT**

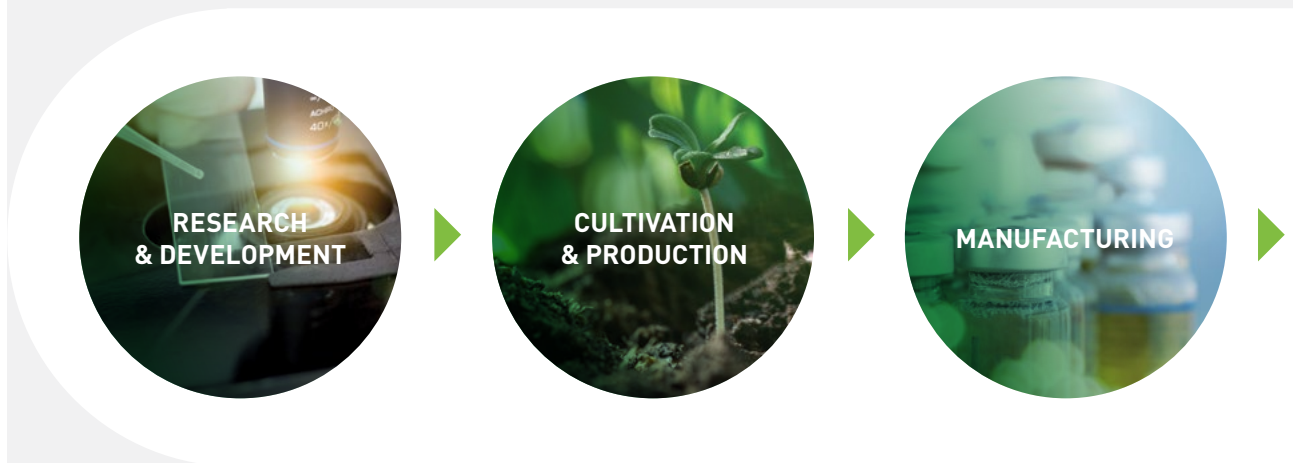
FIRST SIGNIFICANT  
REVENUES FROM  
MEDICINAL  
CANNABIS SALES



# BUSINESS MODEL AND THE INDUSTRY VALUE CHAIN

## A FULLY INTEGRATED BUSINESS MODEL BUILT FOR GROWTH

CANN'S COMPETITIVE STRENGTHS LIE IN THESE SEGMENTS OF THE VALUE CHAIN ...



- Accessing and storing elite genetics and tissue culture program
- Developing 'next generation' cannabis strains
- Internal R&D capabilities supplemented with key partnerships & collaborations
- Product development program to deliver innovative product forms

- Secure indoor grow rooms and glasshouse cultivation facilities
- Ongoing programs to establish optimised growing conditions
- Importation and propagation of new international genetics
- Expansion program underway involving new facility

- Leading extraction & analysis technology
- Formulations and delivery systems
- Value-added and higher margin treatments in development
- Robust GMP manufacturing standards

... WITH A CLEAR PATHWAY TO SECURE INVOLVEMENT IN THESE SEGMENTS



- Active Medicinal Cannabis Medicines Portal
- High volume export capability
- Australian pharmacy distribution

- Evolving clinical trial program
- Medical education and community awareness initiatives
- Partnership with Medicinal cannabis clinic

After listing on the ASX in May 2017, Cann Group has established itself as a leader in the quickly evolving medicinal cannabis industry in Australia.

The company is pursuing a fully integrated business model, with resources and capabilities spanning research & development; cultivation & production; manufacturing; packaging & distribution; clinical evaluation; and distribution/supply to patients in both Australia and in export markets where a legal framework exists for medicinal cannabis treatment.

In the 2019 financial reporting period, Cann Group continues to secure positions across the full value chain, through its own investments and via important collaborations and partnerships that will add significant value to the company's business plans.



The Olivia Newton-John Cancer Research Institute is integrated within the ONJ Cancer Centre and is a leader in the development of immunotherapies, targeted therapeutics and personalised cancer medicine.

Our research laboratories are only metres away from where patients are cared for and receive treatment. This inspires, and enables the rapid translation of scientific discovery into clinical trial of new and better cancer treatments.

Olivia Newton John's personal experience has made her a strong advocate for the legalised use of medicinal cannabis to help treat cancer-related pain. Cann Group is working with the ONJ to explore opportunities to undertake clinical research that will help establish the benefits of medicinal cannabis treatment and optimum treatment regimes.

# MESSAGE FROM CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the 2019 financial year, Cann Group continued to execute on its growth strategy and consolidated its position as Australia's leading medicinal cannabis company.

Over the 12-month period, we secured important additional regulatory approvals; acquired the site for our major production expansion near Mildura and entered into a valuable offtake agreement with our strategic shareholder, Aurora Cannabis Inc. Cann Group was also the first company in Australia to supply locally sourced and commercially grown medicinal cannabis resin for use by Australian patients and we entered into a manufacturing agreement with Melbourne-based IDT Australia which ensures we have a fully integrated pathway from cultivation through product development and manufacturing to patient supply.

The regulatory licences are now in place to allow Cann Group to import and export product and to manufacture product at its two existing facilities. With IDT also securing a manufacturing licence, we now have significant flexibility as we progress our product development program.

After a considered review, the decision was taken to relocate our planned state-of-the-art cultivation and production facility from the Tullamarine precinct to a site near Mildura in regional Victoria. This site offers a number of important advantages including the provision of important ancillary services and the ability to capitalise on local climatic conditions which will reduce production costs. Site works are now underway and we remain on course to commission the facility in the third quarter of calendar year 2020.

The investment risk associated with the expansion plans have been underwritten via an offtake agreement with Aurora which involves the supply of GMP processed products through until 2024. Importantly, this agreement is structured to ensure Cann Group meets Australian domestic demand before committing product for export supply to Aurora.

The Company also made a number of strategic investments during the year. Our minority investment in Pure Cann NZ Limited gives Cann Group a broader regional position, with anticipated regulatory changes in New Zealand expected to legalise medicinal use in that country in the near future.

We have also made a small strategic investment in Emerald Clinics, which plans to establish a network of independent medicinal cannabis clinics throughout Australia.



Our confidence to continue these expansion and commercial investment initiatives is underpinned by consistent success in our plant genetics and cultivation programs. We remain focused on producing high quality product that will address the varying needs of patients here in Australia and in markets elsewhere.

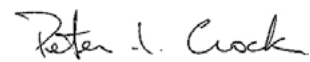
The past year has seen an increase in the number of industry participants. Cann Group has played a leadership role in the formation of a peak industry group in Australia that is promoting high industry standards and promoting greater awareness of the benefits of medicinal cannabis to a range of stakeholders including Government, the medical community and consumers generally.

We are encouraged to see an ongoing commitment on the part of the Federal Government to streamline approval processes and improve access for patients who can benefit from medicinal cannabis treatment.

As we look ahead, the next 12 months will be an important and exciting time for Cann Group. The construction of the Mildura facility and the continued development and supply of our products will be key priorities. We look forward to keeping you, our shareholders, updated on progress across those and other fronts as the year unfolds.



**Allan McCallum**  
Chairman



**Peter Crock**  
Chief Executive Officer



# OPERATIONS REVIEW

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## Production

Cann Group Limited (“Cann”) has continued harvesting medicinal cannabis at its Southern and Northern facilities in Melbourne during the year with more than 40 harvests now having been completed from a base of genetics that now includes 24 imported varieties.

In addition to this Cann Group harvested its first large scale crop of internationally sourced genetics, as the Company continues to expand its capabilities as a commercial medicinal cannabis cultivator.

As the existing facilities continue to operate at full capacity, harvested material at the Southern facility is being supplied for manufacture of resin for reformulating and supply to the Victorian Government Department of Health. Harvested material from the Northern facility supports several research programs being conducted by Cann both independently and with third party research organisations.

## Facilities

During the year Cann announced the purchase of a site in Mildura, North West Victoria, for the Company’s third planned facility, a state-of-the-art greenhouse for large scale cultivation and production of medicinal cannabis.

Groundworks have commenced at the site in addition to remodeling of the existing manufacturing area, while the first prefabricated elements required for the greenhouse structure have arrived from Cann’s supplier in the Netherlands. The Mildura site is well serviced with power, gas and other necessary amenities, including provisions for wastewater treatment.

The new greenhouse facility is expected to have a production capacity of up to 50,000 kilograms of dry flower per annum and is expected to be fully commissioned in the third quarter of calendar year 2020. The project will be funded with a mix of debt and existing cash reserves. Currently, incorporation of design enhancements and scope changes from Aurora Larssen Projects are being finalised.

When completed, it is expected that the greenhouse will be the largest purpose-built medicinal cannabis production facility in Australia. The raw cannabis flower produced at the Mildura site will be processed by Cann’s manufacturing contractor IDT Australia into downstream products ready for supply to Australian patients and exports.

When fully operational, the expanded production capacity will have the ability to generate annual revenues of approximately \$160 million to \$200 million based on the current wholesale price of cannabis dry flower.

During the year Cann negotiated for, and in July 2019 completed the purchase of its Southern facility site in Melbourne, having previously leased the property.

During August 2018, Cann and IDT Australia (“IDT”) executed a manufacturing agreement that will see IDT provide manufacturing support in relation to medicinal cannabis-based product formulations intended for supply to patients in Australia and overseas.

Following IDT receiving its manufacturing license from the Office of Drug Control (ODC) the company installed Cann’s supercritical CO<sub>2</sub> extraction equipment required for the processing of medicinal cannabis, with an audit required by the Therapeutics Goods Administration (TGA) also successfully completed.

Commissioning and validation works are now underway with IDT preparing to be the key manufacturing partner in relation to Cann’s cannabis-based product formulations intended for supply both locally and overseas.

## Regulatory

Cann benefited from several important updates to its regulatory position during the year.

Shortly after year end, the ODC approved manufacturing licenses for Cann Group’s existing Northern and Southern medicinal cannabis facilities in Melbourne. The licenses relate to the manufacturing, packaging, storage, transport and disposal of medicinal cannabis in final dose and intermediate forms. Cann Group now holds all cultivation, production and manufacturing licenses under the Narcotics Drug Act, along with import and export licenses under the Customs Act.

In May it was also announced that IDT had been granted a medicinal cannabis manufacturing licence by the ODC, which was another key step given the manufacturing arrangement Cann established with the Melbourne-based pharmaceutical manufacturer.

In late June Aurora Cannabis received an import permit from Health Canada for cannabis cultivated by Cann Group. The permit enables Cann to deliver medicinal cannabis material for process validation purposes. Cann Group has delivered material to IDT for GMP testing, labelling and packing before it is exported to Aurora.

## Commercial

The Victorian Government has taken delivery of the first Australian sourced and commercially grown cannabis resin for use by Australian patients. The cannabis resin was extracted from dry cannabis flower produced at Cann Group’s Southern Facility in Melbourne as part of the Company’s supply contract with the Victorian Department of Health and Human Services (DHHS), announced in October 2018.

Pivotal to Cann’s ability to cultivate at scale, Cann secured an offtake agreement with Aurora Cannabis that will

# OPERATIONS REVIEW (CONTINUED)

see Good Manufacturing Practice (GMP) processed dry flower, extracted resin and manufactured medicinal cannabis products supplied to Aurora by Cann until 2024. This covers Cann's full current and planned production capacity beyond that produced for domestic needs.

Canada-based Aurora hold a strategic 22.54% shareholding in Cann and is one of the world's largest and fastest growing cannabis companies, with funded capacity in excess of 625,000kg per annum and sales and operations in 24 countries across five continents.

Cann marked a significant milestone in August 2018 by supplying the first patient with Aurora cannabis oil through the Therapeutic Goods Administration (TGA) Special Access Scheme.

Cann acted as a sponsor to import the first products from its strategic partner and major shareholder, with the product supplied being 'Aurora 1:1 Drops' comprising an equal ratio of THC and CBD.

## Partnerships and Research

Cann Group completed a strategic investment in New Zealand based medicinal cannabis company, Pure Cann NZ Limited in April 2019. Pure Cann is rapidly establishing itself as a leading player in the NZ market and is anticipating regulatory changes that will permit the cultivation and broader supply of its medicinal cannabis in New Zealand.

Cann Group's strategic investment of NZ\$6 million in Pure Cann secures a 20% ownership stake, accruing over stages, with an option to increase that position to 30%.

Following the investment Cann Group and Pure Cann entered into a Technical Service Agreement (TSA) with the primary objective of accelerating Pure Cann's growth plans and path to market. The TSA provides for the mutual exchange of intellectual property between Cann Group and Pure Cann and the companies will work together to capitalise on the growing domestic demand for medicinal cannabis in New Zealand.

During August 2018, Cann signed a Memorandum of Understanding with Agriculture Victoria to undertake further medicinal cannabis research. Cann and Agriculture Victoria's areas of focus will include activities relating to medicinal cannabis cultivation, medicinal cannabis extraction, cannabis strain genome analysis and strain identification, accelerated precision breeding, and development of novel and designer medicinal cannabis strains that will add to Cann's growing intellectual property portfolio.

Another R&D collaboration was executed with the CSIRO, with the broad three-year agreement 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. All resulting intellectual property will be owned by Cann Group.

Cann welcomed news from Federal Education and Training Minister Simon Birmingham that government funding would help establish Australia's first research hub for medicinal agriculture at La Trobe University's Bundoora campus in Melbourne. Cann is an industry partner to the project.

Cann completed a \$250,000 investment in independent medicinal cannabis clinic group Emerald Clinics. The investment formed part of a \$2.5 million capital raising completed by Emerald to support the ongoing national roll-out program of its clinics.

Emerald's focus is to provide high-quality care and improve clinical outcomes for patients who are seeking to manage conditions such as chronic neuropathic pain. Emerald opened its first clinic in Subiaco, Perth in December 2018, and second clinic in Woolloomooloo, Sydney in early February 2019.

Patients referred to Emerald Clinics undergo a thorough medical examination to ascertain their clinical history and suitability for medicinal cannabis. If deemed appropriate, the clinician will develop a cannabinoid treatment plan with the patient.

## Outlook

Progressing the construction and development of the new Mildura facility will remain a major focus for management, as Cann Group accelerates toward operating at scale.

The debt funding required for completion of the facility has progressed well and is expected to be confirmed in due course.

The Company expects to commence exports under the supply and offtake agreements with Aurora Cannabis. At present, Cann Group is assessing and testing available export pathways for medicinal cannabis product which will allow the Company to meet domestic demand and validate its supply chain and export procedures while the new Mildura facility is constructed and commissioned.

Cann Group will continue progression towards the establishment of its third-party GMP product manufacturing capability with IDT, enabling production of value-added formulations which can be supplied to Australian patients, and under the offtake agreement with Aurora.

In line with this the Company is maintaining a focus on its commercial strategy including planned delivery of product to Australian patients and involvement in clinical studies.



# DIRECTORS' REPORT

Your directors present their report on the Group for the year ended 30 June 2019.

## Information on Directors

The names and details of the directors in office during the year and until the date of this report are as follows. Directors have been in office for this entire year unless otherwise stated.

### Allan McCallum,

*Dip. Ag Science, FAICD (Non-executive Chairman)*

Allan has broad experience as a public company director in agribusiness and healthcare who has strong ethics, proven leadership capabilities and extensive experience in strategy development and implementation and mergers and acquisitions. Allan is the current Chair of Tassal Group Ltd (ASX TGR) from 7 October 2003 Australia's largest producer of Atlantic salmon. His previous board roles include Medical Developments International Ltd (ASX MVP) from 27 October 2003 to 17 December 2018, Incitec Pivot Ltd (ASX IPL) from 30 January 1998 to 19 December 2013 and Graincorp Ltd (ASX GNR) from 26 February 1998 to 26 August 2005.

**Director since** 30 January 2015

**Special Responsibilities** – Member of Audit and Risk Committee and Chairman of the Remuneration and Capital Committees

#### Interest in Shares

5,580,000 Ordinary Shares

### Philip Robert Nicholas Jacobsen,

*CPA (Deputy Chairman)*

An experienced public company director, he co-founded Premier Artists in 1975 and The Frontier Touring Company in 1979. He serves as a director of Liberation Music, Premier Artists, The Harbour Agency and Jacobsen Bloodstock. Former Chair of MCM Entertainment Group, Philip brings to the Board a 45 plus year history of applying solid fiscal accounting perspectives to an emerging business model in a constantly changing, high demand market place.

**Director since** 30 January 2015

**Special Responsibilities** – Chairman of Audit and Risk Committee and Member of the Remuneration Committee

#### Interest in Shares

4,094,518 Ordinary Shares

### Douglas John Rathbone,

*AM, FATSE, FI ChemE, ARMIT B Comm, TTC*

An experienced public company director, he is the former Managing Director and CEO of Nufarm Limited (ASX NUF) from 21 August 1987 to 4 February 2015 – an ASX 200 listed company and is a former Board member of the FERNZ Corporation and the CSIRO. He Chairman of the Rathbone Wine Group, Director of Cotton Seed Distributors, Leaf Resources Ltd (ASX LER) from 1 November 2016 and Chairman since 1 April 2018, Go Resources, Queenscliff Harbour Pty Ltd and AgBiTech. He is also a former member of the RABO Bank Advisory Board, an Honorary Life Governor of the Royal Children's Hospital and a former Director of the Burnett Centre for Medical Research. Doug brings to the Board experienced management and corporate governance skills together with a passion to grow the business having successfully transformed Nufarm to become one of the world's leading crop protection and seed companies with an extensive global footprint

**Director since** 16 March 2015

**Special Responsibilities** – Member of Audit and Risk, Remuneration and Capital Committees

#### Interest in Shares

2,331,185 Ordinary Shares

### Geoffrey Ronald Pearce

Geoff is a successful entrepreneur and businessman with more than 40 years' experience in the personal care industry. He established and owned Scental Pacific Pty Ltd and grew the business to become Victoria's largest manufacturer of personal care products before selling it to the Smorgon Family. He later built a contract manufacturing business, Beautiworx Australia Pty Ltd, which was also sold. Geoff currently owns The Continental Group, which supplies pharmaceutical packaging and raw materials and has developed alliances with some of the world's leading herbal extract manufacturers. He has extensive experience in areas including manufacturing, procurement, distribution and regulatory affairs. He is Chairman of Probiotec Ltd (ASX PBP) since 28 November 2016 and a Director of McPherson's Limited (ASX MCP) since 20 February 2018.

**Director since** 11 April 2016

**Special Responsibilities** – Member of Audit and Risk, Remuneration and Capital Committees

#### Interest in Shares

1,554,195 Ordinary Shares

# DIRECTORS' REPORT (CONTINUED)

## Neil Belot

Neil is presently the Chief Global Business Development Officer of Aurora Cannabis Inc. ("Aurora") responsible for developing and executing business opportunities on behalf of Aurora to create shareholder value and drive long term growth utilising his comprehensive knowledge of the global regulated cannabis industry, commodity markets, cannabis cultivation, stakeholder relations, branding and marketing. He has also held the position of Chief Brand Officer at Aurora with responsibility for strategic and operational oversight of sales, marketing, client and stakeholder relations, digital technology and business development. Prior to his roles with Aurora Neil was an Executive Director of the Canadian Medical Cannabis Industry Association and the Gas Portfolio and Energy Services Manager at the Housing Services Corporation, both Canadian entities. He has post-graduate qualifications including Masters of Business Administration in Finance and International Exchange obtained from Dalhousie University (Nova Scotia, Canada) and the Copenhagen Business School (Denmark) and graduate qualifications of a Bachelor of Business Administration from Acadia University (Nova Scotia, Canada).

He is a Canadian citizen.

**Director since** 26 February 2018

**Special Responsibilities** – Nil

**Interest in Shares** – Nil (nominee Director of Aurora Cannabis Inc.)

## Chief Executive Officer

### Peter Crock,

*CEO, B.Ag.Sci (Hon); MBA*

Peter is an experienced public company senior manager with deep knowledge and expertise in marketing and technology development. Since joining Cann Group in May 2016, Peter has reset the business plan as directed by the board and led the company through a successful initial public offering (IPO) to list on the Australian Securities Exchange (ASX), raising \$13.5 million while bringing outstanding institutional and cornerstone investor support. This was followed by a subsequent \$70m+ capital raising within the same year to accelerate the company's expansion program. In a 28-year career at Nufarm Limited (ASX: NUF), Peter held senior management roles in marketing, business development, and information technology and led Nufarm's new technologies division which involved the licensing and commercial development of several new agribusiness technologies. He has project managed the successful integration of newly acquired businesses and has extensive experience working with regulators in Australia and overseas.

## Company Secretary and Chief Financial Officer

### Richard Baker,

*M.Commrcl Law, B.Ec., FGIA, CPA*

A senior experienced Financial Controller and Company Secretary, with extensive ASX experience, in terms of governance, capital raisings and reporting including implementing internal controls, accounting and ERP systems in established and start-up enterprises. He has had public practice experience in business services, taxation and audit to a diverse range of clients involved in FMCG, manufacturing, professional services and transport and gained a variety of experience as Financial Controller with previous employers including mineral exploration, import and distribution, FMCG and professional consulting.

## Dividends

No dividends have been paid or have been recommended during the year.

## Principal Activities

The principal activities of the Group during the year consisted of cultivation of medicinal cannabis for both medicinal and research purposes pursuant to the licenses and permits issued to Group members and commercialising the outputs for medicinal uses, as well as developing Cann's cannabis cultivation technology of controlled growing environments with a view to substantially increasing capacity of the growing environments. Cann also actively sought and entered in various agreements with strategic collaborators to further commercialisation of Cann's outputs for medicinal purposes.

No significant change in the nature of these activities occurred during the year.

## Operating Results for the Year

The Group made an operating loss of \$10.93 million for the year ended 30 June 2019 (2018: \$4.73 million).

The Group's basic and diluted loss per share is \$0.078 (2018: \$0.038). The Weighted Average number of Shares used to calculate the basic and diluted earnings per share is 139,689,868 (2018: 125,281,943).

The net assets of the Group are \$77.30 million as at 30 June 2019 (2018: \$85.87 million).

For further detail please refer to the Message from Chairman and Chief Executive Officer and the Operations Review which forms part of this annual report.

# DIRECTORS' REPORT (CONTINUED)

## Significant Changes in the State of Affairs

### Offtake agreement signed with Aurora Cannabis Inc.

The Group signed a five-year offtake agreement to supply Good Manufacturing Process (GMP) processed dry flower, extracted resin and manufactured medicinal cannabis products. The offtake agreement relates to the Group's production in excess of Australian supply requirements.

The offtake agreement includes a price review mechanism and allows for the inclusion of further product forms (subject to mutual agreement) as these products are developed by Cann.

This agreement is expected to underpin the investment risk and the value to be generated from Cann's large-scale cultivation expansion program in Mildura, and is expected to assist Aurora in its endeavours with meeting the growing global demand for GMP grade medicinal cannabis products.

### Mildura facility

During the year the Group's major expansion program led to the acquisition of acquiring a site at Mildura in Victoria for construction of a facility comprising a world scale greenhouse and associated support areas.

Cann has completed siteworks and commenced construction of the facility, which is expected to produce 70,000kg of medicinal cannabis dried flower per annum. Based on current wholesale prices the Group expects to generate annual revenues of approximately \$220 to \$280 million once the facility is operating at full capacity.

Having upgraded the scope of the facility, Cann is undertaking extensive modelling to determine what impact the revised design and expanded production will have on the project budget for the facility. The Group has executed a term sheet with a major Australian bank for debt financing, which will be formalised upon finalisation of construction costs.

Completion of the facility is estimated to occur in Q4 CY2020.

### First revenue from commercially grown cannabis

During the year the Group delivered and derived revenue from Australian sourced and commercially grown cannabis resin for use by Australian patients. The cannabis resin was supplied pursuant to a contract signed with the Victorian Department of Health and Human Services (DHHS) however the commercial terms cannot be disclosed.

There were no other significant changes in the state of affairs of the Group during the year.

## Future Developments, Prospects and Business Strategies

Other than matters referred to elsewhere in this report and above, further information as to likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the entity.

## Environmental Regulation and Performance

The Group's operations are not subject to any particular environmental regulations.

## Directors' Meetings

The number of meetings of the Company's Board of Directors, Audit and Risk Committee and Remuneration Committee members held during the year ended 30 June 2019 and the number of meetings attended by each Director/member were:

Name	Board Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings		Capital Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Allan McCallum	9	9	2	2	1	1	3	3
Philip Jacobsen	9	9	2	2	1	1	0	0
Douglas Rathbone	9	9	2	1	1	1	3	3
Geoff Pearce	9	9	2	1	1	1	3	3
Neil Belot	9	7	0	0	0	0	0	0

# DIRECTORS' REPORT (CONTINUED)

## REMUNERATION REPORT (AUDITED)

### 1. Introduction

This Remuneration Report outlines the Company's remuneration strategy for the financial year ended 30 June 2019 and provides detailed information on the remuneration outcomes for the year for the Directors, Chief Executive Officer (CEO) and other Key Management Personnel. For the purpose of this Report Key Management Personnel are defined as persons having authority and responsibility for planning, directing and controlling major activities of the Group and include all Non-Executive Directors of the Company.

The Directors of the Company are pleased to present the Remuneration Report (Report) for the Company and its subsidiaries (Group) for the financial year ended 30 June 2019. This Report forms part of the Directors' Report and has been prepared and audited in accordance with the requirements of the *Corporations Act 2001*.

### 2. Remuneration Philosophy

During the year the Cann Board of Directors formed a Remuneration Committee consisting of four of the five members of the Board. The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to Directors, the CEO and Key Management Personnel. The Remuneration Committee is subject to the Remuneration Policy and that Policy having the objectives to provide a competitive, benchmarked and flexible structure and is tailored to the specific circumstances of the Company and which reflects the person's duties and responsibilities so as to attract, motivate and retain people of the appropriate quality.

The Company's Remuneration Policy is reviewed at least once a year and is subject to amendment to ensure it reflects market best practice.

Remuneration levels are competitively set to attract appropriately qualified and experienced Directors and executives. The Remuneration Committee obtains market data on remuneration levels. The remuneration packages of the Chief Executive Officer and Senior Executives may include a short-term incentive component that is based on specific Company goals pertaining to financial and operational performance. The Chief Executive Officer and Senior Executives may also be invited to participate in the Company's Long-term Incentive Plan, the benefits of which are conditional upon the Company achieving certain performance criteria, the details of which are outlined below.

In accordance with the ASX Corporate Governance Principles and Recommendations, the structure of Non-executive Director remuneration is separate from executive remuneration.

### 3. Relationship between the Remuneration Policy and Company Performance

At the present stage of the Company's evolution, the group assesses its performance from achievement of operational goals and shareholder value. The performance measures for both the Company's Short-term Incentive Plan (STI Plan) and Long-term Incentive Plan (LTI Plan) have been tailored to align at-risk remuneration and performance hurdle thresholds to the delivery of operational and future financial objectives and sustained shareholder value growth.

### 4. Components of Remuneration – Non-executive Directors

The Constitution of the Company and the ASX Listing Rules require that the aggregate remuneration of non-executive Directors shall be determined from time to time by a resolution approved by shareholders at a general meeting. Currently the aggregate remuneration threshold is set at \$500,000 per annum as approved by shareholders at the AGM held on 14 November 2018. Legislated superannuation conditions made on behalf of non-executive Directors are included within the aggregate remuneration threshold.

Non-executive Directors receive a cash fee for their service and have no entitlement to any performance-based remuneration or any participation in any share-based incentive schemes. Presently no additional fee is paid to non-executive Directors for being a member of any Board committees.

Fees payable to the non-executive Directors for the 2019 financial year inclusive of superannuation contributions were as follows:

	\$
Chairman	90,950
Each other non-executive Director	47,300



# DIRECTORS' REPORT (CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### 5. Components of Remuneration – Chief Executive Officer and Other Senior Executives

#### (a) Structure

The Company aims to reward the Chief Executive Officer and Senior Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group, so as to:

- reward them for Company and individual performance against targets set by reference to appropriate benchmarks and key performance indicators;
- align their interest with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Remuneration consists of both fixed and variable remuneration components. The variable remuneration consists of the STI Plan and the LTI Plan.

The proportion of fixed and variable remuneration is established for the Chief Executive Officer by the Board and for each Senior Executive by the Board following recommendations from the Chief Executive Officer and the Remuneration Committee.

The Chief Executive Officer's and Senior Executives' remuneration packages are all subject to Board approval.

#### (b) Fixed remuneration

The fixed remuneration component of the Chief Executive Officer and Senior Executive's total remuneration package is expressed as a total package consisting of base salary and statutory superannuation contributions.

Fixed remuneration reflects the complexity of the individual's role and their experience, knowledge and performance. Internal and external benchmarking is regularly undertaken and fixed remuneration levels are set with regard to the external market median, with scope for incremental increase for superior performance.

Fixed remuneration is reviewed annually, taking into account the performance of the individual and the Group. There are no guaranteed increases to fixed remuneration in any contracts of employment.

The Chief Executive Officer and Senior Executives have the option to receive their fixed annual remuneration in cash and a limited range of prescribed fringe benefits. The total cost of any remuneration package, including fringe benefits tax, is taken into account in determining an employee's fixed annual remuneration.

#### (c) Variable remuneration – STI Plan

The STI Plan component of an Executive's total remuneration is an annual cash incentive plan. The STI Plan links a portion of Executive remuneration opportunity to specific financial and non-financial measures.

From a governance perspective, all performance measures under the STI Plan must be clearly defined and measurable. The Remuneration Committee approves the targets and assesses the performance outcome of the Chief Executive Officer. The Board and the Chief Executive Officer set the targets and assesses the performance of Senior Executives. The Board approves STI Plan payments for the Chief Executive Officer and Senior Executives. Under the STI Plan, the Board has discretion to adjust STI Plan outcomes based on the achievements which are consistent with the Group's strategic priorities and, in the opinion of the Board, enhance shareholder value.

One hundred percent (100%) of awarded STI is paid in cash at a time determined by the Board, however for future years the timing will be upon Board approval of the audited year-end accounts. In future years the financial performance measures will be implemented and then for the Executive's to qualify for a payment of an STI a pre-agreed level of Group profit must first be achieved. Once this has been achieved, the level of payment the Executive receives is determined based on the achievement of their pre-determined financial and non-financial measures.

The target STI Plan percentage range for the Chief Executive Officer, Key Management Personnel and other employees that report directly to the Chief Executive Officer in respect of the financial year ended 30 June 2019 is detailed below:

Executive	STI range calculated on fixed annual remuneration
P. Crock	20% – 40%
G. Aldred	10% – 20%
R. Baker	10% – 20%
A. Borobokas	10% – 20%
S. Duncan	10% – 20%
N. Gripper	10% – 20%
M. Mendola	10% – 20%
S. Notaro	10% – 20%
B. Walsh	10% – 20%

# DIRECTORS' REPORT (CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### (d) Variable remuneration – LTI Plan

The LTI component of the Chief Executive Officer and other Senior Executives total remuneration is an equity incentive plan that is designed to encourage the Chief Executive Officer and Senior Executives to focus on key performance drivers which underpin sustainable growth in shareholder value. The LTI Plan facilitates share ownership by the Chief Executive Officer and Senior Executives and links a significant proportion of their at-risk remuneration to the Group's ongoing share price and returns to shareholders over the performance period. It is intended that any future LTI's will focus on driving key performance outcomes that underpin sustainable growth and the creation of shareholder wealth in the longer term. This will be achieved by motivating and rewarding the Chief Executive Officer and Senior Executives to drive share price growth via improvements to Total Shareholder Returns and Return on Invested Capital.

Under the LTI Plan, the Chief Executive Officer and other Senior Executives are granted performance rights which will only vest on the achievement of certain performance hurdles and service conditions.

Each grant of performance rights is subject to specific performance hurdles and the degree to which those hurdles have been met is assessed by the Board at the end of the relevant performance period. The Board may, at its discretion, vary the performance hurdles for each offer made under the LTI Plan, however once the Board has prescribed the performance hurdle(s) for a specific offer, those hurdles cannot be varied in respect of that offer.

If a change of control occurs during a performance period, the pro-rated number of performance rights held by a participant (calculated according to the part of the performance period elapsed prior to the change of control) is determined and to the extent the performance hurdles have been met those pro-rated performance rights will vest.

### LTI Plan for the financial year ended 30 June 2019

The performance hurdles for the grant of performance rights to the Chief Executive Officer and other key management personnel were based on specific milestones relating to construction of the then proposed Tullamarine facility. The LTI minimum was based on construction and commissioning of the proposed glasshouse at the proposed Tullamarine location and the LTI maximum was based on the aforementioned LTI minimum plus construction and commissioning of an associated Good Manufacturing Process compliant support building for the production of cannabis flower into medicinal cannabis products for sale. The LTI minimum for eligible participants was based on 20% of Fixed Annual Remuneration for the Chief Executive Officer and 10% of Fixed Annual Remuneration for other key management personnel. The LTI maximum for eligible participants was based on 40% of Fixed Annual Remuneration for the Chief Executive Officer and 20% of Fixed Annual Remuneration for other key management personnel.

On 19 March 2019 the Company announced that the initial state-of-the-art greenhouse would be constructed at Mildura with the resultant effect that the performance hurdles of the LTI Plan could no longer be met. The Remuneration Committee recommended and the Board approved the transition of the LTI Plan to a pro-rata cash payment in lieu of the issue of performance rights.

### (e) Contract for services – Chief Executive Officer

The structure of the Chief Executive Officer's remuneration is in accordance with his employment agreement. The Chief Executive Officer's employment agreement is for an indefinite term. The Company may terminate the agreement by providing four months' notice and the Chief Executive Officer may terminate the agreement by providing four months' notice. There are no termination benefits beyond statutory leave and superannuation entitlements associated with termination in accordance with the above notice requirements or in circumstances where notice is not required pursuant to the employment agreement.

### (f) Contract for services – Senior Executives

The terms on which the Senior Executives are engaged provide for termination by either the Executive of the Company on notice periods ranging from the minimum statutory notice period as required under Australian law to specified periods up to four months. There are no termination benefits beyond statutory leave and superannuation entitlements associated with these notice requirements.

# DIRECTORS' REPORT (CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### 6. Key Management Personnel Remuneration

#### (a) Identity of Key Management Personnel

The following were Key Management Personnel of the group at any time during the financial year.

##### Directors:

Name	Title
A. McCallum	Chairman
P. Jacobsen	Deputy Chairman
D. Rathbone	Non-executive Director
G. Pearce	Non-executive Director
N. Belot	Non-executive Director

##### Other Key Management Personnel

Name	Title
P. Crock	Chief Executive Officer
R. Baker (from 1 July 2018)	Company Secretary and Chief Financial Officer
S. Notaro (from 1 July 2018)	Head of Legal
S. Duncan (commenced 10 December 2018)	General Manager, Commercial
N. Gripper (commenced 16 July 2018)	General Manager, Operations

# DIRECTORS' REPORT (CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### (b) Remuneration of Key Management Personnel

Details of the nature and amount of each major element of remuneration of each Key Management Personnel and the group are set out below. The remuneration tables are calculated on an accruals basis and only include remuneration relating to the relevant period that the employees is a Key Management Personnel of the Company.

		Short-term employment benefits		Post-employment Benefits	Share-based remuneration	Total \$
		Salary and Fees \$	STI cash bonus \$	Super-annuation \$	Performance Rights \$	
<b>2019 Financial Year</b>						
<b>Non-Executive Directors</b>						
A. McCallum	2019	83,059	–	7,891	–	90,950
	2018	30,000	–	2,850	–	32,850
P. Jacobsen	2019	43,830	–	3,470	–	47,300
	2018	21,900	–	–	–	21,900
D. Rathbone	2019	43,196	–	4,104	–	47,300
	2018	20,000	–	1,900	–	21,900
G. Pearce	2019	43,196	–	4,104	–	47,300
	2018	20,000	–	1,900	–	21,900
N. Belot	2019	46,667	–	–	–	46,667
	2018	6,667	–	–	–	6,667
<b>Other Key Management Personnel and Executive Officers</b>						
P. Crock	2019	231,677	105,600	22,009	1,232,500	1,591,786
	2018	230,178	–	20,571	742,877	993,626
R. Baker (from 1 July 2018)	2019	156,285	32,880	14,847	–	204,012
S. Notaro (from 1 July 2018)	2019	156,285	32,880	14,847	–	204,012
S. Duncan (commenced 10 December 2018)	2019	123,077	–	11,692	–	134,769
N. Gripper (commenced 16 July 2018)	2019	184,615	–	17,538	–	202,153
<b>Total</b>	<b>2019</b>	<b>1,111,887</b>	<b>171,360</b>	<b>100,502</b>	<b>1,232,500</b>	<b>2,616,249</b>
<b>Total</b>	<b>2018</b>	<b>328,745</b>	<b>–</b>	<b>27,221</b>	<b>742,877</b>	<b>1,098,843</b>



# DIRECTORS' REPORT (CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Equity Holdings

2019	Balance as at	Balance at	On	Acquisitions,	Balance as at
	1 July 2018	appointment	conversion of	disposal	30 June 2019
	Number	date	performance	or transfers*	Number
		(if applicable)	rights		
<b>Directors</b>					
A. McCallum	5,580,000	–	–	–	5,580,000
P. Jacobsen	4,064,518	–	–	30,000	4,094,518
D. Rathbone	2,331,185	–	–	–	2,331,185
G. Pearce	1,554,195	–	–	–	1,554,195
N. Belot	–	–	–	–	–
<b>Other Key Management Personnel</b>					
P. Crock	340,395	–	–	–	340,395
R. Baker	10,464	–	100,000	–	110,464
S. Notaro	100,000	–	–	–	100,000
S. Duncan	–	–	–	–	–
N. Gripper	–	–	–	2,500	2,500
<b>Total</b>	<b>13,980,757</b>		<b>100,000</b>	<b>32,500</b>	<b>14,113,257</b>

2018	Balance as at	Balance at	On	Acquisitions,	Balance as at
	1 July 2017	appointment	conversion of	disposal	30 June 2018
	Number	date	performance	or transfers*	Number
		(if applicable)	rights		
<b>Directors</b>					
A. McCallum	5,480,000	–	–	100,000	5,580,000
P. Jacobsen	3,773,334	–	–	291,184	4,064,518
D. Rathbone	2,193,334	–	–	137,851	2,331,185
G. Pearce	1,200,000	–	–	354,195	1,554,195
N. Belot	–	–	–	–	–
<b>Other Key Management Personnel</b>					
P. Crock	336,667	–	–	3,728	340,395
<b>Total</b>	<b>12,983,335</b>			<b>886,958</b>	<b>13,870,293</b>

\* The purchases, disposal or transfers of shares are in compliance with the Company's Securities Trading Policy.

# DIRECTORS' REPORT (CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Long-term Incentive Plan – Performance Rights

	Balance as at 1 July 2018	Balance at appointment date (if applicable)	Granted	Vested	Lapsed	Net other change	Balance as at 30 June 2019	Balance held nominally
2019	Number	Number	Number	Number	Number	Number	Number	Number
P. Crock	1,000,000	–	–	–	–	–	1,000,000	–
<b>Total</b>	<b>1,000,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,000,000</b>	<b>–</b>

	Balance as at 1 July 2017	Balance at appointment date (if applicable)	Granted	Vested	Lapsed	Net other change	Balance as at 30 June 2018	Balance held nominally
2018	Number	Number	Number	Number	Number	Number	Number	Number
P. Crock	–	–	1,000,000	–	–	–	1,000,000	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>1,000,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,000,000</b>	<b>–</b>

There were no performance rights granted to Key Management Personnel through a Long-term Incentive Plan during the financial year ended 30 June 2019.

### Indemnifying Officers or Auditor

No indemnities have been given, however a Directors and Officers insurance premium totalling \$83,250 has been paid, during or since the end of the year, for any person who is or has been an officer of the Group. No indemnities have been given during or since the end of the year for any person who has been an auditor of the Group.

### Proceedings on Behalf of the Group

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

There were no proceedings during the year.

### Events After the End of the Reporting Period

#### Acquisition of Southern Facility

On 12 July 2019 settlement for the acquisition of property being the Southern Facility by Cann Group Limited was finalised. The Contract of Sale of Real Estate was entered into on 13 May 2019. The property was acquired for \$1.9 million plus costs amounting to \$0.1 million. The Company commenced leasing the property on 4 September 2015 and had subsequently renewed for three years on 4 March 2019 prior to entering into negotiations with the vendor to acquire the property. The lease was terminated effective 12 July 2019.

#### Manufacturing licences obtained

On 26 July 2019 the Company announced that the Federal Department of Health's Office of Drug Control had granted manufacturing licences for the Company's existing Northern and Southern medicinal cannabis facilities however an estimate of its financial effect cannot be made at this time.

There were no other matters or circumstances have arisen since the end of the year which significantly affected or may significantly affect the operation of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

# DIRECTORS' REPORT (CONTINUED)

## Non-Audit Services

The Company's Audit and Risk Committee ("the Committee") is responsible for the maintenance of audit independence.

Specifically, the Committee Charter ensures the independence of the auditor is maintained by:

- Limiting the scope and nature of non-audit services that may be provided; and
- Requiring that permitted non-audit services must be pre-approved by the Chairman of the Committee.

During the year William Buck, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements. The Board has considered the non-audit services provided during the year by the auditor and in accordance with the advice provided by the Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants* as they did not involve reviewing or auditing the auditors own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, William Buck, for audit and non-audit services provided during the year are set out in Note 7.

## Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

## CEO and CFO Declaration

The CEO and CFO have given a declaration to the Board concerning the Group's financial statements under section 295A(2) of the *Corporations Act 2001* and recommendations 4.2 and 7.2 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations in regards to the integrity of the financial statements.

## Corporate Governance Statement

In accordance with Listing Rule 4.10.3 and the Appendix 4G lodged by the Company, the Company's 2019 Corporate Governance Statement can be found on its website <https://www.canngrouplimited.com/>

Signed in accordance with a resolution of the Board of Directors.



Allan McCallum  
Chairman

Date: 27 August 2019

# AUDITOR'S INDEPENDENCE DECLARATION



## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF CANN GROUP LIMITED

I declare that, to the best of my knowledge and belief during the year ended 30 June 2019 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

*William Buck*

**William Buck Audit (VIC) Pty Ltd**  
ABN: 59 116 151 136

*Alan Finnis*

**A. A. Finnis**  
Director

Dated this 27<sup>th</sup> day of August, 2019

### ACCOUNTANTS & ADVISORS

Level 20, 181 William Street  
Melbourne VIC 3000  
Telephone: +61 3 9824 8555  
[williambuck.com](http://williambuck.com)



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
Revenue	3	2,347,668	560,000
Other income	3	1,904,975	943,391
Administration and corporate costs	4	(13,466,524)	(5,549,257)
Research and development costs		(1,047,608)	(776,430)
Fair value adjustment of biological assets		(465,919)	104,820
<b>Loss before transaction costs, finance costs and income tax expense</b>		<b>(10,727,408)</b>	<b>(4,717,476)</b>
Finance costs		(198,909)	(8,381)
<b>Loss before income tax expense</b>		<b>(10,926,317)</b>	<b>(4,725,857)</b>
Income tax expense		–	–
<b>Loss attributable to members of the Group</b>		<b>(10,926,317)</b>	<b>(4,725,857)</b>
Other comprehensive income		–	–
<b>Total comprehensive loss attributable to members of the Group</b>		<b>(10,926,317)</b>	<b>(4,725,857)</b>
Basic and Diluted loss per share (EPS)	5	(0.078)	(0.038)

The accompanying notes form part of these statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 \$	2018 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		46,388,192	49,566,890
Investment in term deposits		–	30,082,849
Trade Receivables		1,115,436	–
Prepayments		722,197	137,693
Inventories	8	3,088,624	1,405,286
Biological assets		391,138	205,301
<b>TOTAL CURRENT ASSETS</b>		<b>51,705,587</b>	<b>81,398,019</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	29,010,258	5,232,518
Intangible assets		112,594	84,971
Investments	10	1,200,570	–
Rental bonds		85,000	85,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>30,408,422</b>	<b>5,402,489</b>
<b>TOTAL ASSETS</b>		<b>82,114,009</b>	<b>86,800,508</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Unsecured trade and other payables		4,815,530	907,107
Lease liability		–	4,198
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,815,530</b>	<b>911,305</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liability		–	16,369
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>–</b>	<b>16,369</b>
<b>TOTAL LIABILITIES</b>		<b>4,815,530</b>	<b>927,674</b>
<b>NET ASSETS</b>		<b>77,298,479</b>	<b>85,872,834</b>
<b>EQUITY</b>			
Issued equity	12	96,502,220	95,081,758
Performance rights reserve	14	1,975,377	1,043,877
Accumulated losses		(21,179,118)	(10,252,801)
<b>TOTAL EQUITY</b>		<b>77,298,479</b>	<b>85,872,834</b>

The accompanying notes form part of these statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Issued equity \$	Performance Rights reserve \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2018</b>	<b>95,081,758</b>	<b>1,043,877</b>	<b>(10,252,801)</b>	<b>85,872,834</b>
Issue of shares	1,119,462	–	–	1,119,462
Issue and vesting of Class C performance rights	–	1,232,500	–	1,232,500
Conversion of Class D Performance Rights	301,000	(301,000)	–	–
<b>Transactions with owners in their capacity as owners</b>				
Comprehensive loss for the period ended 30 June 2019	–	–	(10,926,317)	(10,926,317)
<b>Balance at 30 June 2019</b>	<b>96,502,220</b>	<b>1,975,377</b>	<b>(21,179,118)</b>	<b>77,298,479</b>

	Issued equity \$	Performance Rights reserve \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2017</b>	<b>20,187,092</b>	<b>–</b>	<b>(5,526,944)</b>	<b>14,660,148</b>
Issue of shares	77,983,243	–	–	77,983,243
Costs of issuing shares	(3,088,577)	–	–	(3,088,577)
Issue and vesting of Classes C and D performance rights	–	1,043,877	–	1,043,877
<b>Transactions with owners in their capacity as owners</b>				
Comprehensive loss for the period ended 30 June 2018	–	–	(4,725,857)	(4,725,857)
<b>Balance at 30 June 2018</b>	<b>95,081,758</b>	<b>1,043,877</b>	<b>(10,252,801)</b>	<b>85,872,834</b>

The accompanying notes form part of these statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Revenue from customers		1,475,795	616,000
Other income including research and development tax incentive refund received		258,086	45,646
Payments to suppliers and employees		(10,763,369)	(5,313,902)
Interest received		1,606,941	897,745
<b>Net cash flows provided by/(used in) operating activities</b>	18	<b>(7,422,547)</b>	<b>(3,754,511)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment		(25,325,174)	(5,579,380)
Acquisition of other assets		(53,256)	(25,000)
Withdrawal of / (Investment in) term deposits		30,082,849	(27,082,849)
Acquisition of investments		(1,200,570)	–
<b>Net cash flows used in investing activities</b>		<b>3,503,849</b>	<b>(32,687,229)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of shares		740,000	77,983,243
Costs of issuing shares		–	(3,088,577)
<b>Net cash flows provided by financing activities</b>		<b>740,000</b>	<b>74,894,666</b>
Net increase / (decrease) in cash held		(3,178,698)	38,452,926
Cash and cash equivalents at the beginning of the year		49,566,890	11,113,964
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>46,388,192</b>	<b>49,566,890</b>

The accompanying notes form part of these statements

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

## 1. CORPORATE INFORMATION

These are the financial statements of Cann Group Limited (the **Company**) and its subsidiaries, including Cannproducts Pty Ltd, Cannoperations Pty Ltd, Cann IP Pty Ltd (formerly Anslinger Holdings Pty Ltd) and Botanitech Pty Ltd (formerly Cann Investments Pty Ltd), all incorporated and domiciled in Victoria, Australia (together, the **Group**). Cann Group Limited is an ASX-listed public company incorporated and domiciled in Victoria, Australia. These financial statements are for the year ended 30 June 2019. Unless otherwise stated, all amounts are presented in \$AUD, which is the functional and presentation currency of all entities in the Group. The financial statements were authorised for issue by the Directors on the date of signing the attached Directors' Declaration.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative announcements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001* as appropriate for for-profit oriented entities.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs.

The amounts presented in the financial statements have been rounded to the nearest dollar.

### Accounting Standards and Interpretations

#### (i) Changes in accounting policy and disclosures

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period and there was no material impact arising from the adoption of the new, revised and amending Accounting Standards.

#### (ii) Accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2019 are outlined in the table below.

Standard	Mandatory date for annual reporting periods beginning on or after)	Reporting period standard adopted by the Company
AASB 16 <i>Leases</i>	1 January 2019	1 July 2019
Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019	1 July 2019

Management has assessed that the standard AASB 16: *Leases* will have a material effect on the financial statements impacting through the capitalisation of right to use leased assets and the corresponding lease liability connected with the current rental arrangement. The right of use asset for the lease of the Northern Facility at 1 July 2019 is \$1.37 million.

Refer to Note 19 for the Group's current lease commitments.



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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## **(b) Principles of Consolidation**

These consolidated financial statements comprise the financial statements of the Company and its controlled entities throughout reporting period. Controlled entities refers to entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of the potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial statements of the controlled entities used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

## **(c) Income Tax**

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

## **(d) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed and is stated net of goods and services tax or value-added tax charges. Revenue is recognised at a point in time being when the goods are shipped to the customer.

Revenue from credits received from the ATO for research and development activities is recognised when it can be reliably measured and the probability of meeting the criteria for receipt of these credits is probable.

## **(e) Cash and cash equivalents**

Cash in the Statement of Financial Position comprise cash at bank and in hand. Cash at bank includes term deposits with a term of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

## **(f) Inventory**

Inventory is valued depending upon the specific purpose of that inventory class. Costs incurred for inventory held as

(i) research and development is expensed as incurred;

(ii) bearer plant inventory held is valued at cost less accumulated depreciation and impairment losses; and

non-bearer plant inventory is valued at fair value less costs to sell, and where fair value is not readily available, at cost or Net Realisable Value.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## (g) Investments

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

### Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

### Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

## (h) Biological assets

The valuation methodology of biological assets relates to the forecast harvest weights, forecast sale prices, forecast feed costs, labour and overheads, as well as discount rate. Discounted cash flows consider the present value of the net cash flows expected to be generated by the crop at maturity, the expected additional biological transformation and the risks associated with the asset; the expected net cash flows are discounted using risk-adjusted discount rates.

## (i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

## (j) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## (k) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at their transaction price provided they do not contain a significant financing component and subsequently measured at amortised cost using the effective interest method.

At each reporting date, the Group's directors assess whether there is objective evidence that trade and other receivables have been impaired. Impairment losses are recognised in the profit or loss.

## (l) Property, plant and Equipment

Each class of property, plant and equipment is carried at cost less any accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of property, plant and equipment constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

### Depreciation

The depreciable amount of all property, plant and equipment is depreciated on a diminishing value basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

As at 30 June 2019, the Group's asset classes had effective useful lives as follows:

Asset Class	Useful Life (years)
Cultivation plant and equipment	1 to 7
Manufacturing plant and equipment	2 to 7
Computer and network equipment	1 to 3
Other plant and equipment	1 to 3
Land	N/a

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

## (m) Impairment of Assets

At each reporting date, the Group's directors review the carrying values of the Group's tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

At each reporting date, the Group's directors assess whether the credit risk on a financial instrument has increased significantly since initial recognition. If after assessing a credit risk exists that results in a credit loss allowance, an impairment gain or loss of the amount of the expected credit loss (or reversal) is recognised in the statement of profit or loss and other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## (n) Share Based Payments

The Company reflects in its comprehensive income (or loss) and its financial position the effects of share-based payment transactions, including expenses associated with transactions in which shares are granted to related parties, key management personnel and employees.

For share-based payments received by employees and key management personnel of the Group, fair value is measured by reference to the fair value of the equity instruments granted at their grant date, being the date that both the recipient and the Company have a shared understanding of the terms and conditions connected to the share-based payment. Any market-based vesting conditions are incorporated into the valuation of the share-based payment arrangement as at the grant date of the share-based payment. Share-based payments with non-market based performance conditions vest according to the pro-rata achievement of those conditions. Share-based payments with non-performance based conditions are valued using the Black-Scholes model and payments with market-based performance conditions are valued using a binomial model which incorporates from both the performance rights arrangement and market data that existed at grant date.

## (o) Operating Segments

### Determination and Presentation of Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are regularly reviewed by the Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

The Group operates in one operational sector and has identified only one reportable segment being cultivation of medicinal cannabis and further processing into manufactured medicinal cannabis products, as well as the corporate office. Revenue came from one major customer.

## (p) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the entity.

### Key Judgement – non-recognition of carry-forward tax losses

The balance of future income tax benefit estimated as \$2,050,238 (2018: \$1,560,494) arising from current year tax losses of \$10,926,317 (2018: \$4,725,857) and timing differences has not been recognised as an asset because it is not clear when the losses will be recovered. The cumulative future income tax benefit estimated to be \$4,687,856, which has not been recognised as an asset, will only be obtained if:

- (i) the Company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) the Company continues to comply with the conditions for deductibility imposed by law; and
- (iii) no changes in tax legislation adversely affecting the Company realising the benefit.

### Key Judgement – valuation of Performance Rights

Performance rights issued are measured at the fair value from grant date. These were independently valued using a Binomial valuation model. The data input into this model included the volatility rate of 100%, and risk free rate of 1.92%.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## Key Judgement – non-recognition of research and development tax incentive benefits

The balance of research and development tax incentive arising from operations of the Company has not been recognised as an asset because receipt as at this stage as it cannot be reliably calculated. The research and development tax incentive, which has not been recognised as an asset, will only be obtained if:

- (i) the Company's activities fulfil the eligibility criteria of the research and development tax incentive and it is successful in registering for the research and development tax incentive;
- (ii) the Company continues to comply with the conditions for registration of the research and development tax incentive imposed by law; and
- (iii) no changes in tax legislation adversely affecting the Company realising the tax incentive from research and development.

## 3. REVENUE

	2019 \$	2018 \$
Revenue from customers	2,347,668	560,000
Interest	1,644,702	897,745
Research and development tax incentive	257,786	44,102
Other revenue	2,487	1,544
	<b>4,252,643</b>	<b>1,503,391</b>

## 4. EXPENSES

Contained within administration and corporate expenses are the following:

	2019 \$	2018 \$
Depreciation	(1,449,684)	(831,757)
Employee salaries	(4,519,784)	(2,223,666)
Employee superannuation	(422,303)	(176,635)
Share-based payments	(1,611,962)	(1,043,877)
Occupancy expenses	(138,046)	(544,412)



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 5. BASIC AND DILUTED LOSS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2019 \$	2018 \$
Net loss attributable to ordinary equity holders (used in calculating basic and diluted EPS)	(10,926,317)	(4,725,857)

	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of earnings per share	139,689,868	125,281,943

Performance Rights have not been included in the weighted average number of ordinary shares as the Group presently has accumulated losses and no certainty of future profits to offset those losses.

The potentially dilutive effects of any contingently issuable ordinary shares have not been considered in the diluted loss per share calculation because the Group is in a loss-making position and such an effect would be anti-dilutive.

## 6. KEY MANAGEMENT PERSONNEL

(a) Names and positions held of key management personnel in office at any time during the year are:

Key Management Person	Position
Mr Allan McCallum	Chairman
Mr Philip Jacobsen	Deputy Chairman
Mr Douglas Rathbone	Director
Mr Geoff Pearce	Director
Mr Neil Belot	Director
Mr Peter Crock	Chief Executive Officer
Mr Richard Baker (from 1 July 2018)	Company Secretary and Chief Financial Officer
Mr Steven Notaro (from 1 July 2018)	Head of Legal
Mr Shane Duncan (commenced 10 December 2018)	General Manager, Commercial
Mr Neil Gripper (commenced 16 July 2018)	General Manager, Operations

(b) Remuneration paid to Key Management Personnel

	2019 \$	2018 \$
Short-term employee benefits	1,283,247	328,745
Post-employment benefits	100,502	27,221
Share-based payments	1,232,500	742,877
	<b>2,616,249</b>	<b>1,098,843</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 7. AUDITOR'S REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of Group, its related practices and non-related audit firms:

	2019 \$	2018 \$
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	58,200	28,000
Other audit and assurance related services	620	460
<b>Total remuneration for audit and other assurance services</b>	<b>58,820</b>	<b>28,460</b>
<b>(ii) Consulting services</b>		
Consulting fees regarding Research and Development Tax Incentive	31,745	29,990
Consulting fees regarding tax services	15,000	–
<b>Total remuneration for consulting services</b>	<b>46,745</b>	<b>29,990</b>
<b>Total remuneration of William Buck</b>	<b>105,565</b>	<b>58,450</b>

## 8. Inventories

	2019 \$	2018 \$
Finished goods – biomass	3,034,431	1,371,366
Finished goods – oil	–	33,920
Cultivation materials and work-in-progress	54,193	–
	<b>3,088,624</b>	<b>1,405,286</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 9. PROPERTY, PLANT AND EQUIPMENT

### (a) Property, plant and equipment

	2019					2018			
	Land \$	Cultivation plant and equipment \$	Manu- facturing plant and equipment \$	Other plant and equipment \$	Capital work in progress \$	Total \$	Cultivation plant and equipment \$	Other plant and equipment \$	Total \$
Cost	11,404,084	6,750,332	447,610	302,699	12,442,699	31,347,424	5,075,150	1,374,117	6,449,267
Accumulated depreciation	–	(2,049,050)	–	(149,557)	–	(2,198,607)	(706,823)	(278,148)	(984,971)
Loss on disposal	–	(132,229)	–	(6,330)	–	(138,559)	(231,777)	–	(231,777)
<b>Closing Balance</b>	<b>11,404,084</b>	<b>4,569,053</b>	<b>447,610</b>	<b>146,812</b>	<b>12,442,699</b>	<b>29,010,258</b>	<b>4,136,550</b>	<b>1,095,969</b>	<b>5,232,519</b>

### (b) Movements in property, plant and equipment

	2019					2018			
	Land \$	Cultivation plant and equipment \$	Manu- facturing plant and equipment \$	Other plant and equipment \$	Capital work in progress \$	Total \$	Cultivation plant and equipment \$	Other plant and equipment \$	Total \$
Opening Balance	–	4,136,550	–	1,095,969	–	5,232,519	622,223	94,449	716,672
Reclassifications	–	(1,166,771)	–	(889,136)	2,055,907	–	–	–	–
Additions	11,404,084	2,304,970	447,610	61,641	11,147,752	25,366,057	4,346,553	1,232,828	5,579,381
Transfers	–	760,960	–	–	(760,960)	–	–	–	–
Depreciation	–	(1,334,427)	–	(115,332)	–	(1,449,759)	(600,448)	(231,309)	(831,757)
Loss on disposal	–	(132,229)	–	(6,330)	–	(138,559)	(231,777)	–	(231,777)
<b>Closing Balance</b>	<b>11,404,084</b>	<b>4,569,053</b>	<b>447,610</b>	<b>146,812</b>	<b>12,442,699</b>	<b>29,010,258</b>	<b>4,136,550</b>	<b>1,095,969</b>	<b>5,232,519</b>

Due to an increase in the Company's operational areas the number of fixed asset classifications increased accordingly to add land and buildings, manufacturing plant and equipment and capital work-in-progress. There was some reclassification during the year between the classes existing at 30 June 2018 to capital work-in-progress. None of the assets reclassified to capital work-in-progress had been depreciated during the financial year ended 30 June 2018.

During the year the Company acquired land and building at Mildura for construction of a greenhouse facility and support building. Acquisitions of building materials to construct the greenhouse and to modify the existing building plus preliminary design and other services are classified as capital-work-in-progress until such time as the facility is completed and commissioned for use.

Manufacturing equipment was acquired during the year with commissioning to be completed in the second half of the 2019 calendar year.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 9. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year Secure Cultivation Room 8 at the Company's Southern Facility was commissioned and made available for use.

The Directors conducted an impairment test of the cultivation plant and equipment which was applied as at 30 June 2019 whereby the Directors compared the carrying values of all of the cultivation plant and equipment to the selling values of comparable assets and concluded that no impairment existed relating to these assets.

## 10. INVESTMENTS

	2019 \$	2018 \$
Subscription shares Pure Cann NZ Limited	950,570	–
Convertible notes Emerald Clinics Limited	250,000	–
	<b>1,200,570</b>	–

The investments listed above were acquired during the year and cost is the fair value.

## 11. CONTROLLED ENTITIES

Cann Group Limited has four wholly-owned subsidiaries as at 30 June 2019 as follows:

Subsidiary Name	Date Acquired	Number of Shares held	Percentage Shareholding
Cannproducts Pty Ltd (ACN 600 887 189)	27 February 2015	100	100%
Cannoperations Pty Ltd (ACN 603 323 226)	27 February 2015	100	100%
Cann IP Pty Ltd (formerly Anslinger Holdings Pty Ltd) (ACN 169 764 407)	27 February 2015	100	100%
Botanitech Pty Ltd (formerly Cann Investments Pty Ltd) (ACN 604 834 488)	18 March 2015	100	100%

## 12. ISSUED CAPITAL

	30 June 2019 Number of Shares	30 June 2018 Number of Shares	30 June 2019 \$	30 June 2018 \$
Ordinary shares – fully paid	141,804,248	139,546,632	96,502,220	95,081,758
<b>Total issued capital</b>	<b>141,804,248</b>	<b>139,546,632</b>	<b>96,502,220</b>	<b>95,081,758</b>

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## Movements in issued capital:

Issue Date	Issue Price \$	Number of Shares and Options	2019 \$
<b>Balance 1 July 2018</b>		<b>139,546,632</b>	<b>95,081,758</b>
7 September 2018 – settlement of invoices for services	2.86	50,000	142,901
21 December 2018 – employee share purchase plan	2.19	16,452	36,000
24 December 2018 – settlement of invoices for services	2.20	91,164	200,561
4 May 2019 – conversion of performance rights	3.01	100,000	301,000
13 June 2019 – exercise of options	0.37	100,000	37,000
21 June 2019 – exercise of options	0.37	350,000	129,500
25 June 2019 – exercise of options	0.37	1,000,000	370,000
27 June 2019 – exercise of options	0.37	550,000	203,500
<b>Total Issued Capital as at 30 June 2019</b>		<b>141,804,248</b>	<b>96,502,220</b>

## Movements in issued capital:

Issue Date	Issue Price \$	Number of Shares and Options	2018 \$
<b>Balance 1 July 2017</b>		<b>108,353,335</b>	<b>19,949,092</b>
12 December 2018 – placement (net of costs)	2.50	23,480,000	56,172,622
22 January 2018 – share purchase plan (net of costs)	2.50	3,999,264	9,499,813
23 January 2018 – placement (net of costs)	2.50	520,000	1,241,858
24 January 2018 – placement (net of costs)	2.50	3,194,033	7,980,373
<b>Total Issued Capital on an undiluted basis as at 30 June 2018</b>		<b>139,546,632</b>	<b>94,843,758</b>
Total Options on issue	–	2,000,000	238,000
<b>Total Issued Capital on a diluted basis as at 30 June 2018</b>		<b>141,546,632</b>	<b>95,081,758</b>



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 13. OPTIONS

During the year the Group had Underwriter Options issued pursuant to the Initial Public Offering Prospectus dated 28 March 2017 (and the Supplementary Prospectus dated 12 April 2017).

The Underwriters (or their respective nominees) to the Initial Public Offering were issued 2,000,000 Underwriter Options in the Company. The Underwriter Options had an exercise price \$0.37 with an expiry date of 30 June 2019, and all were exercised prior to that date (refer Note 12).

The Shares issued from the exercise of the Underwriter Options have the same rights and liabilities of all other Shares.

	Number of Options
<b>Balance 1 July 2018</b>	<b>2,000,000</b>
Exercised during 2019 financial year	2,000,000
<b>Balance 30 June 2019</b>	<b>-</b>

## 14. PERFORMANCE RIGHTS

### Performance Rights Class C

Date	Number of Performance Rights	2019 \$
<b>Balance 1 July 2018</b>	<b>1,000,000</b>	<b>742,877</b>
Movement in Performance Rights Reserve	-	1,232,500
<b>Balance 30 June 2019</b>	<b>1,000,000</b>	<b>1,975,377</b>

Date	Number of Performance Rights	2018 \$
<b>Balance 1 July 2017</b>	-	-
21 November 2017 <sup>^</sup>	1,000,000	742,877
<b>Balance 30 June 2018</b>	<b>1,000,000</b>	<b>742,877</b>

<sup>^</sup> On 21 November 2017 1,000,000 Performance Rights Class C were issued to the Chief Executive Officer with a total vesting value of \$2,465,000 to 21 November 2019.

The Performance Rights Class C are subject to the following vesting conditions:

- 250,000 Performance Rights Class C subject to the offeree being continuously employed for a period of two years from the grant date and the 30-day Volume Weighted Average Price of Cann Group Limited's ordinary shares as traded on the Australian Securities Exchange (**ASX**) is greater than \$1.00;
- 350,000 Performance Rights Class C subject to the offeree being continuously employed for a period of two years from the grant date and the 30-day Volume Weighted Average Price of Cann Group Limited's ordinary shares as traded on the ASX is greater than \$1.50; and
- 400,000 Performance Rights Class C subject to the offeree being continuously employed for a period of two years from the grant date and the 30-day Volume Weighted Average Price of Cann Group Limited's ordinary shares as traded on the ASX is greater than \$2.00.

The grant date was 21 November 2017.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Shares issued on exercise of the Performance Rights Class C will be subject to a restriction period of two years during which the shares issued on exercise of the Performance Rights cannot be transferred or otherwise dealt with.

The total vested value as at 30 June 2019 for Class C Performance Rights totals \$1,975,377.

## Performance Rights Class D

Date	Number of Performance Rights	2019 \$
<b>Balance 1 July 2018</b>	<b>100,000</b>	<b>301,000</b>
4 May 2019 – conversion into ordinary shares	(100,000)	(301,000)
<b>Balance 30 June 2019</b>	<b>–</b>	<b>–</b>

Date	Number of Performance Rights	2018 \$
<b>Balance 1 July 2017</b>	<b>–</b>	<b>–</b>
19 January 2018	100,000	301,000
<b>Balance 30 June 2018</b>	<b>100,000</b>	<b>301,000</b>

## 15. RELATED PARTY INFORMATION

Transactions between the Consolidated Group and related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Related party transactions not otherwise disclosed in these financial statements include the following:

	2019 \$
Payment for consulting fees to Pearce Pharmaceuticals Pty Ltd, an entity related to Mr Geoff Pearce, a Director of the Company	240,000
<b>Total</b>	<b>240,000</b>

## 16. CONTINGENT LIABILITIES AND COMMITMENTS

The Company has entered into a subscription agreement with Pure Cann NZ Limited (“Pure Cann”) to acquire shares in tranches with each tranche pending achievement of specific milestones by Pure Cann. The Group has acquired subscription shares in Pure Cann as a result of the first milestone being satisfied (refer Note 10). There are two remaining tranches with the Group required to pay the amounts of \$2,000,000 New Zealand dollars (tranche 2) and \$3,000,000 New Zealand dollars (tranche 3) for the acquisition of subscription shares. Each tranche is dependent upon the completion of each prior tranche.

The Group has a bank guarantee of \$50,000 for the operating premises lease of the Company’s Northern Facility.

With the exception of the Pure Cann subscription agreement and the bank guarantee, the Group currently has no contingent liabilities or commitments at the date of signing this report. In July 2019 the Group signed a surrender of lease with the landlord to the Southern Facility acquired by the Company of 12 July 2019 and expects the bank guarantee totalling \$35,000 to be returned within the coming months.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 17. EVENTS AFTER THE END OF THE REPORTING PERIOD

### Acquisition of Southern Facility

On 12 July 2019 settlement for the acquisition of property being the Southern Facility by Cann Group Limited was finalised. The Contract of Sale of Real Estate was entered into on 13 May 2019. The property was acquired for \$1.9 million plus costs amounting to \$118,773. The Company commenced leasing the property on 4 September 2015 and had subsequently renewed for three years on 4 March 2019 prior to entering into negotiations with the vendor to acquire the property. The lease was terminated effective 12 July 2019.

### Manufacturing licences obtained

On 26 July 2019 the Company announced that the Federal Department of Health's Office of Drug Control had granted manufacturing licences for the Company's existing Northern and Southern medicinal cannabis facilities however an estimate of its financial effect cannot be made at this time.

There were no other matters or circumstances arising since the end of the year which significantly affected or may significantly affect the operation of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## 18. CASH FLOW INFORMATION

### Reconciliation of net loss after tax to net cash flows from operations

	2019 \$	2018 \$
Profit/(loss) for the year	(10,926,317)	(4,725,857)
<i>Non-cash flows in profit</i>		
Share-based payments (movement in Performance Rights Reserve)	1,232,500	1,043,877
Depreciation and loss on sale of assets	1,669,006	1,063,534
Amortisation	25,633	15,029
<i>Movements in working capital</i>		
(Increase)/decrease in trade receivables and other assets	(1,115,436)	(4,239)
(Increase)/decrease in prepayments	(584,504)	–
(Decrease)/increase in trade and other payables	3,754,609	438,805
(Increase)/decrease in stock on hand and biological assets	(1,478,037)	(1,585,660)
<b>Net cash outflows from operating activities</b>	<b>(7,422,547)</b>	<b>(3,754,511)</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 19. OPERATING LEASE

The Group has three existing operating leases for premises as follows:

### Southern Facility

The term of the lease was for three years and six months commencing 4 September 2015 and the Company renewed the lease effective 4 March 2019 for a further term of three years. On 13 May 2019 the Company entered into a contract with the landlord to purchase the property and settlement occurred on 12 July 2019. The lease was terminated at settlement.

### Northern Facility

The term of the lease is three years finishing on 31 March 2020, however it is probable that the Company will request that the lease be renewed for a further three year term.

### Corporate Office

The term of the lease is one year commencing 1 July 2019.

All of the leased premises are located in Melbourne, Victoria.

Operating lease commitments are:

Period	2019 \$	2018 \$
Less than 12 months	572,715	669,945
From one to five years	1,185,000	664,610
	<b>1,757,715</b>	<b>1,334,555</b>

## 20. CAPITAL COMMITMENTS

The Group has entered into an Early Works Contract to the value of \$2,096,368 with Qanstruct (Aust) Pty Ltd to conduct early works at the Mildura site pending entry into a full construction contract at a future date. This amount has been accrued in the financial statements. The Group has not yet entered into formal contracts with material suppliers and construction contractors for the specialty components of the Mildura Facility construction however it has provided funds to those suppliers and contractors for materials subject to a longer lead time for production and classified as capital work-in-progress (refer Note 9).

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 21. FINANCIAL RISK MANAGEMENT

The consolidated Group's material financial instruments consist of deposits with banks and its accounts payable and other liabilities. The Board is responsible for managing the Group's significant financial risks, which are its liquidity risk, which it does through regularly reviewing rolling cash flow forecasts and examining its levels of available working capital against such forecasts and its interest rate risk exposure.

### Liquidity risk

Liquidity risk arises from the possibility that the Group may encounter difficulty in meeting its obligations for its financial liabilities, which at 30 June 2019 were accounts payable with due terms from 0 – 45 days.

### Interest rate risk exposure

The group's exposure to interest rate risk, which is the risk that a financial instrument's market value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on classes of financial assets and financial liabilities are as follows:

2019	Weighted average effective interest rate %	Floating interest rate \$	Fixed interest rate maturing				Total \$
			1 year or less \$	1 to 5 years \$	over 5 years \$	Non-interest bearing \$	
<b>From 1 July 2018 to 30 June 2019</b>							
<b>ASSETS:</b>							
Cash and bank balances	1.49	9,501,570	27,236,325	–	–	9,650,297	46,388,192
Receivables	0.00	–	–	–	–	1,115,436	1,115,436
Rental bonds	2.19	–	85,000	–	–	–	85,000
Investments	0.00	–	–	–	–	1,200,570	1,200,570
<b>Total financial assets</b>		<b>9,501,570</b>	<b>27,321,325</b>	<b>–</b>	<b>–</b>	<b>11,966,303</b>	<b>48,789,198</b>
<b>LIABILITIES:</b>							
Trade and other creditors		–	–	–	–	4,815,530	4,815,530
<b>Total financial liabilities</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,815,530</b>	<b>4,815,530</b>
<b>Net financial assets (liabilities)</b>		<b>9,501,570</b>	<b>27,321,325</b>	<b>–</b>	<b>–</b>	<b>7,150,773</b>	<b>43,973,668</b>



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2018	Weighted average effective interest rate %	Floating interest rate \$	Fixed interest rate maturing			Non-interest bearing \$	Total \$
			1 year or less \$	1 to 5 years \$	over 5 years \$		
<b>From 1 July 2017 to 30 June 2018</b>							
<b>Assets:</b>							
Cash and bank balances	1.34	3,252,971	–	–	–	1,124,176	4,377,147
Term deposits	2.62	–	75,272,392	–	–	–	75,272,392
Rental bonds	2.62	–	85,000	–	–	–	85,000
<b>Total financial assets</b>		<b>3,252,971</b>	<b>75,357,392</b>	<b>–</b>	<b>–</b>	<b>1,124,176</b>	<b>79,734,539</b>
<b>LIABILITIES:</b>							
Trade and other creditors		–	–	–	–	927,674	927,674
Total financial liabilities		–	–	–	–	927,674	927,674
<b>Net financial assets (liabilities)</b>		<b>3,252,971</b>	<b>75,357,392</b>	<b>–</b>	<b>–</b>	<b>196,502</b>	<b>78,806,865</b>

## Sensitivity analysis for interest rate risk:

	2019		2018	
	\$ 50bps decrease	\$ 50bps increase	\$ 50bps decrease	\$ 50bps increase
Effect on profit	(136,182)	136,182	(376,787)	376,787

## Market Risk

The Group does not believe it has any material market risk of loss arising from adverse movements of market instruments including foreign exchange and interest rates.

## Credit Risk

The Group does not believe it has any material risk from a counterparty defaulting on its contractual obligations or commitments resulting in financial loss as such risk is managed by implementing a policy of only dealing with creditworthy counterparties in accordance with established credit limits for all future transactions with customers. The Group also reviews the overall financial strength of its customers by monitoring publicly available credit information.

The Directors have assessed that the fair values of the Group's financial assets and liabilities reasonably approximate their carrying values, as represented in these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 22. CAPITAL MANAGEMENT

The Board of Directors are charged with determining the optimal mix of debt and equity which is suitable for the needs of the Group. For the year ended 30 June 2019 the Group held no material commercial borrowings or material facilities for credit as the board considered that, at this point of time, that funds sourced through equity would be most appropriate. The Group's treasury function reports to the board periodically with forecast cash flow information that enables the Board to conduct its capital raising activities in an orderly fashion at a dilutive cost to existing shareholders that is appropriate and reasonable.

## 23. PARENT ENTITY DISCLOSURES

Financial Position	2019 \$	2018 \$
<b>Assets</b>		
Current assets	84,346,795	90,407,525
Non-current assets	1,732,016	14,789
<b>Total assets</b>	<b>86,078,811</b>	<b>90,422,314</b>
<b>Liabilities</b>		
Current liabilities	295,231	484,073
Non-current liabilities	–	16,369
<b>Total liabilities</b>	<b>295,231</b>	<b>500,442</b>
<b>Equity</b>		
Issued capital	96,502,220	95,081,758
Reserves	1,975,377	1,043,877
Accumulated losses	(12,694,017)	(6,203,763)
<b>Total equity</b>	<b>85,783,580</b>	<b>89,921,872</b>

Financial Performance	2019 \$	2018 \$
Loss for the year	(6,490,255)	(2,705,749)
Other comprehensive income	–	–
<b>Total comprehensive loss</b>	<b>(6,490,255)</b>	<b>(2,705,749)</b>

The subsidiary companies have expenditure commitments under the premises lease. The parent entity has committed to providing funds to ensure the subsidiary companies can fulfil these commitments as well as any other operating commitments.

# DIRECTORS' DECLARATION

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1. The Directors declare that the financial statements and notes set out on pages 19 to 40 are in accordance with the *Corporations Act 2001* and:
  - a. comply with International Financial Reporting Standards, as stated in Note 2 to the financial statements;
  - b. comply with Accounting Standards, the *Corporations Regulations 2001*; and
  - c. give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended 30 June 2019 of the consolidated group.
2. The Chief Executive Officer and Company Secretary have each declared that:
  - a. the financial records of the Company for the year ended 30 June 2019 have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the year comply with the Accounting Standards; and
  - c. the financial statements and notes for the year give a true and fair view.
3. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Allan McCallum  
**Chairman**

Date: 27 August 2019

# INDEPENDENT AUDITOR'S REPORT



## Independent auditors report to the members of Cann Group Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Cann Group Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that we have complied with the independence requirements of the *Corporations Act 2001*.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ACCOUNTANTS & ADVISORS

Level 20, 181 William Street  
Melbourne VIC 3000  
Telephone: +61 3 9824 8555  
[williambuck.com](http://williambuck.com)

# INDEPENDENT AUDITOR'S REPORT (CONTINUED)



## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

CAPITALISATION OF PROPERTY, PLANT AND EQUIPMENT	
Refer also to notes 2 and 9	How our audit addressed it
<p>During the financial year the Group significantly invested in its cultivation capacity through the enhancement of its Southern and Northern growth facilities, through the acquisition of plant and equipment.</p> <p>In addition, the group has also acquired land and buildings at a site in Mildura for construction of an additional greenhouse and support buildings. The works have been classified as capital-work-in progress until such time as the facility is completed.</p> <p>Subsequent to year end the Group has also acquired the land and buildings for the Southern facility, which was leased at 30 June 2019.</p> <p>The Group's accounting policy for depreciating such property, plant and equipment is over the term of the useful life of the asset, from when it is held ready for use. During the year management has not changes its estimation of useful life of its assets.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— Vouching material acquisition of land and buildings to supporting contracts;</li> <li>— Examining the underlying material plant and equipment costs which have been capitalised in the year to determine whether or not such plant and equipment is held and ready for use and therefore subject to depreciation;</li> <li>— Assessing the classification of property, plant and equipment between categories, including capital-work-in progress; and</li> <li>— Recalculating the arithmetic accuracy of the depreciation charge taken to the financial report.</li> </ul> <p>We have also assessed the adequacy of disclosures in relation to property, plant and equipment in the Notes to the financial report.</p>
INVENTORY	
Refer also to notes 2 and 8	How our audit addressed it
<p>The Group's inventory of \$3.09 million; consisting primarily of biomass, is significant to the financial statements and has increased by \$1.68 million from the prior year.</p> <p>The biomass is valued at fair value less costs to sell as at the date of harvest.</p> <p>The valuation of inventory involves judgement by management when determining the value per gram of biomass. In particular consideration is given to directly attributable costs which can be capitalised to the into cost of inventory.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>— Agreeing physical inventory to the independent stock count reports to ensure the existence of inventory;</li> <li>— Agreeing all material transfers in and out of the secured inventory locations to supporting transfer documentation;</li> <li>— An evaluation of managements judgements and assumptions used in calculation cost per gram of biomass; and</li> <li>— An evaluation of management's judgements and assumptions used in determining the need for inventory provisions and inventory write downs.</li> </ul> <p>We have also assessed the adequacy of disclosures in relation to inventory in the Notes to the financial report.</p>

# INDEPENDENT AUDITOR'S REPORT (CONTINUED)



## **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our independent auditor's report.

## **Report on the Remuneration Report**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report accompanying these financial statements for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Cann Group Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.



# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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## Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*William Buck*

**William Buck Audit (Vic) Pty Ltd**  
ABN: 59 116 151 136

*Alan Finnis*

**A. A. Finnis**  
Director

Melbourne, 27 August 2019

# SHAREHOLDER INFORMATION

## Equity security holders

As at 21 August 2019 the Company had 141,804,247 ordinary shares on issue. Further details of the Company's equity securities are as follows:

### Largest Holders

Rank	Name	20 Aug 2019	% of Issued Capital
1	AURORA CANNABIS INC	31,956,347	22.54
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,011,014	4.24
3	MULLACAM PTY LTD <ATF THE McCALLUM FAMILY SUPER FUND> / MR ALLAN McCALLUM	5,580,000	3.94
4	MR PHILIP JACOBSEN & MRS MAXINE JACOBSEN <JAYESS S/F A/C>	4,094,518	2.89
5	UBS NOMINEES PTY LTD	3,644,577	2.57
6	CITICORP NOMINEES PTY LIMITED	3,483,161	2.46
7	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,567,793	1.81
8	GRAPEFULL PTY LTD <ATF THE GRAPEFULL SUPER FUND> / DOUG AND ANN RATHBONE	2,331,185	1.64
9	WEXFORD RISE PTY LTD <WEXFORD RISE SUPER>	1,977,930	1.39
10	NATIONAL NOMINEES LIMITED	1,925,344	1.36
11	MR RAYMOND THOMAS HOBSON & MRS RHONDA ELLEN HOBSON	1,812,500	1.28
12	HARDMAIL PTY LTD	1,681,852	1.19
13	EGEA PTY LTD / G PEARCE & B PEARCE	1,554,195	1.10
14	MR ALLAN WAYNE ROHDE & MRS LYNDEL MARGARET ROHDE <THE LYNAL SUPER FUND A/C>	1,420,000	1.00
15	INTERDALE PTY LTD <MAPLE SUPER FUND>	1,350,000	0.95
16	MR ALLAN WAYNE ROHDE	1,220,000	0.86
17	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,106,047	0.78
18	CROFTON PARK INVESTMENTS PTY LTD <BROUGHAM INVESTMENT>	1,000,000	0.71
19	AUSTRALIAN BUSINESSPOINT PTY LTD	1,000,000	0.71
20	CG NOMINEES (AUSTRALIA) PTY LTD	920,000	0.65
	<b>Total</b>	<b>76,636,463</b>	<b>54.04</b>
	<b>Balance of register</b>	<b>65,167,784</b>	<b>45.96</b>
	<b>Grand total</b>	<b>141,804,247</b>	<b>100.00</b>

# SHAREHOLDER INFORMATION (CONTINUED)

## Substantial shareholders

The following table shows the substantial holders as notified to the Company in substantial holding notices as at 21 August 2019.

Name	Noted Date of Change	Number of Equity Securities	Relevant Interest
AURORA CANNABIS INC	25/01/2018	31,956,347	22.5%

## Distribution of equity securityholders

Holdings distribution

Range	Number of holders	Securities
100,001 and over	105	100,593,111
10,001 to 100,000	765	20,034,847
5,001 to 10,000	863	6,628,939
1,001, to 5,000	4,291	10,790,069
1 to 1,000	8,104	3,757,281
<b>Total</b>	<b>14,128</b>	<b>141,804,247</b>

## Unmarketable Parcels

The number of investors holding less than a marketable parcel of 292 securities (\$1.71 on 20 August 2019) is 3,054 and they hold 598,242 securities.

## Voting Rights

The voting rights attaching to each ordinary share are that holders of ordinary shares have the right to vote at every general meeting of the Company. At a general meeting every holder of ordinary shares present in person or by proxy has, on poll, one vote for each ordinary share held.

## Unquoted equity securities

Cann Group Limited has 1,000,000 unquoted Performance Rights (Class C) on issue at 21 August 2019.

## Securities exchange

The Company is listed on the Australian Securities Exchange. The home exchange is Melbourne.

## Other information

Cann Group Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

# CORPORATE DIRECTORY

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## COMPANY

Cann Group Limited  
ACN 603 949 739

Registered Office  
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Phone: 03 9095 7088  
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## SHARE REGISTRY

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## AUDITORS

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## DIRECTORS

Allan McCallum  
Philip Jacobsen  
Doug Rathbone  
Geoff Pearce  
Neil Belot

## COMPANY SECRETARY

Richard Baker

## CEO

Peter Crock

## LAWYERS

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