

AusCann's hard-shell capsules released for prescription in March Quarter

Highlights

- Strong capital position – \$24.7 million cash balance and no debt at 31 March 2020 – supports continued progress of growth strategy.
- Classification as an “essential service provider” has ensured minimal day-to-day disruption through the current global COVID-19 coronavirus pandemic, with appropriate measures implemented to keep staff safe and healthy, and operational right-sizing to reduce costs in line with the current operating environment.
- AusCann's controlled-dose capsules are now commercially available for prescription in Australia and all required approvals have been obtained to commence clinical evaluation.
- Appointment of Chief Medical Advisor to build engagement with medical professionals.
- New distribution agreement with CH2 opens up Australia-wide channel.

20 April 2020 - AusCann Group Holdings Limited (ASX: AC8) ('AusCann' or 'the Company'), wishes to provide an overview of its quarterly activities for the three months ended 31 March 2020.

Financial Update

AusCann had a cash balance at 31 March 2020 of \$24.7 million (31 December 2019: \$26.1 million), and no debt. This strong capital position supports the continued progress of the Company's growth strategy.

Gross cash outflows for the March 2020 quarter were \$2.7 million however due to the receipt of an R&D tax incentive refund of \$1.2 million from the ATO, (Australian Government's Research and Development Tax Incentive Program) and interest received of \$92k, the net cash outflows for the quarter were \$1.4 million.

Coronavirus impact: minimal day-to-day disruption and appropriate measures implemented to keep staff safe and healthy and right-size operations

The Government imposed COVID-19 restrictions to date have not resulted in major disruptions to the Company's day to day business operations. As a supplier of medical products to Australian patients, AusCann is considered an “essential service provider” in Australia.

Given the changed operating environment all businesses are facing, the Board and management have reviewed the company budget and right-sized operations to reduce costs while continuing to allocate capital to R&D including clinical evaluation and customer-facing elements of the business.

There were no related party payments for the period other than the director fees paid from the approved pool of fees as approved by the shareholders (\$90k).

Operational Update

Controlled-dose capsules now commercially available for prescription in Australia and all required approvals have been obtained to commence clinical evaluation

During the quarter, AusCann delivered on a key strategic priority with its hard-shell capsules. These are now commercially available for prescription by authorised doctors in Australia. The capsules are available for prescription to patients through the TGA special access scheme and authorised prescriber scheme. The unique properties of the capsules include dose reliability, delivery format familiarity (capsules), and consistent performance through the shelf life of the product.

AusCann also completed the manufacturing, testing and release of the capsules in a low-dose presentation. This achievement confirms the Company's ability to customise cannabinoid dosing in an accurate, standardised and scalable way, which is critical for personalised patient treatment.

In addition, AusCann received Ethics Committee approval to commence the first clinical evaluation of its unique cannabinoid capsules. The short clinical evaluation aims to generate evidence of the capsule properties at two different dose strengths and provide further evidence of the benefits of the product to doctors and their patients.

The evaluation will be conducted independently by Nucleus Network. Recruitment of 8 healthy volunteers has been completed with a further 20 expected to be recruited by the end of April when dosing of first subjects will commence. AusCann and Nucleus Network will monitor developments around COVID-19 and if necessary, will adjust the study timelines accordingly to ensure the safety and health of participants and the validity of the data collected.

Appointment of Chief Medical Advisor to build engagement with medical professionals

AusCann was pleased to announce the appointment of Dr Marc Russo as Chief Medical Advisor during the quarter. Dr Russo's appointment will accelerate the Company's medical engagement program. Dr Russo is a well-regarded pain medicine specialist. Under his leadership, the Company will extend its Medical Outreach Program, which provides medical education on cannabinoid medicines, to also include peer to peer education, guidance for clinical evaluation and the sharing of clinical best practice.

New distribution agreement opens up Australia-wide channel

AusCann has a strong, diversified supply chain with partner relationships ranging from raw material cultivation to production and distribution.

To further strengthen channels to market, AusCann signed an agreement with distribution partner Clifford Hallam Healthcare (CH2) to store and distribute its cannabinoid medicines in Australia. The commercial inventory of the capsules was shipped to CH2 and is now available for national distribution to pharmacies upon receipt of authorised orders.

Commenting on the March 2020 quarter, AusCann CEO, Mr Ido Kanyon said:

"The past quarter was very productive for the Company. We continued to deliver on our growth strategy centred on product development, clinical evaluation and market access. AusCann's reliable, stable and standardised controlled-dose capsules are now available for prescription by authorised doctors in Australia in a patient familiar delivery format."

"We also received all the required approvals to commence clinical evaluation of our controlled dose capsules, appointed Dr Marc Russo who is a well-regarded pain medicine specialist and key opinion leader as Chief Medical Advisor, and expanded to nationwide coverage through a distribution agreement with leading healthcare products distributor CH2."

"Product standardisation backed by clinical evidence and medical education will drive growth, medical acceptance and the consequent demand for our capsules."

ENDS

This ASX announcement was authorised for release by the Board of AusCann.

For more information, please contact:

For Investment Enquiries

Quentin Megson
Chief Financial Officer
info@auscann.com.au
+61 8 6305 0705

For Media Enquiries

Elodie Castagna
FTI Consulting
elodie.castagna@fticonsulting.com
+61 8 9321 8533

ABOUT AUSCANN

AusCann Group Holdings Limited (ASX:AC8) is an Australian-based pharmaceutical company focused on the development, production, and distribution of cannabinoid-based medicines within Australia and internationally. AusCann transforms the way Medicinal Cannabis is dispensed today by making standardised dose-controlled cannabinoid-based pharmaceutical products and clinical evidence accessible to patients, physicians and healthcare providers. AusCann enables physicians to treat their patients with a reliable, stable and standardised cannabinoid-based pharmaceutical product, monitor treatment results and adjust treatment algorithms using a portfolio of products and formulations.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

AusCann Group Holdings Limited

ABN

72 008 095 207

Quarter ended

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(275)	(2,105)
(b) product manufacturing and operating costs	(392)	(1,138)
(c) advertising and marketing	-	-
(d) leased assets	(33)	(99)
(e) staff costs	(491)	(1,771)
(f) administration and corporate costs	(630)	(1,923)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	92	376
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	1,207	1,207
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(522)	(5,454)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(845)	(4,992)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	(161)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(845)	(5,154)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	11
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(24)	(24)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(24)	(13)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	26,078	35,307
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(522)	(5,453)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(845)	(5,154)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(24)	(13)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	24,687	24,687

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	9,603	6,078
5.2	Call deposits	15,084	20,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	24,687	26,078

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
90
-
90

Explanation of payments to related parties.

- Payment of salary or consulting fees to directors for director services.

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	-	-
7.2	-	-
7.3	-	-
7.4	-	-

7.5 Unused financing facilities available at quarter end

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- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

N/A

8. Estimated cash available for future operating activities**\$A'000**

8.1	Net cash from / (used in) operating activities (Item 1.9) (excluded one off grant)	1,729
8.2	Cash and cash equivalents at quarter end (Item 4.6)	24,687
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	24,687
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	14

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:
N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:
N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:
N/A

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 20 April 2020

Authorised by: The Board of Directors of AusCann Group Holdings Limited
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.