

31 July 2017

JUNE 2017 QUARTERLY REPORT

- Strong progress of Australian market strategy:
 - Strategic partnership with Tasmanian Alkaloids
 - Medical cannabis cultivation licence secured
 - Medical Outreach Program commenced
- First medicinal cannabis crop harvested in Chile
- Strengthened skills and expertise with appointment of renowned medical cannabis expert Dr Danial Schechter as Chief Medical Advisor
- Successful \$12 million capital raise via a placement with significant support from investors
- Strong industry partnership and cultivation advancements position AusCann as a leader in the burgeoning medicinal cannabis industry in Australia

AusCann Group Holdings Ltd (ASX:AC8) ('AusCann' or 'the Company') has today announced its Appendix 4C for the 3-month period ended 30 June 2017 and is pleased to provide an overview of its activities for the quarter.

OPERATIONAL

The Company continues to draw on Canopy Growth Corporation's expertise in the cultivation, manufacturing and importation of products and has leveraged this across its Australian operation. Operations over the past quarter have seen South America become an attractive region for AusCann upon the completion of the first harvest in Chile. In addition to this, AusCann has seen significant operational advancements in Australia, with its strategic partnership with Tasmanian Alkaloids Pty Ltd and attainment of its medicinal cannabis licence from the Office of Drug Control.

First Harvest in Chile

The Company completed its first harvest in Chile with over 300kg of dried cannabis buds which has been sent to certified manufacturing facility for processing into medicinal cannabis formulations. Pending successful clinical trials in Chile, formulations will be registered through the Chilean National Institute of Public Health for supply to Chilean patients and export markets. This is an advancement in AusCann's strategic growth plans and a significant step towards revenue generation.

Australian Cultivation Operations

AusCann was one of a select few companies awarded an Australian medicinal cannabis licence from the Office of Drug Control under the Narcotic Drugs Act 1967. The licence enables AusCann to undertake medicinal cannabis cultivation operations within its targeted location in Western Australia.

In addition to the licence granted by the Australian Office of Drug Control to AusCann, the Company has entered into an exclusive long-term strategic partnership with Tasmanian Alkaloids Pty Ltd. The parties will work together to establish cultivation, manufacturing and distribution operations for cannabinoid medicines in Australia and overseas. Tasmanian Alkaloids produces approximately 40% of the world's opiate crop in Tasmania.

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It boasts a modern manufacturing facility which is fully compliant with Good Manufacturing Practice standards and employs over 180 staff consisting of scientists, engineers, technicians, marketers and administrators. It has established relationships with many of the world's leading pharmaceutical companies being the largest producer and exporter of thebaine, the active ingredient in codeine and other pain control drugs. As cannabinoids and opioids share several pharmacologic properties and may act synergistically in pain treatment, the parties also look forward to developing novel therapeutic products for the relief of chronic pain.

AusCann and Tasmanian Alkaloids were recently granted a medicinal cannabis licence for the cultivation of medical cannabis crops in Tasmania, advancing their partnership and the production of medicinal cannabis products in Australia.

Medical Outreach Program and Appointment of Chief Medical Advisor

The purpose of the Medical Outreach Program is to advise Australian physicians on the endocannabinoid system and the current knowledge of cannabinoid therapeutics developed in other jurisdictions such as Canada. Canada has allowed the use of cannabinoid medicines since 2001. A clear access system for the prescription of cannabinoid medicines by Canadian physicians was established in March 2014 which has grown to over 170,000 registered patients.

The Program involves ongoing seminars, webinars and online accredited courses. In addition, the Program will provide ongoing mentoring support to practitioner's prescribing AusCann's cannabinoid medicines.

The Company has already hosted educational seminars by its Chief Medical Advisor, Dr Danial Schechter in Sydney, Brisbane and Perth.

Dr. Schechter has comprehensive knowledge of medical cannabis in practical clinical use. He has worked extensively within the field having founded the largest referral only clinic in Canada that specialises in cannabinoid medicine. Dr. Schechter has trained dozens of physicians in this field and has lectured at over one hundred events, both nationally and internationally, to thousands of physicians, pharmacists and patients about all aspects of cannabinoids.

AusCann is focused on the medical need for more effective control of chronic and neuropathic pain in Australia, a market that represents over 3 million Australians. Earlier this year, the US National Academies of Science Engineering Medicine confirmed that there is substantial and conclusive evidence for the use of cannabinoid medicines in the treatment of chronic pain symptoms.

AusCann's first cannabinoid medicines are being imported from their partner and major shareholder Canopy Growth Corporation, North America's leading cannabis producer, prior to moving towards Australian grown and manufactured cannabinoid medicines produced with their strategic partner Tasmanian Alkaloids.

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CORPORATE

AusCann completed a successful Placement of \$12 million with strong interest from new and existing institutional investors. There was high demand from both domestic and international regions indicating AusCann's position as a globally recognised player in the medicinal cannabis sector.

Canopy Growth Corporation, AusCann's strategic partner, participated in the Placement remaining the largest shareholder of AusCann at 11%. This funding will provide AusCann the necessary funding to advance its operations towards providing Australian patients with high quality and affordable cannabis medicines.

As of 30 June 2017, AusCann's cash position was approximately \$15 million.

OUTLOOK

The outlook for AusCann is very favourable. Increasing support from the scientific and medical community is advancing the development in the space and preliminary feedback from the Medical Outreach Program indicates an increasing interest in cannabinoids as a therapeutic treatment.

Australian physician engagement forms a core part of AusCann's strategy and the Company will continue to raise awareness among the medical community, leveraging the significant skills and expertise of the business and its strategic partners.

Ms Elaine Darby, Managing Director, AusCann commented: "We continue to see growing recognition and acceptance of cannabinoid medicines as a therapeutic treatment from the public and regulators. This has been a busy quarter for AusCann. We have significantly strengthened our position in the Australian market through our strategic partnership with Tasmanian Alkaloids and I am delighted to have Dr Danial Schechter join our team as our Chief Medical Advisor. Both parties bring valuable and unrivaled expertise in the industry and place AusCann in a strong position in the burgeoning medical cannabis sector where patient demand is large and growing."

ENDS

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 Corporation the largest producer of medicinal cannabis in North America, DayaCann, the only licensed medicinal cannabis grower in Chile and Tasmanian Alkaloids, producer of ~40% of the world's opiates.

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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")

June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(38)	(38)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(42)	(107)
(d) leased assets	-	-
(e) staff costs	(183)	(609)
(f) administration and corporate costs	(249)	(1,144)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	30	87
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	10	10
1.8 Other (payments to JV partner)	(257)	(1,003)
Other (acquisition-related costs)	-	(761)
Other (termination fee)	-	(200)
1.9 Net cash from / (used in) operating activities	(729)	(3,765)

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.

During the quarter AusCann raised \$12 million, before costs, from sophisticated investors to further the strategic objectives of the Group. In addition, AusCann received a R&D refund of \$10K.

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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)
2.4	Dividends received (see note 3)	-	-
2.5	Other (cash acquired in acquisition)	-	37
2.6	Net cash from / (used in) investing activities	-	(128)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	12,000	17,000
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	(682)	(991)
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	11,318	16,009

The Company's 28,230,345 performance shares and 2,794,231 performance rights converted to ordinary shares on 10 May 2017 following the grant of a medicinal cannabis license under the Narcotics Drug Act 1967 by the Office of Drug Control, which satisfied the performance conditions.

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	4,488	2,961
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(729)	(3,765)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(128)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	11,318	16,009
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	15,077	15,077

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	15,077	4,488
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)	15,077	4,488

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	187
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	

Payment of directors' fees and expenses, including a bonus payment to the Managing Director of \$50K for achievement of key milestones.

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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	159
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 – overseas travel, accommodation and meeting costs incurred on behalf of AusCann \$148K

*Dr Stewart Washer, who is related to AusCann directors Dr Mal Washer and Ms Elaine Darby, is a director of Biologica Ventures Pty Ltd.

Mal Washer Nominees Pty Ltd – office rent and outgoings \$11K

*Dr Mal Washer and Ms Elaine Darby are directors of Mal Washer Nominees 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	45
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	
9.4 Leased assets	
9.5 Staff costs	210
9.6 Administration and corporate costs	510
9.7 Other (payments to JV partner and medical outreach program)	390
9.8 Total estimated cash outflows	1,155

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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.



Elaine Darby
Managing Director
Date: 31 July 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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