

AusCann Quarterly Report | December 2017

Highlights

- **Secured entire supply chain from cultivation through to distribution**
 - Received a manufacturing licence from the Office of Drug Control (ODC) enabling the cultivation, harvesting, manufacturing and distribution of cannabinoid medications in Australia
 - Signed Heads of Agreement (HoA) with Australian Pharmaceutical Industries (ASX:API) for the distribution of AusCann's medical cannabinoid products throughout Australia
 - Prepared for import of cannabinoid medicines from Canopy Growth Corporation (TSE: WEED), North America's largest producer of cannabinoid medicines
- **Continued industry and government liaison**
 - Liaised with key opinion leaders within the medical profession, including many pain specialists
 - Worked closely with government groups to advocate Australian patients having simpler access to high quality cost effective cannabinoid medicines
 - AusCann stands to benefit from the Federal Government's recent decision to allow cannabinoid medicines to be exported
- **Progressed cultivation process**
 - Received second cultivation licence for Chile and planted second crop at 30-hectare Chilean facility
 - Continued working closely with Tasmanian Alkaloids to plant first crop in Tasmania in the coming months

31 January 2018 – Leading medical cannabis company **AusCann Group Holdings Limited** (ASX:AC8) (AusCann or 'the Company') has today released its appendix 4C for the three-month period ended 31 December 2017 and is pleased to provide an overview of its activities for the quarter.

Advancement of Australian Operations

AusCann continues to make positive progress towards solidifying its position as a leading fully integrated medical cannabis company. In December 2017, the Company received a manufacturing licence from the Office of Drug Control (ODC) to commence manufacturing operations in Tasmania with its strategic partner Tasmanian Alkaloids. The licence is in addition to its cultivation and research and development licences for Tasmania and its cultivation and manufacturing licences in Western Australia.

The strategic partnership and granting of the manufacturing licence makes AusCann the only ASX-listed company to hold all the required licences covering the entire supply chain, allowing it to cultivate, harvest, manufacture and distribute cannabinoid medications in Australia.

For personal use only

Through its partnership with Tasmanian Alkaloids, AusCann has access to the Therapeutic Goods Administration (TGA) certified Good Manufacturing Practice facilities and existing infrastructure that will allow for the rapid development of products for supply into both the Australian and international markets. AusCann expects to plant its first Australian crop using imported genetics in Tasmania in early 2018.

Prior to the establishment of its Australian manufacturing operations, the Company will begin to import cannabinoid medicines from its strategic partner, Canopy Growth Corporation (TSE:WEED) ("Canopy") for supply to Australian patients. Canopy is the largest producer of cannabinoid medicines in North America and currently has a wide range of proven products to treat its thousands of customers in the region.

Post the quarter end, AusCann entered into a Heads of Agreement (HoA) with Australia's leading wholesaler of pharmaceutical products, Australian Pharmaceutical Industries Limited (API) (ASX:API) to establish a wholesale relationship for the distribution of AusCann's medical cannabinoid products throughout Australia.

The collaboration between AusCann and API further builds on AusCann's supply chain and will help establish strong distribution channels for the supply of AusCann's medications to Australian patients. API has the infrastructure in place to supply approximately 5,700 pharmacies nationwide.

Industry Engagement and Support

AusCann recognises the need to educate and support Doctors and other health professionals in the use of its medicines. Its Medical Outreach Program continues to be driven by its Medical Liaison Managers and Chief Medical Advisor, Dr Danial Schecter. Targeting New South Wales, Victoria, Queensland, Western Australia and South Australia, the program has now reached key opinion leaders in the medical profession, including many pain specialists.

AusCann firmly believes Australian patients have the right to access high quality cost effective cannabinoid medicines through medical professionals and is working closely with government groups to advocate for a simpler access scheme in 2018.

Post the quarter, further progress was made with the Federal Government's announcement that it would allow exports of cannabinoid medicines. This move by the Government opens up a much larger opportunity for AusCann which now has the ability to target international markets. Most importantly, it will allow for the production of cannabinoid medicines at scale, resulting in more cost effective medicines for Australian patients.

Chile Operations Update

Through its joint venture (JV) with Fundacion Daya, AusCann received its second cultivation licence for Chile and subsequently planted its second crop at its 30-hectare Chilean facility. The second crop expands on last years harvest and will provide a range of cannabinoid formulations for the treatment of chronic and neuropathic pain.

The JV holds the only medicinal cannabis cultivation licence in Chile granted by the Chilean Government.

For personal use only

Chile has a favourable regulatory environment and is also well positioned in the Latin American market for future export opportunities. Currently in Latin America medical cannabis is legal in a number of countries including Brazil, Argentina, Peru, Columbia, Uruguay, Panama, Puerto Rico and Mexico.



Images of the second crop at DayaCann's Cultivation Facility in Chile

The second crop is expected to be harvested in the first half of 2018.

Outlook

AusCann continues to demonstrate strong operational momentum with the granting of the final licence required for operations in Tasmania, the approval in Chile to plant its second crop, and post the quarter, an agreement with API to establish Australia wide distribution channels for AusCann's cannabinoid medicines, accelerating its strategy and supply chain by providing access to an extensive distribution network and established infrastructure.

Following the approval by the ODC to commence manufacturing operations in Tasmania through its strategic partnership with Tasmanian Alkaloids, AusCann has advanced its Australian operations and is well positioned to commence production in the Australian market this year.

The Company's cultivation and manufacturing team are working with Tasmanian Alkaloids in preparing the cultivation and manufacturing facilities at the Tasmanian site ready for planting in the coming months.

Furthermore, the regulatory environment in Australia continues to evolve and AusCann is confident that Federal and State Governments will continue to focus on this area to improve access and enable patients in need to have easier, simpler and faster access to cannabinoid medications.

Managing Director of AusCann Elaine Darby: "This quarter proves that AusCann has the necessary partnerships, expertise and capabilities to be a leading producer and supplier of medical cannabinoid medications to the Australian market. We are delighted to be able to progress our cultivation and manufacturing activities in Tasmania, following the licence approval by the ODC and anticipate planting our first Australian crop in the coming months."

ENDS

For personal use only

For more information please contact**AusCann**

Elaine Darby
Managing Director
elaine.darby@auscann.com.au
+61 458 372 511

For Investment Enquires

Stewart Washer
Stewart.washer@auscann.com.au
+61 418 288 212

For Media Enquiries

Julia Maguire
Director, The Capital Network
julia@thecapitalnetwork.com.au
+61 419 815 386

ABOUT AUSCANN

AusCann Group Holdings Limited (ASX:AC8) is an Australian-based pharmaceutical company that aims to produce high quality, economical, and clinically validated cannabinoid medicines. AusCann 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. Through partnerships with industry experts, existing leading market participants and doctors, AusCann is building operations and educating the medical community about the benefits of cannabinoid medicines. Incorporated in 2014, AusCann is currently the only company with the full set of necessary licenses to grow and manufacture cannabinoid medicines in Australia. The company is initially targeting medications for neuropathic and chronic pain in Australia and Chile, whilst exploring global export opportunities.

For personal use only

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")

31 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(437)	(980)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(40)	(73)
(d) leased assets	-	-
(e) staff costs	(274)	(414)
(f) administration and corporate costs	(513)	(1,176)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	50	119
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,214)	(2,524)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(114)	(140)
(b) businesses (see item 10)	-	-
(c) investments	-	-

For personal use only

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(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	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(114)	(140)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
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	-	-
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. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	13,741	15,077
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,214)	(2,524)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(114)	(140)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

For personal use only

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	12,413	12,413

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	9,290	13,647
5.2	Call deposits	3,123	94
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)	12,413	13,741

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

For personal use only

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	65
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, overseas travel, accommodation and meeting costs incurred on behalf of AusCann \$62K

* 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 \$3K

* 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	1,185
9.2 Product manufacturing and operating costs	157
9.3 Advertising and marketing	6
9.4 Leased assets	-
9.5 Staff costs	341
9.6 Administration and corporate costs	207
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	1,896

For personal use only

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

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.

Sign here: 
(Company secretary)

Date: 31 January 2018

Print name: Susan Hunter

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.

For personal use only