



# CANN

## GROUP LIMITED

INVESTOR PRESENTATION  
MAY 2017

Allan McCallum, Chairman  
Peter Crock, Chief Executive Officer

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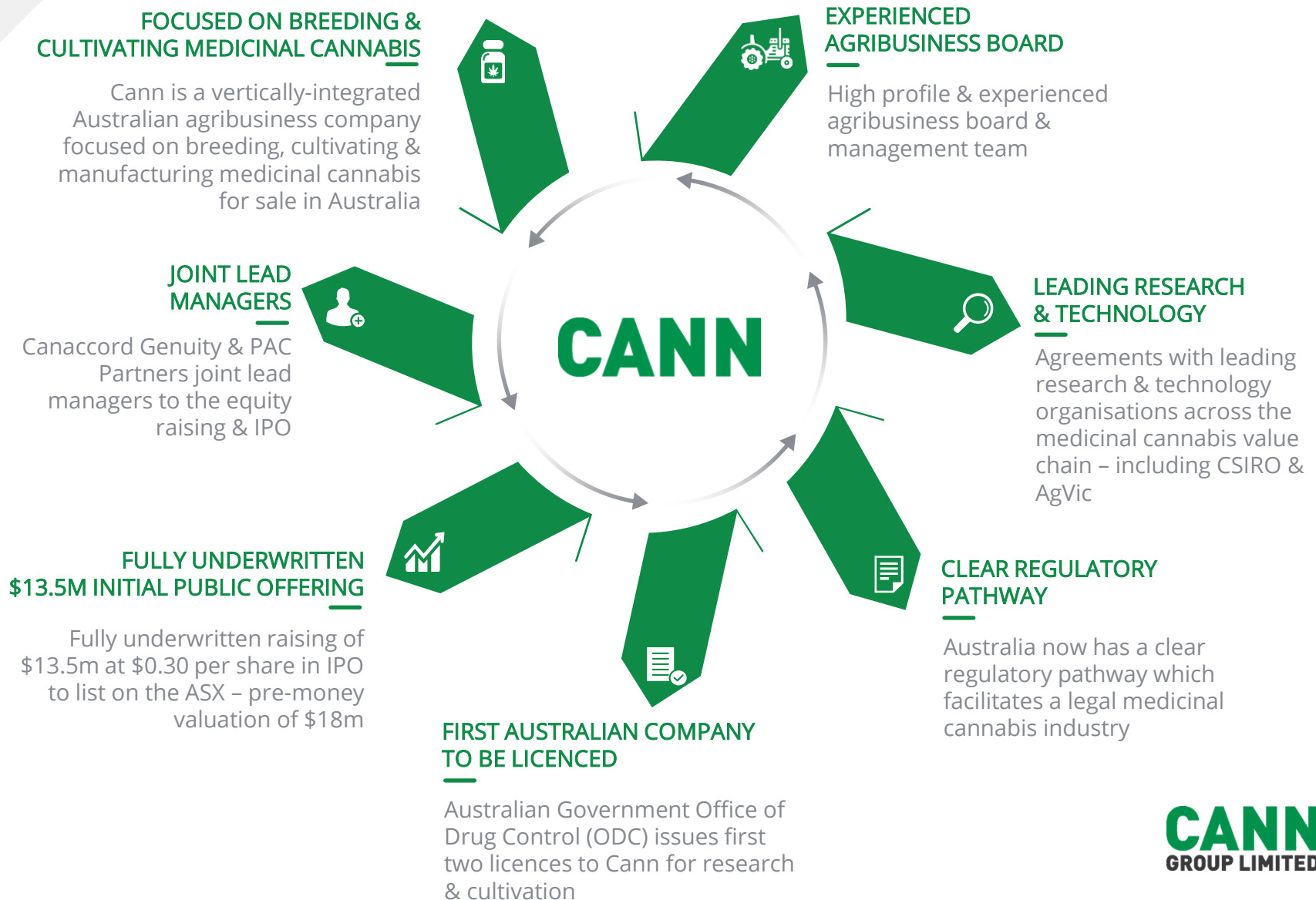
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# TRANSACTION OVERVIEW

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# BOARD & MANAGEMENT TEAM

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**ALLAN MCCALLUM,  
CHAIRMAN**

- Allan has extensive experience in the agribusiness sector as well as significant tenures with biotechnology companies
- Chairman of Tassal Group (ASX:TGR), Non Executive Director of Medical Developments International (ASX:MVP), Former Chairman of Vicgrain, Former Director of Grain Growers Association
- Former President of Australian Oilseeds Federation, Chairman of Nugrain, Access Genetics & Farm Horizons
- Formerly Deputy Chairman at GrainCorp (ASX:GNC) & Director of IncitecPivot (ASX:IPL)



**DOUG RATHBONE,  
NON-EXECUTIVE  
DIRECTOR**

- Doug is an Industrialist with vast experience in chemicals & agrochemicals industry / international business. He has expertise in specific functional areas & has chemical engineering & commerce background
- Formerly CEO & Managing Director at Nufarm (ASX:NUF), & earlier, Managing Director of Nufarm Australia, with over 35 years in total with the company
- Former Director of Commonwealth Scientific & Industrial Research Organisation (CSIRO)
- Formerly a Non-independent Non-Executive Director at Excel Crop Care
- Non-Executive Director of Leaf Resources (ASX:LER)

The team has deep experience in the Australian agribusiness, biotech & pharma sectors, along with proven entrepreneurial & business development expertise



**PHILIP JACOBSEN,  
NON-EXECUTIVE  
DIRECTOR / DEPUTY  
CHAIRMAN**

- Experienced public company director
- Co-founded Premier Artists & Frontier Touring Company
- Very strong financial management background & success in building businesses in evolving & competitive markets
- Director of Liberation Music, Premier Artists, The Harbour Agency, former Chairman of MCM Entertainment



**GEOFF PEARCE,  
NON-EXECUTIVE  
DIRECTOR**

- More than 40 years' experience, including owning & growing Scental Pacific Pty Ltd which was sold to the Smorgon family
- Geoff created & built a contract manufacturing business Beautiworx Australia Pty Ltd, (sold to BWX Limited in January 2014). CEO of Beautiworx & director of BWX in the lead-up to ASX listing in 2015
- Chairman of Probiotec (ASX:PBP)
- Geoff owns The Continental Group, which provides raw materials, cosmetic & pharmaceutical packaging, roto-molded cooler boxes & other leisure goods to businesses around the globe
- Proven experience in business development & an in-depth knowledge of manufacturing, packaging & distribution



**PETER CROCK,  
CHIEF EXECUTIVE  
OFFICER**

- Peter is an experienced senior manager with strong skills in marketing & technology development
- Twenty-eight years with Nufarm Group, most recently working in the rapidly evolving "Ag Tech" space. Other senior management roles covering R&D, IT, marketing & business development
- Project manager on several newly acquired businesses, extensive experience working with regulators locally & overseas

# CORNERSTONE INVESTOR: AURORA CANNABIS INC.

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Aurora Cannabis Inc. (TSXV:ACB), one of Canada's largest publicly-listed cannabis companies, subscribed for 19.9% of Cann as a cornerstone investor to the IPO at the offer price of \$0.30 (\$6.5m in total)



- Canada's 2<sup>nd</sup> largest publicly-listed licenced medicinal cannabis grower / manufacturer
- Targeting one of the largest production footprints with a purpose-built, state-of-the-art production facility specifically designed for growing & cultivating cannabis
  - Existing 55,200 sq foot facility
  - Current expansion of additional 650,000 sq foot facility underway
  - On completion, capacity of approx 30,000 kg / year
- Acquired CanvasRx in August 2016, a company that provides counselling services to patients who have received a prescription for cannabis from a physician, providing strong end-user / patient access

## FINANCIAL METRIC

Share price (\$)	2.73
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Shares on issue (m)	319.34
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Market capitalisation (\$m)	874.993
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Strong balance sheet	
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Aurora brings a wealth of experience, networks & knowledge to Cann that will fast-track and maximise Cann's growth strategy in Australia

**CANN**  
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# OUR FOCUS

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Rapidly developing  
market with  
substantial growth  
potential



Regulatory  
pathway now  
defined



A clear  
Australian focus



“ CANN IS UNIQUELY FOCUSED ON BUILDING A WORLD-CLASS AUSTRALIAN-  
BASED MEDICINAL CANNABIS COMPANY ”



R&D facilities/program  
established; relocating  
to expanded facility



Key industry  
partnerships in place



Licensed to undertake  
research & cultivation

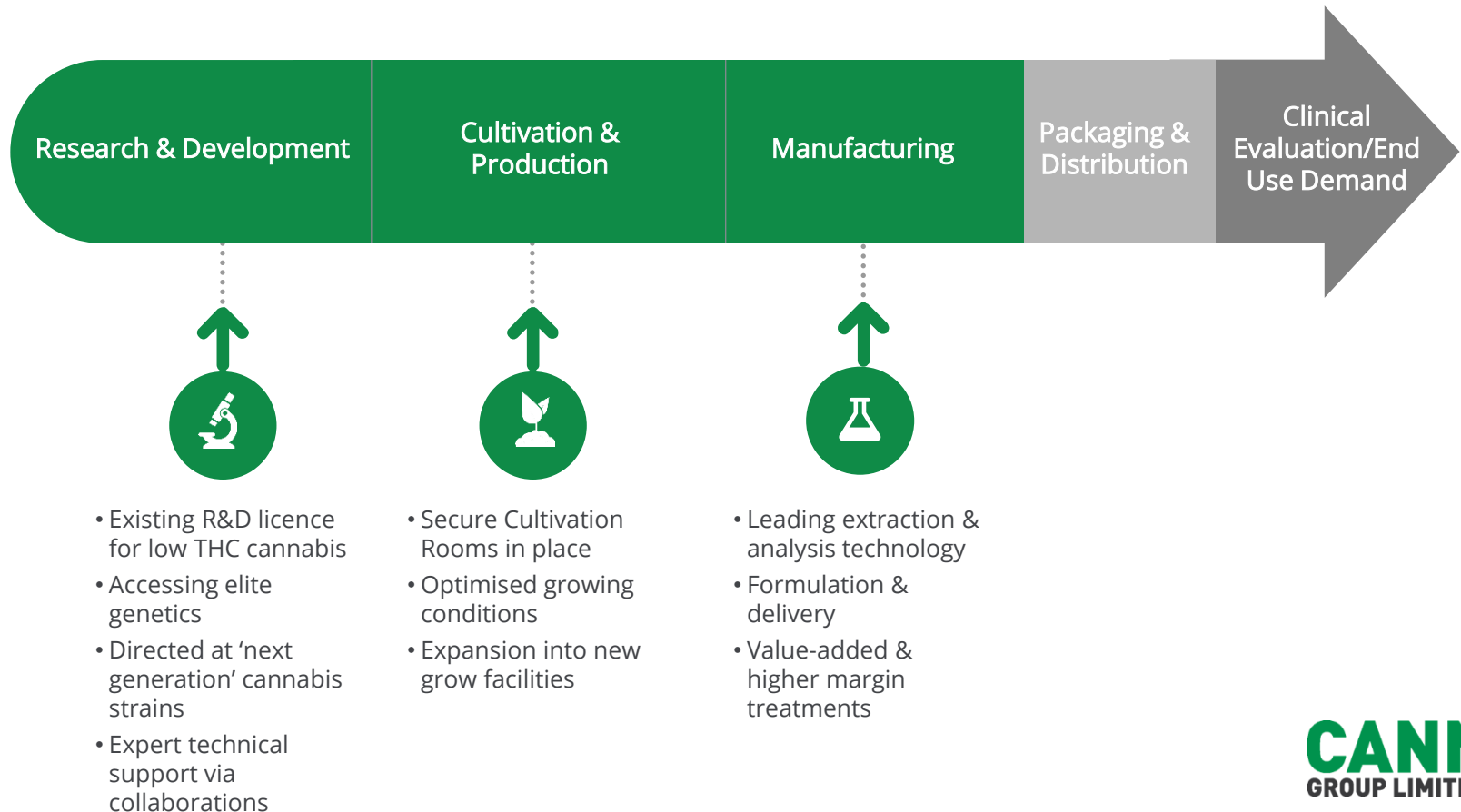
# BUSINESS MODEL & THE INDUSTRY VALUE CHAIN

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FEDERAL & STATE GOVERNMENT REGULATED

Cann's competitive strengths lie in these segments of the value chain...

...with a clear pathway to secure involvement in these segments





# RESEARCH & DEVELOPMENT

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## Established Operations

- Cann is using its own experience & capabilities, & collaborating with research bodies & commercial entities to develop optimal breeding, cultivation, extraction & analysis programs
- Cann was granted a three year "Authority for Low-THC Cannabis" by the Victorian Government authorising cultivation of low-THC cannabis for research purposes
- With the granting of the first licence by the Australian Government's ODC, Cann's focus moves to research on the use of cannabis for medicinal purposes

## Partnerships with Experts

- Cann is accessing elite genetics within Australia & from overseas to support its breeding programs

## Building an Intellectual Property (IP) Portfolio

- R&D is focused on several areas:
  - Understanding the influence of growing conditions on the cannabinoid profile of the plant using Cann's Secure Cultivation Rooms
  - Maximising the cannabinoid oil production from suitable cannabis varieties & reducing the cost of production, while delivering a consistent quality & quantity of medicinal cannabinoid oil with scientifically defined properties
  - Developing optimal blends of THC, CBD & other cannabinoid oils to treat specific conditions, leveraging its access to unique strains and in-house developed IP



# CULTIVATION & PRODUCTION

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Cultivating low THC cannabis at Cann's current facility in Victoria, under relevant three-year licence from the Victorian Government



## Existing Capability

- Secure Cultivation Rooms fitted with requisite lighting, irrigation, climate control & other equipment to grow cannabis for medicinal & research related purposes
- Secure Cultivation Rooms consistently hold optimal environmental conditions & thus provide the capability to produce multiple harvests per year & optimise crop yield
- 'Seed-to-sale' plant tracking software allows full traceability of plants & plant products – important in achieving relevant regulatory approvals
- Extensive security provisions including CCTV, biometric access, risk register & appropriate security management plan

## Regulatory Support

- Cann is leveraging its experience with low THC cannabis to cultivate various medicinal cannabis varieties as it continues to secure receipt of necessary permits

## Partnerships with Experts

- Technical service agreements with Agriculture Victoria, which has established the first medicinal cannabis cultivation facility in Australia
- Cann will expand into state-of-the-art facilities in Q2 2017 – 760m<sup>2</sup> PC2 accredited glasshouse including tissue culture, cell biology & extraction laboratory areas



## Building on the IP Portfolio

- Harnessing the biochemical variation that exists between different cannabis strains, producing a wide variety of cannabinoids is a major focus for Cann Group
- Significant opportunity to develop specialised extraction & product handling techniques, to be kept as a trade secret, or patent protected as appropriate

## Board & Management Expertise

- Cann's board & management experience will be significant in incorporating advanced cultivation techniques, superior extraction & analysis technologies

## GMP Facilities

- Cann's new facilities are PC2 certified (Physical Containment Level 2) & the laboratory certification upgraded/registered to a GMP facility
- The GMP laboratory will be used for plant extraction, cannabinoid analysis, product formulation development &, in some cases, patient dose preparation

## Future Revenue Opportunity

- Cann has the opportunity to provide contract cultivation & manufacturing services (extraction &/or dosage preparation) to other parties

# KEY INDUSTRY RELATIONSHIPS

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As well as Aurora Cannabis Inc., Cann has forged relationships and agreements with leading organisations that add to the business model across various components of the industry value chain



Cann expanding into world-class greenhouse facilities in 2017 to facilitate access to additional technical resources



Relationship with Canada-based Anandia Labs, a global leader in cannabis genetics. Anandia's Dr Jonathan Page is the first scientist to have sequenced the cannabis genome & make fundamental discoveries about THC biosynthesis. Cann will work with Anandia on breeding programs that will create next-generation cannabis strains optimised to address grower & patient challenges

Clinical Evaluation  
Partner

Agreement to be an exclusive supplier of medicinal cannabis (cannabinoid oil &/or specific formulations) to an Australian based biotechnology company which plans to undertake clinical evaluation of medicinal cannabis for pain in aged care patients



Agreement with Agriculture Victoria to provide Cann with access to elite cannabis genetics, as well as cultivation & extraction technology. Agriculture Victoria is currently growing cannabis & will produce medicinal cannabis treatments to be evaluated in clinical trials that will commence in 2017



Agreement with the Commonwealth Scientific & Industrial Research Organisation (CSIRO)\* to undertake cannabis extract analysis of samples of materials cultivated by Cann

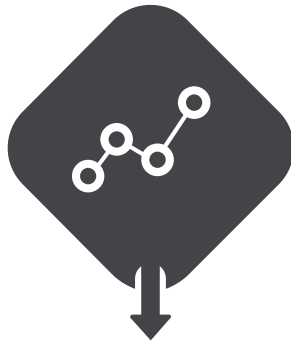
\* The CSIRO is a business partner of the Cann Group and does not endorse the Company, nor recommend Cann Group as an investment opportunity

# THE CANN BUSINESS MODEL

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Having secured relevant licenses & permits Cann will breed & grow certain cannabis varieties



These select varieties will yield cannabinoid oils suitable in specific treatments for diseases & medical conditions



Cann to collaborate with & supply a variety of third parties involved in clinical evaluation of medicinal cannabis



With the necessary regulatory approvals, Cann will supply product to the broader patient population

# SIZE OF AUSTRALIAN OPPORTUNITY

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- Initial demand of up to 8,000kg – more than A\$100m potential revenue in year one – growing to A\$380m by 2018 & A\$1.3bn in 2026
- Office of Drug Control (ODC) estimates 20,000m<sup>2</sup> required for first two years production
- Cann's new facility 600-700m<sup>2</sup> (3.0-3.5% ODC estimate) with intention to later expand further
- Cann's assessment of patient pools, based on industry body (by condition) data:

CONDITION	PATIENT NUMBERS (TOTAL POOL)
Arthritis	3,850,000
Cancer	130,000
Chronic pain	4,855,000
Epilepsy	146,000
Multiple Sclerosis	24,300
Osteoporosis	652,500
Parkinson's	69,400

- Using current average Canadian pricing & dosage as a guide, with 20% penetration & 30 treatment days per year – total future market value ~A\$1.3bn

# SUPPORTIVE REGULATORY ENVIRONMENT IN AUSTRALIA

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Legal for doctors to prescribe, under strict conditions. Awaiting NSW testing results before conducting trials



Access to patients incorporates a TGA component & state regulations

Legal for medical specialists to prescribe for certain patients (incl. those with MS, HIV/AIDS, epilepsy & cancer) from March 2017. Other doctors will be able to apply for permission to prescribe the drug for certain conditions.

Available to children with very severe epilepsy cases. Trial underway for patients suffering nausea from chemotherapy

Legalised – available for children with severe epilepsy from early 2017

Specialists will be allowed to prescribe the drug to those suffering serious & chronic illness from 2017

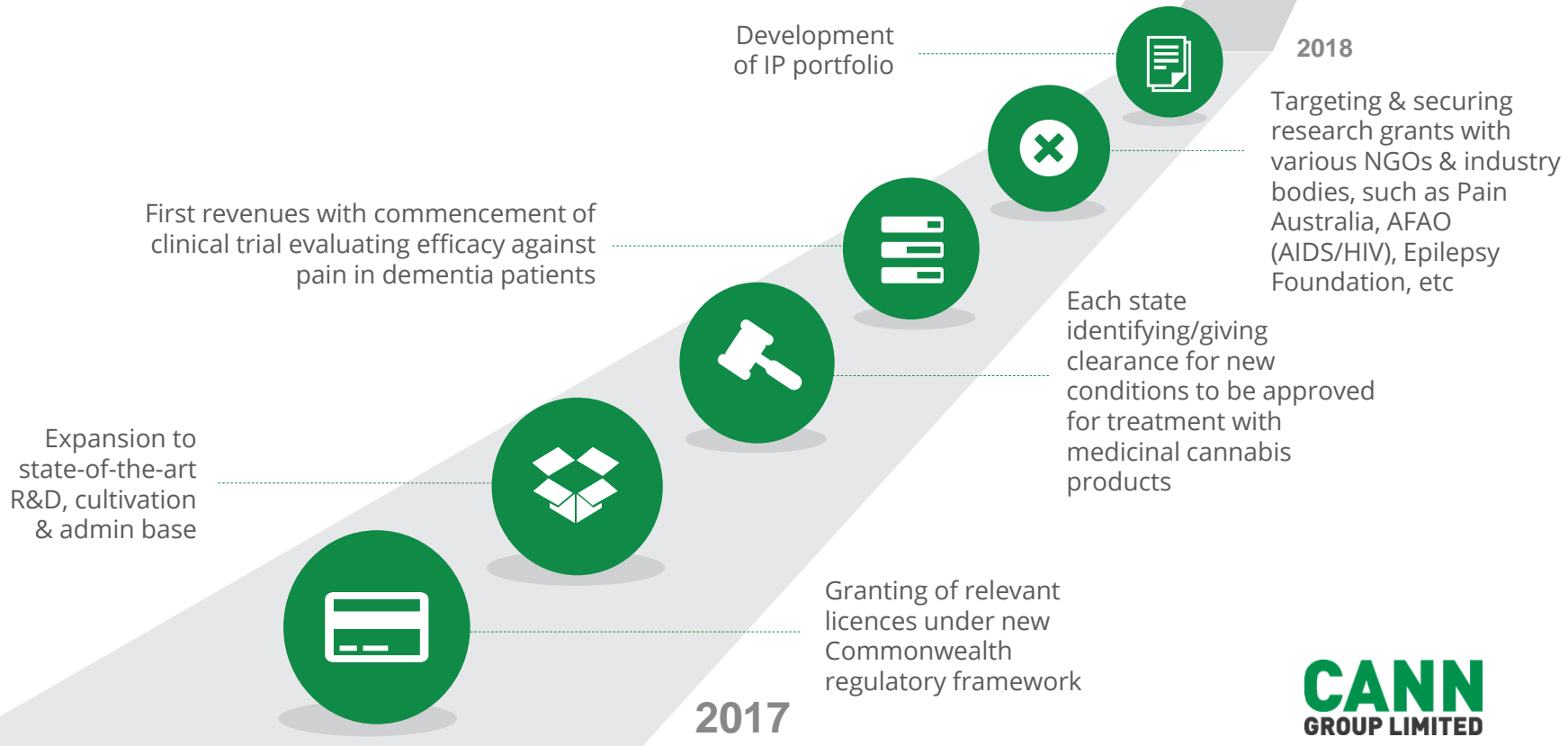
- Advanced / imminent regulation
- Supportive legislative environment
- To fall under the Federal government regulatory overlay

## Cultivation of medicinal cannabis falls under federal legislation:

- Narcotic Drugs Amendment Act 2016 into effect as of 30 October 2016
- Allows for the licensing of cannabis cultivation & production of cannabis & cannabis resins for medicinal & scientific purposes
- Cannabis material cultivated in Australia may be used to conduct clinical trials & develop therapeutic products, in accordance with the Therapeutic Goods Act 1989 – creating an immediate revenue opportunity

# MILESTONES & NEWSFLOW

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# CAPITAL STRUCTURE & USE OF FUNDS

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DESCRIPTION	NO. OF SHARES	TOTAL UNDILUTED	TOTAL DILUTED
Founding Shares	20,000,000	18.5%	18.1%
Pre-IPO Issued Shares	19,986,668	18.4%	18.1%
Options	13,486,668	12.4%	12.4%
Performance Rights	7,180,000	6.6%	6.5%
New IPO Shares	45,000,000	41.5%	40.8%
Underwriter Fees Paid in Shares	2,700,000	2.6%	2.5%
<b>Total Issued Capital <sup>1</sup></b>	<b>108,353,336</b>	<b>100.0%</b>	
Total Options on issue at completion of the IPO: • Underwriter Options	2,000,000		1.8%
<b>Total issued capital on a diluted basis</b>	<b>110,353,336</b>		<b>100.0%</b>

<sup>1</sup>Based on \$13.5m IPO raising, assumes all options are exercised



















DESCRIPTION	ESTIMATED SPEND (\$M)
Construction of purpose-built facility	1.8
Feasibility / scoping study for purpose-built facility	0.5
Construction of grow infrastructure	1.0
Cultivation, manufacturing & other plant & equipment	0.4
Research & Development	2.2
Cultivation	4.2
Participation in clinical studies	0.5
Commercial costs of medical liaison & TGA consultants	0.3
Facilities lease costs	1.1
Administration & working capital	3.0
Balance of expenses of the Offer	0.4
<b>TOTAL</b>	<b>15.5<sup>2</sup></b>

<sup>2</sup>Includes \$2m existing cash

~31m Shares, representing 51% of the fully-diluted pre-IPO register, will be subject to escrow of up to 24 months from Official Quotation on the ASX

# BUSINESS MODEL & VALUATION COMPARISON

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BRAND	COMPANY (TICKER)	MARKET CAPITALISATION (A\$M EQV.)*	DOMICILE	BUSINESS MODEL
	Medlab Clinical (ASX:MDC)	156.4		<ul style="list-style-type: none"> <li>Nutraceutical products businesses that also engages in pharmaceutical research</li> <li>Develops biotherapeutics for chronic kidney diseases, pre-diabetes/obesity, depression, musculoskeletal muscle loss associated with ageing and non-opioid pain management</li> </ul>
	MGC Pharmaceuticals (ASX:MXC)	65.5		<ul style="list-style-type: none"> <li>RTO of MGC into Erin Resources in December 2015</li> <li>Medicinal and cosmetics cannabis company with licenses to grow, extract and sell Cannabis Sativa in Slovenia</li> </ul>
	AusCann Group (ASX:AC8)	141.7		<ul style="list-style-type: none"> <li>RTO of AusCann into TW Holdings in December 2016</li> <li>Focus on the cultivation, manufacture and sale of cannabis medicines for a range of conditions and symptoms</li> </ul>
	MMJ Phytotech (ASX:MMJ)	122.9		<ul style="list-style-type: none"> <li>Cultivations limited to Canada and clinical development limited to Israel. Attempting to develop and control all processes from farming through to pharmacy sales, however focus is entirely on the Canadian market (incl. recreational)</li> </ul>
	Creso Pharma (ASX:CPH)	58.3		<ul style="list-style-type: none"> <li>Swiss-domiciled company seeking to sell products into Slovakia and The Czech Republic with a focus on the food supplements market for humans and animals</li> </ul>
	Zelda Therapeutics (ASX:ZLD)	98.1		<ul style="list-style-type: none"> <li>RTO of Zelda into Gleneagle Gold in November 2016</li> <li>Research-focused company in partnership with AusCann</li> </ul>
	Tilray (Lafitte Ventures)	Private		<ul style="list-style-type: none"> <li>Backed by VC, Privateer Holdings (Seattle), focused on building a portfolio of global brands that will lead, legitimise and define the future of cannabis</li> <li>Partnering with the University of Sydney, NSW Government and Chris O'Brien Lifehouse to conduct a clinical trial studying how cannabinoids can benefit patients with chemotherapy-induced nausea and vomiting (CINV)</li> </ul>
	GW Pharmaceuticals (NasdaqGM:GWPH)	3,861		<ul style="list-style-type: none"> <li>GW Pharmaceuticals engages in discovering, developing, and commercialising cannabinoid prescription medicines</li> <li>Global benchmark for medicinal cannabis R&amp;D</li> </ul>
	Cann Group (ASX:CAN)	18 (pre-money)		<ul style="list-style-type: none"> <li>Cultivator, processor and manufacturer of medicinal cannabis products in Australia</li> <li>Experienced Board and team who partnered with experts across the value chain (AgVic, etc) to create true Australian "blue chip" offering</li> </ul>

\* Fully diluted (incl. restricted and escrowed securities, options and performance rights)











Source: CapitalIQ, Company reports

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# COMPETITIVE ENVIRONMENT: CANADIAN COMPS

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As the nearest comparable market to Australia with respect to regulation and demographics, Canada's publicly-listed peers provide data points regarding how the Australian market, and its participants, may evolve and perform over time

BRAND	COMPANY (TICKER)	MARKET CAPITALISATION (A\$M EQV.)	DOMICILE	KGS PRODUCED (CUMULATIVE)	PRODUCTION COSTS (C\$) (CUMULATIVE)	ALL-IN COSTS PER GRAM (C\$) (CUMULATIVE)	CASH COSTS PER GRAM (C\$)(MOST RECENT QUARTERLY)	FY17F REVENUE (CONSENSUS ESTIMATES)	FY17F EBITDA (CONSENSUS ESTIMATES)
	Canopy Growth Corp. (TSX:WEED)	1,572		8,067,045	29,012,000	3.60	2.66	39.5	(4.0)
	Aurora Cannabis Inc. (TSXV:ACB)	868		441,000	725,852	1.77	1.67	33.9	13.8
	Aphria Inc. (TSX:APH)	823		2,338,798	4,402,376	1.88	1.23	22.5	6.3
	OrganiGram Holdings Inc. (TSXV:OGI)	281		1,018,303	2,210,220	2.17	1.29	16.0	4.3
	Mettrum Health Corp. (TSXV:MT)	334*		3,102,718	8,040,221	2.59	2.00	23.0	(2.2)

Average sale price in Canada is C\$16.12/gram (with a price range of C\$4.62–\$35.89/gram)

\* As of 31 Jan 2017, Mettrum operates as a subsidiary of Canopy Health Corp  
Source: CapitalIQ, Company reports



## Business Model

- Advanced player in the industry – long established & first in Australia with licences secured, creating first mover advantage
- Numerous & high barriers to entry – licences create incumbency & in time hold substantial tangible value
- Partnerships with tier one organisations/experts across the value chain
- Supportive legislative environment (federal/state/bipartisan support)
- End user market defined – clinical trials create immediate revenue opportunity & patients by indication to evolve over time
- Clearly identified steps to fully integrate the value chain

## Financial Imperatives

- Low cost production; continuous cropping cycle (equivalent to 4-6 crops per year); 250+ plants per week; (100 - 150g flowering head per plant)
- R&D benefits include increased margin on sales, patient specificity, IP portfolio creation & tax rebate support
- Financial & cash flow imperatives – production expansion drives EBITDA, product mix through R&D drives margin

## Market Dynamics & Growth

- Rapidly growing market by indication/patient – supported by international trends

## People

- Top-class, experienced board & management team

# CONTACTS



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## COMMUNICATIONS

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## APPENDICES

# CANN GROUP: THE FIRST CANNABIS LICENCEE IN AUSTRALIA

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The  
Office of  
Drug Control

Manufacturers ▾ Importers, Exporters & Travellers ▾ Medicinal Cannabis ▾ Patient Access ▾ About ▾ News ▾

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## The Office of Drug Control grants first commercial medicinal cannabis licence

8 March 2017

Today the Office of Drug control issued the second licence under the medicinal cannabis provisions of the *Narcotic Drugs Act 1967*. This is the first **commercial** medicinal cannabis licence and authorises the cultivation and production of Australian grown cannabis into the manufacture chain and for subsequent therapeutic supply to Australian patients.

The licence has been issued to Cannoperations Pty Ltd, a wholly owned subsidiary of the Australian company Cann Group Limited.

For any questions relating to Australia's medicinal cannabis regulatory framework, please contact the Medicinal Cannabis Section on 02 6232 8433 or [mcs@health.gov.au](mailto:mcs@health.gov.au).

# THE OPPORTUNITY: AN EMERGING NEW GLOBAL INDUSTRY

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European jurisdictions that permit medicinal use (in some form) include Czech Republic, Finland, Germany, Italy, the Netherlands and Spain



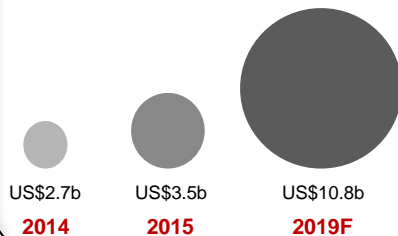
Israel very advanced with respect to legalisation. Significant world-leading cannabis research and product development / enhancement

Regulations now in force for medicinal cannabis use

MPR and ACMPR regulations govern commercial producers in Canada. Currently medicinal use only, however plans are evolving to open the recreational use market

8 US states (plus District of Columbia) have legalised recreational and medicinal cannabis use; 12 States medicinal use & decriminalisation, 12 States (plus Guam & Puerto Rico) legalised psychoactive (THC), 12 States legalised non-psychoactive (CBD) only, 1 State (plus US Virgin Islands) decriminalised possession; 5 States possession & sales illegal & prohibited

## USA MEDICINAL MARKET VALUE (BY SALES)



- Cannabis legal and / or market well-advanced
- Cannabis decriminalised and / or legalisation imminent
- Cannabis illegal or limited information

# LEGALISED CANNABIS: A NEW INDUSTRY TOO BIG TO IGNORE!

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## VARIOUS COMMENTS FROM THE LAW REFORM COMMISSION REPORT AUGUST 2015

"Patients' access to cannabis under any regulated scheme is vital to its success. If patients are unable to practically access cannabis, they will not embrace the system and return to buying their medicine from the illicit market. This has been the experience overseas. This has been an important issue in the various iterations of the Canadian medicinal cannabis scheme. In Italy, eligible patients were permitted in 2013 to access imported medicinal cannabis from the Netherlands. However, the imported cannabis was priced at ten times the cost of products purchased on the illicit market, at €38 per gram, or €1,000 per month for a typical patient. As a result, only a 'few dozen' Italian patients signed up for the program. Italy now produces its own medicinal cannabis."

"On 2 December 2015, Victorian Health Minister Jill Hennessy said the state would continue to push ahead with planned state laws to establish a cannabis "cultivation trial" next week, ahead of any national regulatory scheme: *"Given the Commonwealth's timelines on this continue to change, we are not prepared to delay the introduction of our legislation at the expense of the Victorian families and children that are desperately awaiting this much need reform."*

A copy of the report can be found here:  
<http://lawreform.vic.gov.au/projects/medicinal-cannabis/medicinal-cannabis-report-pdf>

### Forbes: Marijuana Sales Totaled \$6.7 Billion In 2016

North American marijuana sales grew by an unprecedented 30% in 2016 to \$6.7 billion as the legal market expands in the U.S. and Canada, according to a new report by Arcview Market Research.

North American sales are projected to top \$20.2 billion by 2021 assuming a compound annual growth rate of 25%....

To put this in perspective, this industry growth is larger and faster than even the dot-com era. During that time, GDP grew at a blistering pace of 22%. Thirty percent is an astounding number especially when you consider that the industry is in early stages.

Arcview's new editor-in-chief Tom Adams said, "The only consumer industry categories I've seen reach \$5 billion in annual spending and then post anything like 25% compound annual growth in the next five years are cable television (19%) in the 1990's and the broadband internet (29%) in the 2000's."

Source: <http://www.forbes.com/sites/debraborchardt/2017/01/03/marijuana-sales-totaled-6-7-billion-in-2016/#187a9f3d1871>

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### Medicinal cannabis crops now legal in Australia

AAP 30 October 2016 - Budding cannabis producers can now apply for a licence to grow the crop legally in Australia, for medicinal use only. The Narcotic Drugs Amendment Act 2016, which came into effect on Sunday, allows businesses to apply for a licence to cultivate cannabis or manufacture cannabis products for medicinal purposes, or to conduct related research. Minister Minister Sussan Ley said the changes would give patients and doctors access to a safe, reliable and legal source of cannabis for medicinal use.

"Until now, it has been difficult for patients to access medicinal cannabis products from overseas sources," Ms Ley said in a statement on Sunday. "These new laws change that situation by providing for a domestic supply of medicinal cannabis products that are not readily available for import." She stressed the changes do not decriminalise recreational cannabis use. Licence applicants must pass a security test and meet strict requirements, and individual states and territories will still decide who can use medicinal cannabis.

Source: <http://www.smh.com.au/national/health/medicinal-cannabis-crops-now-legal-in-australia-20161030-gse52t.html>

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People in the marijuana industry have lately taken to saying that legal marijuana is the next Internet, an untrammelled new market opportunity that is just waiting for its own big brands, the Google and Facebook of pot.

Source: [http://www.nytimes.com/2015/11/12/technology/marijuana-start-ups-see-an-industry-on-the-cusp-of-a-breakthrough.html?\\_r=1](http://www.nytimes.com/2015/11/12/technology/marijuana-start-ups-see-an-industry-on-the-cusp-of-a-breakthrough.html?_r=1)

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"I have no problem with the medical use of cannabis, just as I have no problem with the medical use of opiates," Mr Abbott wrote in a letter dated August 23 2014.

"If a drug is needed for a valid medicinal purpose though and is being administered safely there should be no question of its legality. And if a drug that is proven to be safe abroad is needed here it should be available."

"My basic contention is that something that has been found to be safe in a reliable jurisdiction shouldn't need to be tested again here."

Source: <http://www.smh.com.au/federal-politics/political-news/tony-abbott-backs-legalisation-of-medical-cannabis-20140917-10i6eb.html#ixzz3tUz9EXio>

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AFR MAGAZINE Apr 29 2016 at 12:15 AM

Why millionaire Barry Lambert invested \$34 million in medicinal cannabis

Source: <http://www.afr.com/brand/afr-magazine/why-millionaire-barry-lambert-invested-34-million-in-medicinal-cannabis-20160313-gni315#ixzz4RGshSR84>

# THE OPPORTUNITY: AUSTRALIAN MARKET SIZE

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Forecasting the potential size of the Australian medicinal cannabis market can be roughly determined using two methodologies

## Methodology 1: Demand-Driven by Condition

- Methodology 1 assumes Australia only allows for a relatively small number of patients to access highly-refined, pharmaceutical cannabis products
- Such a patient pool would include those suffering from muscle spasms, seizures, severe vomiting/nausea, wasting and/or severe pain relating to Multiple Sclerosis (MS), HIV/AIDS, cancer, epilepsy or other causes of chronic pain – where it is the view of two medical practitioners that medicinal cannabis may assist in pain management that is superior to what can be provided by other options / treatments
- Based on the recommended THC/CBD dosage for each condition (using currently-available data), an estimate is made for these for the total national demand for these pharmaceuticals based on THC and CBD

Condition	Patients	Dosage/day/patient	Demand/annum
HIV/AIDS	10,588	10mg THC	38.6kg THC
MS	15,875	20mg CBD, 21.6mg THC	115.9kg CBD, 125.1kg THC
Epilepsy	3,957	300mg CBD	288.8kg CBD
Condition	Dosage/treatment	Treatments/annum	Demand/annum
Cancer	3mg THC	995,827	2.9kg THC

- This equates to 166.6kg THC and 404.7kg CBD demand per annum – however the efficiency at which pure cannabinoids can be extracted from herbal cannabis varies greatly depending on quality of plants, strain, growing condition, extraction methodology, etc, hence it is difficult to predict how this relates to cannabis plant demand

## Methodology 2: Peer Country Comparable Usage

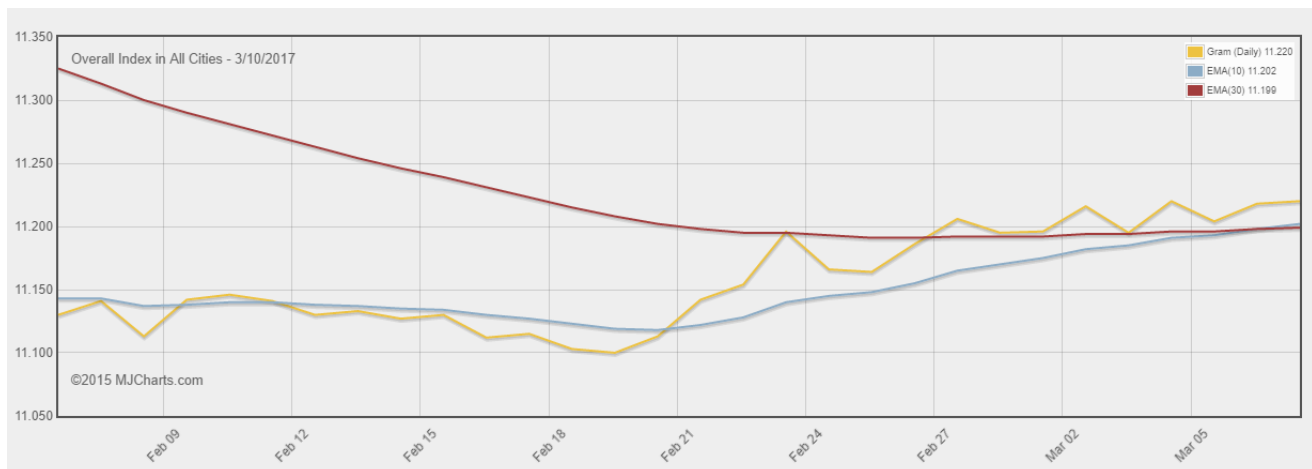
- If Australia were to emulate the medicinal cannabis regulations of the Netherlands or Canada, the industry would need to supply at least 8,000kgs of cannabis to patients per annum
- This forecast is based to current patient numbers, which are likely to grow significantly over time – hence, 8,000kg should be assumed to be today's demand and this would be expected to increase

	Israel	Netherlands	Canada
No. Patients	22,000	25,000	30,537
Average daily consumption per patient	1.4g	0.68g	1.1g
National daily consumption	31kg	17kg	33.5kg
National annual consumption	11,242kg	6,205kg	12,260kg
Population of country	8,400,000	16,800,000	35,100,000
Per capita, annual consumption	1.33g	0.369g	0.349g
Projected Australian demand	31,450kg	8,679kg	8,208kg

# CANNABIS SPOT PRICE: USA

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In the US, the average price of cannabis, as illustrated in the Overall Index (which includes pricing data for 7,346 different products), is US\$11.22/gram (A\$14.96/gram)\*



The Overall Index displays the mean average price across all currently tracked cannabis Flower products (variously known as Flowers, Indica, Sativa, or Hybrid) which were advertised for retail sale in the specified quantity, location and period, along with historical statistics. For those retailers which offer a multi-tiered pricing structure, all prices used for calculations are Member prices.

## 5 Highest Prices (of 2,971 products) in the USA (US\$/gram)

Price	Product	Vendor	Location
21.00	7 Points Moon Puppies	Eugene OG	Eugene, OR
21.00	So Fresh Betty Hayes	Eugene OG	Eugene, OR
21.00	So Fresh Black Betty	Eugene OG	Eugene, OR
20.00	Banana OG	Herbal Solutions	Ann Arbor, MI
20.00	Betty Hayes   sofresh farms	Oregon's Finest	Portland, OR

## 5 Lowest Prices (of 2,971 products) in the USA (US\$/gram)

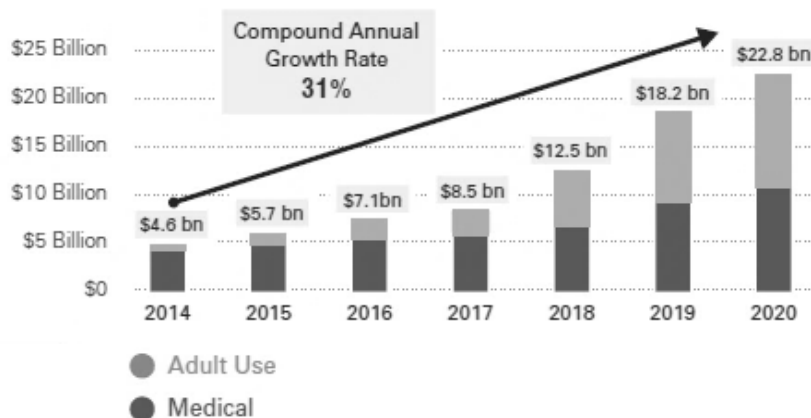
Price	Product	Vendor	Location
4.00	Sherbet Cookies B-Buds	Bridge City Collective – North	Portland, OR
4.00	Huckleberry Kush [B Nugs]	New Vanserdam Medical – Beaverton	Portland, OR
4.00	GSC B-Buds	Bridge City Collective – North	Portland, OR
4.00	Blue Dream B-Buds	Bridge City Collective – North	Portland, OR
5.00	TRAINWRECK by LIFTED	Emerald City Medicinal	Eugene, OR

\* As at 10 March 2017  
Source: MJCharts Cannabis Price Index

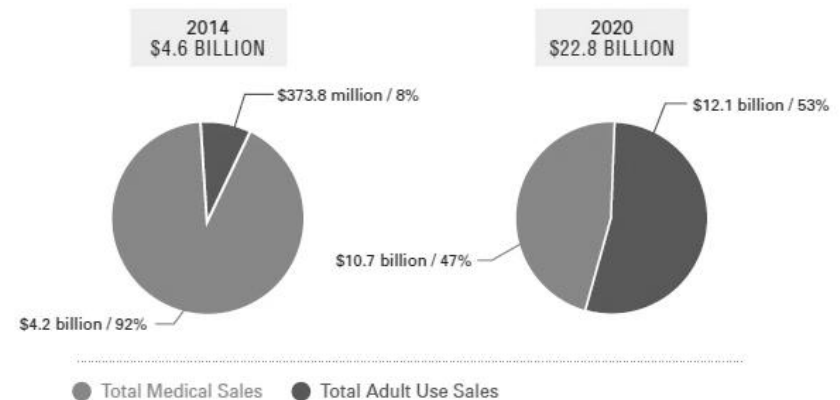
# US MARKET TRENDS

While the US market operates under a different regulatory regime than Australia, growth trends illustrate a rapidly growing domestic market that will likely present opportunities to Australian medicinal cannabis producers in time

GROWTH OF LEGAL MEDICAL & ADULT USE MARIJUANA SALES 2014-2020



GROWTH IN US LEGAL MARIJUANA SALES



Source: The State of Legal Marijuana Markets – 4<sup>th</sup> Edition, Arcview Market Research & New Frontier

# UNDERSTANDING THE COMPOUNDS: CBD VS THC

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## THE TWO MAIN INGREDIENTS OF CANNABIS ARE CANNABINOL (CBD) AND TETRAHYDROCANNABINOL (THC); EACH WITH DIFFERING ACTIONS

Cannabinol (CBD) and tetrahydrocannabinol (THC) are the two main ingredients in the cannabis plant; a unique class of compounds known as cannabinoids. High-CBD strains are less common

CBD = "DAY-TIME" USE; NON-PSYCHOACTIVE

THC = "NIGHT-TIME" USE; PSYCHOACTIVE

### The differences:



#### 1. The High

- THC is probably best known for being the psychoactive ingredient in cannabis. CBD, however, is non-psychoactive. In other words, CBD can't get you high. While disappointing to recreational users, this unique feature of CBD is what makes it so appealing as a medicine.
- Doctors usually prefer treatments with minimal side effects, which has been a major barrier to the acceptance of THC. Likewise, CBD has been used to treat younger children with various ailments

#### 2. Anxiety

- THC is known to cause some people to feel anxious or paranoid. But CBD is believed to have the opposite effect. In fact, studies show that CBD works to counteract the anxiety caused by ingesting THC. A number of studies also suggest that CBD can reduce anxiety when administered on its own

#### 3. Antipsychotic

- In addition to being non-psychoactive, CBD seems to have antipsychotic properties
- Researchers believe that CBD may protect cannabis users from getting too high by reducing the psychosis-like effects of THC. However, regulating the mind-altering activity of THC isn't all that CBD is good for
- On its own, CBD is being tested as an antipsychotic medicine for people with schizophrenia

#### 4. Sleep

- One of the most common uses of cannabis is as a sleep aid. THC is believed to be responsible for most of cannabis' sleep-inducing effects. On the other hand, studies suggest CBD acts to promote wakefulness, making CBD a poor choice as a sleep medicine
- The opposite effects of CBD and THC on sleep may explain why some strains of cannabis cause users to feel drowsy while others are known to invigorate

# BENEFITS OF MEDICINAL CANNABIS

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**MULTIPLE SCLEROSIS** – treatment of pain & muscle spasms using cannabis oil

**EPILEPSY** – dramatic reduction in symptoms for children suffering rare & sever forms of epilepsy following treatment with cannabis oil

**CANCER** – pain relief & comfort for patients with terminal cancer upon use of various forms of medicinal cannabis

**CHRONIC PAIN** – respite from chronic pain upon use of medicinal cannabis

**ALTERNATIVE TREATMENT** – relief after other prescribed treatments have failed, while also avoiding potential side-effects & addiction

**POST-TRAUMATIC STRESS DISORDER (PTSD)** – in addition to the relief provided, the high from THC is also associated with temporary memory impairments, a positive for those with PTSD

**NAUSEA, VOMITING & LACK OF APPETITE** – THC has an ability to reduce nausea & also works as a powerful appetite stimulant in both healthy & unwell individuals

**GLAUCOMA** – THC also has the ability to relieve eye pressure in patients with glaucoma

