

APPENDIX 4D

Half-Year Report for the period ending 31 December 2016

AUSCANN GROUP HOLDINGS LIMITED

ACN

Reporting Period

Previous Corresponding
Period

008 095 207

Half year ended
31 Dec 2016Half year ended
31 Dec 2015**Results for announcement to the market**

| Financial Results | | % | | \$A |
|---|---|------|----|-----------|
| Revenues from ordinary activities (Item 2.1) | | - | to | - |
| Loss from ordinary activities after tax attributable to members (Item 2.2) | Up | 221% | to | (533,604) |
| Net loss for the period attributable to members (Item 2.3) | Up | 221% | to | (533,604) |
| Final and interim dividends (Item 2.4) | It is not proposed that either a final or interim dividend be paid. | | | |
| Record date for determining entitlements to the dividend (Item 2.5) | N/A | | | |
| Brief explanation of any of the figures reported above (Item 2.6): Refer attached Interim Financial Report | | | | |

Net tangible assets (liabilities) per ordinary share (Item 3)
(cents per share)

Current Period

(0.709)

Previous Corresponding
Period

0.134

Details of entities over which control has been gained or lost (Item 4)
N/A

Details of dividends or distribution payments (Item 5)
No dividends or distributions are payable.

Details of dividend or distribution reinvestment plans (Item 6)
There is no dividend or distribution reinvestment program in operation.

Details of associates and joint venture entities (Item 7)
The Company does not have any investments in associate entities or joint venture interests.

Foreign entities to disclose which accounting standards are used in compiling the report (Item 8)
N/A

Details of any audit dispute or qualification (Item 9)
None

This half-yearly reporting information should be read in conjunction with the most recent annual financial report of the Company.

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AusCann Group Holdings Limited

(formerly TW Holdings Limited)

ACN 008 095 207

INTERIM FINANCIAL REPORT
31 DECEMBER 2016

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COMPANY INFORMATION

DIRECTORS

Dr Malcolm Washer, Non-Executive Chairman
Elaine Darby, Managing Director
Harry Karelis, Executive Director
Hon. Cheryl Edwardes, Non-Executive Director
Bruce Linton, Non-Executive Director
Bruce McHarrie, Non-Executive Director

COMPANY SECRETARY

Susan Hunter

REGISTERED OFFICE

85 Carabooda Road
Carabooda WA 6033
Tel: +61 9561 8834
Fax: +61 8 6255 5031

ASX CODE

AC8

AUDITORS

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

STOCK EXCHANGE

Australian Securities Exchange Ltd

HOME EXCHANGE

Perth

SHARE REGISTRY

Computershare Investor
Services Pty Ltd
Level 11
172 St Georges Terrace
Perth WA 6000

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

The Directors of AusCann Group Holdings Limited ('the Company') present their Report for the half year ended 31 December 2016 and the Independent Review Report thereon.

Director Details

The persons who were Directors of AusCann Group Holdings Limited during the whole of the half-year and up to the date of this report are:

| | |
|--|---------------------------|
| Dr Malcolm Washer, Non-Executive Chairman | Appointed 19 January 2017 |
| Elaine Darby, Managing Director | Appointed 19 January 2017 |
| Harry Karelis, Executive Director | Appointed 19 January 2017 |
| Hon. Cheryl Edwardes, Non-Executive Director | Appointed 19 January 2017 |
| Bruce Linton, Non-Executive Director | Appointed 19 January 2017 |
| Bruce McHarrie, Non-Executive Director | Appointed 19 January 2017 |
| David Wheeler, Non-Executive Chairman | Resigned 19 January 2017 |
| Nicholas Calder, Non-Executive Director | Resigned 19 January 2017 |
| Simon Taylor, Non-Executive Director | Resigned 19 January 2017 |

Review and Results of Operations

During the half-year, the Company undertook a capital raising of \$5.0 million as part of the transaction to acquire AusCann Operations Limited (formerly AusCann Group Holdings Limited) ('the AusCann acquisition'). The offer closed on 23 December 2016 with the transaction being completed on 19 January 2017. The Company has been renamed AusCann Group Holdings Limited and its shares were successfully re-listed on ASX on 3 February 2017.

As part of the above transaction, on 31 October 2016 shareholders approved a consolidation of the Company's securities on a 20:1 basis. The effective date of the consolidation was 3 November 2016.

The AusCann acquisition signifies an important transforming event that will see the Company focus its business activities on the cultivation, manufacture and sale of high quality cannabis medicines for a range of medical conditions and symptoms.

Recently, the Company announced that its first harvest in Chile is on track for April 2017. The crop was planted in Chile with the Company's 50:50 joint venture partner, Fundación Daya. The product is to be supplied for use in clinical trials and depending upon results lead to registered products and subsequent commercial sales.

Corporate

During the half-year the Company incurred a loss after tax of \$533,604 (2015 – loss of \$166,305).

As mentioned above, since the end of the half-year, the Company has completed a successful capital raising of \$5.0 million.

DIRECTORS' REPORT (continued)

Subsequent Events

On 19 January 2017, the Company completed the following matters:

- Issued 25,000,000 ordinary shares to raise \$5,000,000 pursuant to the Prospectus dated 21 November 2016;
- Issued 146,709,182 ordinary shares and 28,230,345 performance shares for the acquisition of 100% of the shares in AusCann Operations Limited (formerly AusCann Group Holdings Limited);
- Issued 7,677,639 options exercisable at \$0.20 expiring on 19 January 2020 for the acquisition of the options in AusCann Operations Limited (formerly AusCann Group Holdings Limited) held by Canopy Growth Corporation;
- Issued 150,000 options exercisable at \$0.21 expiring on 19 January 2020 for Directors' Remuneration;
- Issued 14,521,229 ordinary shares and 2,794,231 performance shares for advisors' remuneration;
- The Company appointed Dr Malcolm Washer as Non-Executive Chairman, Ms Elaine Darby as Managing Director, Mr Harry Karelis as Executive Director and Hon. Cheryl Edwardes, Mr Bruce Linton and Mr Bruce McHarrie as Non-Executive Directors; and
- The Company accepted the resignation of Mr David Wheeler, Mr Nicholas Calder and Mr Simon Taylor as non-executive directors.

On 27 January 2017, the Company changed its name from TW Holdings Limited to AusCann Group Holdings Limited.

On 3 February 2017, the Company's shares were reinstated to trading on the ASX.

On 15 February 2017, the Company announced that its first harvest in Chile is on track for April 2017. The crop was planted in Chile with the Company's 50:50 joint venture partner, Fundación Daya. The product is to be supplied for use in clinical trials and depending upon results lead to registered products and subsequent commercial sales.

The Directors are yet to make a determination of the fair value of the net identifiable assets of AusCann Operations Limited (formerly AusCann Group Holdings Limited) at the date of acquisition. The transaction will be accounted for as a reverse acquisition.

The financial effects of the above transaction have not been brought into account as at 31 December 2016. The operating results and assets and liabilities of the Company will be brought to account from 19 January 2017.

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, BDO, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 6 and forms part of this Directors' Report for the half-year ended 31 December 2016.

Signed in accordance with a resolution of the directors.



Dr Malcolm Washer
Non-Executive Chairman
28 February 2017

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF AUSCANN GROUP HOLDINGS LIMITED

As lead auditor for the review of AusCann Group Holdings Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.



Glyn O'Brien
Director

BDO Audit (WA) Pty Ltd
Perth, 28 February 2017

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2016

| | 31 December 2016 \$ | 31 December 2015 \$ |
|---|---------------------------|---------------------------|
| Continuing operations | | |
| Interest income | 3,729 | 2,134 |
| Expenses | | |
| Administration expenses | (144,725) | (112,439) |
| Employee benefits and directors fees | (56,000) | (56,000) |
| Acquisition transaction costs | (336,608) | - |
| Loss before income tax expense | (533,604) | (166,305) |
| Income tax expense | - | - |
| Net loss for the period | (533,604) | (166,305) |
| Other comprehensive income | | |
| <i>Items that may be reclassified to profit or loss</i> | | |
| Other comprehensive income for the period, net of tax | - | - |
| Total comprehensive loss for the period | (533,604) | (166,305) |
| Earnings per share | | |
| Basic loss per share (cents per share) | (1.77) | (0.55) |

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

| | <i>Notes</i> | 31 December 2016 | 30 June 2016 |
|---------------------------------|--------------|-----------------------------|-------------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | | 36,689 | 370,270 |
| Trade and other receivables | 3 | 27,847 | 10,281 |
| Other assets | 4 | 4,835,670 | - |
| Total Current Assets | | <u>4,900,206</u> | <u>380,551</u> |
| TOTAL ASSETS | | <u>4,900,206</u> | <u>380,551</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 5 | <u>5,113,864</u> | <u>60,604</u> |
| Total Current Liabilities | | <u>5,113,864</u> | <u>60,604</u> |
| TOTAL LIABILITIES | | <u>5,113,864</u> | <u>60,604</u> |
| NET ASSETS/(LIABILITIES) | | <u>(213,658)</u> | <u>319,946</u> |
| EQUITY | | | |
| Issued capital | 6 | 81,099,059 | 81,099,059 |
| Accumulated losses | | <u>(81,312,717)</u> | <u>(80,779,113)</u> |
| TOTAL EQUITY | | <u>(213,658)</u> | <u>319,946</u> |

The statement of financial position should be read in conjunction with the accompanying notes.

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STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2016

| | Issued Capital \$ | Reserves \$ | Accumulated Losses \$ | Total \$ |
|---|----------------------|----------------|-----------------------------|------------------|
| Balance at 1 July 2016 | 81,099,059 | - | (80,779,113) | 319,946 |
| <i>Comprehensive Income</i> | | | | |
| Net loss for the period | - | - | (533,604) | (533,604) |
| Other comprehensive income for the period | - | - | - | - |
| Total comprehensive loss for the period | - | - | (533,604) | (533,604) |
| Contributions of equity net of transaction costs | - | - | - | - |
| Total transactions with owners and other transfers | - | - | - | - |
| Balance at 31 December 2016 | 81,099,059 | - | (81,312,717) | (213,658) |

| | Issued Capital \$ | Reserves \$ | Accumulated Losses \$ | Total \$ |
|---|----------------------|----------------|-----------------------------|------------------|
| Balance at 1 July 2015 | 80,486,376 | - | (80,126,687) | 359,689 |
| <i>Comprehensive Income</i> | | | | |
| Net loss for the period | - | - | (166,305) | (166,305) |
| Other comprehensive income for the period | - | - | - | - |
| Total comprehensive loss for the period | - | - | (166,305) | (166,305) |
| Contributions of equity net of transaction costs | 612,683 | - | - | 612,683 |
| Total transactions with owners and other transfers | 612,683 | - | - | 612,683 |
| Balance at 31 December 2015 | 81,099,059 | - | (80,292,992) | 806,067 |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2016

| | 6 months to 31 December 2016 \$ | 6 months to 31 December 2015 \$ |
|--|--|--|
| Cash flows from operating activities | | |
| Interest received | 3,729 | 2,134 |
| Acquisition transaction payments | (111,652) | - |
| Payments to suppliers and employees | (222,650) | (167,648) |
| Net cash outflow from operating activities | <u>(330,573)</u> | <u>(165,514)</u> |
| Cash flows from financing activities | | |
| Proceeds from share applications | 4,808,000 | 688,414 |
| Amounts held as deposits | (4,811,008) | - |
| Capital raising costs | - | (43,432) |
| Net cash outflows from financing activities | <u>(3,008)</u> | <u>644,982</u> |
| Net increase (decrease) in cash and cash equivalents | (333,581) | 479,468 |
| Cash and cash equivalents at the beginning of the financial period | <u>370,270</u> | <u>376,144</u> |
| Cash at the end of the financial period | <u>36,689</u> | <u>855,612</u> |

The above statement of cash flows should be read in conjunction with the accompanying notes.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: CORPORATE INFORMATION

The Financial Report of AusCann Group Holdings Limited ('the Company') for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 19 February 2017. AusCann Group Holdings (formerly TW Holdings Limited) is a company incorporated in Australia and limited by shares which are publicly traded on the ASX.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Going concern

For the period ended 31 December 2016, the Company recorded a net loss of \$533,604, had net cash outflows from operating activities of \$330,573 and had a net liability position of \$213,658.

The Directors believe that the half-year financial report has been prepared on the basis that the Company is a going concern following the raising of \$5.0 million under a prospectus and completion of the acquisition of AusCann Operations Limited (formerly AusCann Group Holdings Limited). Refer to Note 7 for details.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New and amended standards adopted by the entity

A number of new or amended standards became applicable for the current reporting period, however, the Company did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2017 annual report as a consequence of these amendments.

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2016 that have been applied by the Company. The 30 June 2016 annual report disclosed that the Company anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 3: TRADE AND OTHER RECEIVABLES

| | 31 December 2016 | 30 June 2016 |
|-----------------|-----------------------------|-------------------------|
| | \$ | \$ |
| GST recoverable | <u>27,847</u> | <u>10,281</u> |

NOTE 4: OTHER ASSETS

| | 31 December 2016 | 30 June 2016 |
|---|-----------------------------|-------------------------|
| | \$ | \$ |
| Application monies held in trust ¹ | 4,811,008 | 38,604 |
| Prepayments | <u>24,662</u> | <u>22,000</u> |
| Total trade and other payables | <u>4,835,670</u> | <u>60,604</u> |

¹ Subsequent to 31 December 2016, the AusCann acquisition transaction has been completed and the application monies received have been applied to the issue of shares. Refer Note 7.

NOTE 5: TRADE AND OTHER PAYABLES

| | 31 December 2016 | 30 June 2016 |
|--|-----------------------------|-------------------------|
| | \$ | \$ |
| Trade creditors | 297,364 | 38,604 |
| Accruals | 8,500 | 22,000 |
| Application monies received ¹ | <u>4,808,000</u> | - |
| Total trade and other payables | <u>5,113,864</u> | <u>60,604</u> |

¹ Subsequent to 31 December 2016, the AusCann acquisition transaction has been completed and the application monies received have been applied to the issue of shares. Refer Note 7.

NOTE 6: CONTRIBUTED EQUITY

| | 31 December 2016 | 30 June 2016 |
|---|-----------------------------|-------------------------|
| | No. | No. |
| Shares | | |
| Issued and paid up capital | | |
| <i>Movements in issued and paid up capital</i> | | |
| Balance at beginning of period | 602,362,410 | 410,258,865 |
| Shares issued during the period | - | 192,103,545 |
| Consolidation of shares ¹ | <u>(572,244,625)</u> | - |
| Total issued and paid up capital at the end of the period | <u>30,117,785</u> | <u>602,362,410</u> |

¹ On 3 November 2016, the Company's capital was consolidated on a 20:1 basis.

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NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 7: SUBSEQUENT EVENTS

On 19 January 2017, the Company completed the following matters:

- Issued 25,000,000 ordinary shares to raise \$5,000,000 pursuant to the Prospectus dated 21 November 2016;
- Issued 146,709,182 ordinary shares and 28,230,345 performance shares for the acquisition of 100% of the shares in AusCann Operations Limited (formerly AusCann Group Holdings Limited);
- Issued 7,677,639 options exercisable at \$0.20 expiring on 19 January 2020 for the acquisition of the options in AusCann Operations Limited (formerly AusCann Group Holdings Limited) held by Canopy Growth Corporation;
- Issued 150,000 options exercisable at \$0.21 expiring on 19 January 2020 for Directors' Remuneration;
- Issued 14,521,229 ordinary shares and 2,794,231 performance shares for advisors' remuneration;
- The Company appointed Dr Malcolm Washer as Non-Executive Chairman, Ms Elaine Darby as Managing Director, Mr Harry Karelis as Executive Director and Hon. Cheryl Edwardes, Mr Bruce Linton and Mr Bruce McHarrie as Non-Executive Directors; and
- The Company accepted the resignation of Mr David Wheeler, Mr Nicholas Calder and Mr Simon Taylor as non-executive directors.

On 27 January 2017, the Company changed its name from TW Holdings Limited to AusCann Group Holdings Limited.

On 3 February 2017, the Company's shares were reinstated to trading on the ASX.

On 15 February 2017, the Company announced that its first harvest in Chile is on track for April 2017. The crop was planted in Chile with the Company's 50:50 joint venture partner, Fundación Daya. The product is to be supplied for use in clinical trials and depending upon results lead to registered products and subsequent commercial sales.

The Directors are yet to make a determination of the fair value of the net identifiable assets of AusCann Operations Limited (formerly AusCann Group Holdings Limited) at the date of acquisition. The transaction will be accounted for as a reverse acquisition.

The financial effects of the above transaction have not been brought into account as at 31 December 2016. The operating results and assets and liabilities of the Company will be brought to account from 19 January 2017.

Other than the matters noted above, no matter has arisen since the end of the half-year that has significantly affected or may significantly affect the company's operations, the results of those operations or its financial position.

NOTE 8: CONTINGENT LIABILITIES

There are no contingent liabilities requiring disclosure in the financial report.

NOTE 9: OPERATING SEGMENTS

The Board has considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded at this time that there are no separately identifiable segments.

DIRECTORS' DECLARATION

In the opinion of the Directors of AusCann Group Holdings Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards and the Corporations Regulations 2001; and
 - b. giving a true and fair view of the Company's financial position as at 31 December 2016 and of its performance for the half-year then ended; and
2. 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 signed in accordance with a resolution of the Board of Directors.



Dr Malcolm Washer
Non-Executive Chairman
28 February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of AusCann Group Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AusCann Group Holdings Limited, which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of AusCann Group Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of AusCann Group Holdings Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AusCann Group Holdings Limited is not in accordance with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', is written over the printed name. The signature is stylized and includes a flourish at the end.

Glyn O'Brien

Director

Perth, 28 February 2017

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