

MARCH 2017 QUARTERLY REPORT

- First medicinal cannabis crop in Chile harvested yielding over 300kgs of dried cannabis buds that will be processed into medicinal cannabis formulations selected for clinical trials and registration in Chile ahead of sale to third parties
- Favourable regulatory landscape in Australia enables AusCann to advance to importation of its partner Canopy's products sooner than anticipated
- AusCann has established an early mover advantage and a demonstrable position in the global supply chain

AusCann Group Holdings Ltd (ASX:AC8 or 'the Company') has today announced its appendix 4C for the 3 month period ended 31 March 2017 and is pleased to provide an overview of its activities for the quarter.

CORPORATE

On 3 February 2017, AusCann successfully completed a reverse takeover of TWH Holdings (TWH) and listed on the Australian Securities Exchange. As part of the transaction, the Company completed a \$5million capital raise that received strong support from institutional and high net worth domestic and international investors. The capital raise provided the Company with the necessary funding to drive forward its Chilean cultivation operation and its licensing applications for growing operations in Australia. The Company is continuously being presented with opportunities in the sector and our Board is focused on balancing the ability to accelerate AusCann's development and maximising returns to shareholders.

The Company's share price has performed positively since listing, reflecting the strong positive market sentiment towards the sector.

The Company closed the quarter with a cash position of \$4.488 million.

OPERATIONAL

AusCann continues to leverage its partnership with Canopy Growth Corporation, one of Canada's largest and leading medicinal cannabis companies, drawing on their expertise in the cultivation, manufacture and importation and exportation of products. Canopy is a substantial shareholder in AusCann, with approximately 11% shareholding, and an important strategic partner with AusCann able to import and sell Canopy's products within the Australian market. Canopy's experience and skilled management team will continue to support AusCann to the benefit of all shareholders.

The Company is initially targeting the treatment of neuropathic and chronic pain, which have a combined market opportunity of over \$5 billion in Australia alone¹. In 2017, a report by the *American National Academies of Sciences, Engineering and Medicine* found there is strong and conclusive evidence for medical cannabis as an effective medication in treating chronic pain in adults, chemotherapy-induced nausea and multiple sclerosis spasticity symptoms. This conclusive clinical data supports medicinal cannabis as a viable treatment and has provided strong validation for the industry globally.

Prior to the quarter, AusCann, in partnership with its joint venture partner Fundacion Daya in Chile, planted its first crop at a 30-hectare facility south of Santiago, Chile. The crop was

¹ Company calculations based upon \$5 per day – approx. \$1825/yr

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harvested in April and with the 400 plants yielding over 300kgs of dried cannabis to be processed for clinical trials and sale to third parties.

AusCann has also been establishing and implementing an awareness campaign focused on advising Australian doctors on the therapeutic merits of medical cannabis, encouraging medical specialists to apply to become authorised prescribers of cannabis medicines, and driving the prescription and growth of medical cannabis in Australia. The first of the educational roadshows will commence in May with seminars being undertaken by Canadian physician Dr Danial Schecter. As a recognized medical expert in the field of prescription cannabinoids and medical cannabis, Dr. Schecter has given numerous presentations to fellow physicians and developed educational programs on this subject in Canada.

AusCann lodged its cultivation and manufacturing licence applications with the Office of Drug Control at the end of 2016 and is in regular dialogue with them. Whilst there is no guarantee on whether these licences will ultimately be issued, nor the timing, the Company remains confident that it is able to satisfy all the requirements to be granted the licences in due course.

OUTLOOK

Favourable Regulatory Environment

Positive changes in federal legislation signified a move to facilitate faster access to medical cannabis for patients and a more streamlined importation process. This should allow AusCann to import product ahead of time to meet demand from authorised prescribers and be able to provide patient access much more efficiently. This should significantly accelerate AusCann's timeline in being able to supply Australian patients.

Promising harvest results

Of the strains harvested four have been selected as superior strain that have been clonally selected for future crops. Pending successful clinical trials in Chile, the medicinal cannabis formulations will be registered with the Chilean National Institute of Public Health that will enable the product to be made available for sale to Chilean patients and export markets. Furthermore, the South American market represents a significant opportunity for AusCann. Argentina, Chile's neighbouring country, has recently given legislative approval to legalise the use of cannabis oil and other cannabis derivatives for medicinal purposes and established a medical cannabis research program to provide access for patients.

The Company is also advancing its plans to establish and grow in Australia and supply Australian cannabis. Pending granting of the relevant licensing to produce in Australia AusCann is well positioned via its partnership with Canopy to import high quality cannabis medicines for Australian patients.

Elaine Darby, Managing Director, AusCann commented: "We're delighted with the harvest of our first crop and we're confident we have selected the strongest and most appropriate strains for effective medicine formulations going forward in the next harvest. We intend to leverage our knowledge gained from Chile into the Australian market, along with the expertise and knowledge from our Canadian partner Canopy. I am looking forward to commencing our educational campaign and starting to engage directly with Australian doctors to increase awareness and understanding of potential therapeutic uses of medical cannabis for particular indications."



For more information please contact

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ABOUT AUSCANN GROUP

AusCann is an Australian based company that was incorporated in September 2014 with the aim of producing and providing high quality, economical and clinically validated cannabis medicines to patients. It is bringing together leading expertise and operations across all aspects of the medical cannabis value chain, beginning with cultivation and production, through to manufacture and distribution of products and has built a strong team of experts and partners with international connections. Partners includes TSX listed Canopy Growth Corporations the largest producer of medicinal cannabis globally and DayaCann, the only licensed medicinal cannabis grower in Chile.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

AusCann Group Holdings Ltd

ABN

72 008 095 207

Quarter ended ("current quarter")

March 2017

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	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(38)	(65)
(d) leased assets	-	-
(e) staff costs	(156)	(426)
(f) administration and corporate costs	(586)	(895)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	25	57
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (payments to JV partner)	(492)	(746)
Other (acquisition-related costs)	(555)	(761)
Other (termination fee)	-	(200)
1.9 Net cash from / (used in) operating activities	(1,802)	(3,036)

On 19 January 2017, AC8 completed the acquisition of AusCann Group Holdings Ltd (AusCann). In accordance with Australian Accounting Standards, the acquisition has been accounted for as a reverse acquisition transaction under AASB 2 *Share Based Payments*. As a result, the statement of cash flows comprises the cash transactions of AusCann for the full financial year to date, and the cash transactions of the legal parent entity (the former TW Holdings Limited) from the date of acquisition.

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2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(165)	(165)
2.4	Dividends received (see note 3)	-	-
2.5	Other (cash acquired in acquisition)	37	37
2.6	Net cash from / (used in) investing activities	(128)	(128)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	5,000	5,000
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(309)	(309)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	4,691	4,691

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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,727	2,961
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,802)	(3,036)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(128)	(128)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,691	4,691
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	4,488	4,488

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	4,488	1,727
5.2	Call deposits	-	-
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)	4,488	1,727

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

134

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Payment of directors' fees and expenses

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7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	83
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Biologica Ventures Pty Ltd – Consulting Fees 33K*
 Biologica Ventures Pty Ltd – Overseas travel, accommodation and meeting costs incurred on behalf of AusCann 50K*
 *Dr Stewart Washer is a Director of Biologica Ventures Pty Ltd.

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	145
9.2	Product manufacturing and operating costs	
9.3	Advertising and marketing	
9.4	Leased assets	
9.5	Staff costs	182
9.6	Administration and corporate costs	283
9.7	Other (payments to JV partner)	315
9.8	Total estimated cash outflows	925

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10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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.



Susan Hunter
Company Secretary
Date: 28 April 2017

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

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