

APPENDIX 4D

Half-Year Report for the period ending 31 December 2017

AUSCANN GROUP HOLDINGS LIMITED	
ABN	72 008 095 207

1 Details of the reporting period

Reporting Period	Half-Year ended 31 Dec 2017
Previous Corresponding Period	Half-Year ended 31 Dec 2016

2 Results for announcement to the market

		%		\$A
2.1	Revenues from ordinary activities	Up	340%	to 129,128
2.2	Loss from ordinary activities after tax attributable to members	Up	261%	to 4,829,822
2.3	Net loss for the period attributable to members	Up	261%	to 4,829,822
2.4	Final and interim dividends	N/A		
2.5	Record date for determining entitlements to the dividend	N/A		
2.6	Brief explanation of any of the figures reported above Refer attached Interim Financial Report			

3	Net tangible assets (liabilities) per ordinary share (cents per share)	Current Period	Previous Corresponding Period *
		4.654	5.319

* Note that the previous corresponding period for NTA is June 2017, in line with the requirements of AASB 134 *Interim Financial Reporting* for comparatives for the statement of financial position

4 Details of entities over which control has been gained or lost

On 19 January 2017, the Company completed the acquisition of AusCann Group Holdings Ltd. The name of the Company changed on that date from TW Holdings Limited to AusCann Group Holdings Ltd, and the name of the acquired company AusCann Group Holdings Ltd was subsequently changed to AusCann Operations Pty Ltd. The legal subsidiary AusCann Operations Pty Ltd was deemed to be the acquirer for accounting purposes as it obtained control of the legal parent. Accordingly, the June 2017 consolidated financial statements of the Group were prepared as a continuation of the financial statements of the legal subsidiary. The comparative information provided in this Appendix 4D and the interim financial report is that of AusCann Operations Pty Ltd.

5 Details of dividends or distribution payments

No dividends or distributions are payable.

6 Details of dividend or distribution reinvestment plans

There is no dividend or distribution reinvestment program in operation.

7 Details of associates and joint venture entities

The Company has a 50% interest in DayaCann, which is a for-profit joint venture established to grow medicinal cannabis in Chile.

8 Foreign entities to disclose which accounting standards are used in compiling the report

N/A

9 Details of any audit dispute or qualification

None

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017



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AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

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COMPANY INFORMATION

DIRECTORS

Dr Malcolm Washer
Elaine Darby
Hon. Cheryl Edwardes AM
Bruce Linton
Bruce McHarrie
David Price (alternate for Bruce Linton)

COMPANY SECRETARY

Ms Susan Hunter

REGISTERED OFFICE

Suite 8, Level 2 Shenton House
57 Shenton Ave
Joondalup WA 6027

WEBSITE

www.auscann.com.au

CORPORATE GOVERNANCE

The Company's corporate governance policies can be accessed at <http://www.auscann.com.au/investor-centre/corporate-governance.html>.

AUDITORS

PKF Mack
Level 5
35 Havelock Street
West Perth WA 6005

SHARE REGISTRY

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

STOCK EXCHANGE

Australian Securities Exchange Ltd

ASX CODE

AC8

This interim financial report does not include all the notes 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 2017 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.

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

The Directors present their report together with the financial statements of AusCann Group Holdings Ltd ("the Company" or "AusCann") and its controlled entity (collectively "the consolidated entity") for the half-year ended 31 December 2017.

Directors

The following persons were directors of the Company during the half-year and until the date of this report, unless otherwise stated:

Dr Malcolm Washer
Elaine Darby
Hon. Cheryl Edwardes AM
Bruce Linton
Bruce McHarrie
David Price (alternate for Mr Linton)
Harry Karelis Resigned 14 December 2017

Review of operations

AusCann was established with the aim of providing patients with high-quality, economical and clinically-validated cannabinoid medicines, and the Company's activities during the half-year continued to work towards this end. In the six-month period ending 31 December 2017, AusCann achieved a number of milestones across the regulatory landscape, the Company's educational outreach program, and operations.

In July 2017 AusCann announced that its strategic partner Tasmanian Alkaloids Pty Ltd ("Tasmanian Alkaloids") was granted a medicinal cannabis licence and a research development licence from the Office of Drug Control. Then in December 2017 Tasmanian Alkaloids was granted a manufacturing licence for its Tasmania-based facility, providing the partnership with all of the required licences to produce final dose form cannabinoid pharmaceuticals in Australia. Through the partnership, AusCann has access to Therapeutic Goods Agency (TGA) certified facilities and existing infrastructure to enable the rapid development of final dose form pharmaceuticals for supply into the Australian and international market. The partnership expects to commence cultivation using imported genetics in Tasmania in the first half of 2018.

In addition to the licences granted to its partner Tasmanian Alkaloids, in August 2017 AusCann was granted an Australian medicinal cannabis manufacturing licence by the Office of Drug Control. In combination with AusCann's existing cultivation licence, this licence positions the Company as a market leader and one of the first Australian companies to have a complete supply chain. AusCann is now one of the few Australian-based companies that can cultivate, manufacture, and supply Australian-produced cannabinoid medicines to patients. The granting of the licences makes AusCann the only ASX-listed company with all the required licences covering the entire supply chain, allowing it to cultivate, harvest, manufacture and distribute cannabinoid pharmaceuticals in Australia.

Prior to its Australian produced pharmaceuticals coming online, AusCann will import its medicines from its strategic partner, Canopy Growth Corporation (TSE: WEED) ("Canopy"). Canopy is the largest producer of cannabinoid medicines in North America and currently has a wide range of proven products to treat its estimated 69,000 patients in the region.

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, Western Australia and South Australia, the program has now reached key opinion leaders in the medical profession, including many pain specialists.

AUSCANN GROUP HOLDINGS LTD

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DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

AusCann firmly believes Australian patients have the right to access high quality cost effective cannabinoid medicines and is working closely with government to advocate for a streamlined access scheme for Doctors to prescribe under in 2018.

In November 2017 AusCann secured its second cultivation licence for its 50:50 Joint Venture ("JV") with Fundación Daya in Chile, DayaCann. The licence allowed DayaCann to commence planting crops at its 30-hectare facility located south of Santiago. Fundación Daya is currently the only licensed producer in Chile, a country that has a supportive framework which allows for the production and distribution of cannabinoid medicines. In December 2017 AusCann announced that DayaCann had successfully planted the second crop which is due to be harvested in the first half of 2018. For the second crop, DayaCann selected the highest yielding strains from the first crop which was harvested in April 2017 and yielded over 400 kilograms of dried cannabis product. The DayaCann JV in Chile complements the AusCann/Tasmanian Alkaloids strategic partnership in Australia with the shared goal of creating a fully integrated supply chain for the manufacturing and supply of final dose form cannabinoid medications.

Since the end of the half-year, AusCann has continued its strong operational momentum with the signing of an agreement with Australian Pharmaceutical Industries (ASX: API) for the distribution of AusCann's cannabinoid medicines. API has the infrastructure in place to distribute to approximately 5,700 pharmacies throughout Australia.

The Company has also welcomed the Federal Government's recent decision to allow the export of medical cannabis. This move by the Government opens up a much larger opportunity for AusCann and 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.

AusCann has the requisite partnerships, expertise and agreements in place to become a leading producer and supplier of cannabinoid medicines to the Australian and international market.

Operating results and financial position

The loss of the consolidated entity for the half-year was \$4,829,822 (2016: \$1,338,257). The loss included \$2,712,500 of non-cash share-based payments.

The net assets of the consolidated entity decreased to \$12,869,746 at 31 December 2017 from \$15,014,533 at 30 June 2017.

Events subsequent to reporting date

On 22 January 2018, AusCann announced that it had entered into a Heads of Agreement with ASX-listed Australian Pharmaceutical Industries Limited to form a wholesale agreement for the distribution of AusCann's cannabinoid medicines throughout Australia. This agreement will help to establish strong distribution channels for the supply of AusCann's medications to Australian patients.

100,000 shares were issued on conversion of options on 8 January 2018 at an exercise price of \$0.936 and a further 100,000 on 9 February 2018 at an exercise price of \$0.936.

9,408,069 ordinary shares were released from escrow on 19 January 2018.

Other than as identified above, no events occurring subsequent to the end of period have significantly affected, or may significantly affect, the operations of the consolidated entity.

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

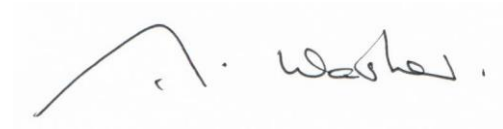
**DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of the directors.

On behalf of the directors

A handwritten signature in black ink, appearing to read "M. Washer", is written over a light grey rectangular background.

Dr Malcolm Washer
Chairman

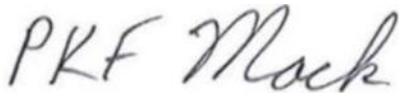
28 February 2018

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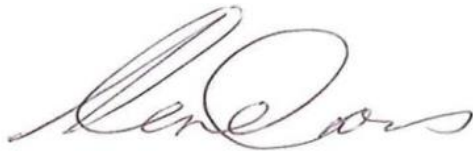
AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF AUSCANN GROUP HOLDINGS LIMITED

In relation to our review of the financial report of AusCann Group Holdings Limited for the half year ended 31 December 2017, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



PKF MACK



SHANE CROSS
PARTNER

28 FEBRUARY 2018
WEST PERTH
WESTERN AUSTRALIA

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AUSCANN GROUP HOLDINGS LTD

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	2017 \$	2016 \$
Interest revenue		129,128	29,338
Employee benefits expense		(774,623)	(328,448)
Share-based payments expense	6	(2,712,500)	-
Joint venture expenses		-	(221,755)
Consulting fees – directors		-	(100,000)
Consulting fees – other		(457,382)	(308,454)
Legal expenses		(83,910)	(219,619)
Occupancy expenses		(22,498)	(23,846)
Recruitment		(115,529)	-
Travel and accommodation		(145,671)	(82,662)
Share of loss of DayaCann	4	(313,937)	-
Depreciation expense		(8,670)	(61)
Other expenses		(324,230)	(82,750)
Total expenses		(4,958,950)	(1,367,595)
Loss before income tax expense		(4,829,822)	(1,338,257)
Income tax expense		-	-
Net loss for the year		(4,829,822)	(1,338,257)
Other comprehensive income, net of tax			
<i>Items that may reclassified subsequently to profit or loss:</i>			
Foreign currency translation		(27,465)	-
Total comprehensive loss for the year		(4,857,287)	(1,338,257)
Earnings per share			
Basic loss per share (cents per share)		(1.78)	(0.05)
Diluted loss per share (cents per share)		(1.78)	(0.05)

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

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	Dec 2017 \$	June 2017 \$
CURRENT ASSETS			
Cash and cash equivalents		12,290,434	15,076,882
Other current assets	3	525,741	141,160
Total Current Assets		12,816,175	15,218,042
NON-CURRENT ASSETS			
Investment in DayaCann	4	239,223	580,625
Plant and equipment		119,267	242
Total Non-Current Assets		358,490	580,867
Total Assets		13,174,665	15,798,909
CURRENT LIABILITIES			
Trade and other payables	5	255,016	732,694
Employee entitlements		49,903	51,682
Total Current Liabilities		304,919	784,376
Total Liabilities		304,919	784,376
NET ASSETS		12,869,746	15,014,533
EQUITY			
Issued capital		33,519,536	33,519,536
Reserves		3,883,731	1,198,696
Accumulated losses		(24,533,521)	(19,703,699)
TOTAL EQUITY		12,869,746	15,014,533

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

AUSCANN GROUP HOLDINGS LTD

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Issued capital \$	Share- based payment reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2016	8,191,528	601,827	-	(6,168,349)	2,625,006
Loss after income tax for the period	-	-	-	(1,338,257)	(1,338,257)
Other comprehensive income for the period, net of tax	-	-	-	-	-
	-	-	-	(1,338,257)	(1,338,257)
Transactions with owners in their capacity as owners	-	-	-	-	-
Balance at 31 December 2016	8,191,528	601,827	-	(7,506,606)	1,286,749
Balance at 1 July 2017	33,519,536	1,268,636	(69,940)	(19,703,699)	15,014,533
Loss after income tax for the period	-	-	-	(4,829,822)	(4,829,822)
Other comprehensive income for the period, net of tax	-	-	-	-	-
Foreign currency translation	-	-	(27,465)	-	(27,465)
	-	-	(27,465)	(4,829,822)	(4,857,287)
<i>Transactions with owners in their capacity as owners</i>					
Issue of options (refer to Note 6)	-	2,712,500	-	-	2,712,500
Balance at 31 December 2017	33,519,536	3,981,136	(97,405)	(24,533,521)	12,869,746

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

AUSCANN GROUP HOLDINGS LTD

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017**

	2017 \$	2016 \$
CASH FLOW FROM OPERATING ACTIVITIES		
Interest received	118,719	31,565
Payments to suppliers and employees	(2,175,499)	(1,265,624)
Net cash used in operating activities	(2,056,780)	(1,234,059)
CASH FLOW FROM INVESTING ACTIVITIES		
Payments for investment in DayaCann	(338,324)	-
Loan to DayaCann	(250,880)	-
Payments for plant and equipment	(140,464)	-
Net cash used in investing activities	(729,668)	-
CASH FLOW FROM FINANCING ACTIVITIES	-	-
Net decrease in cash and cash equivalents	(2,786,448)	(1,234,059)
Cash and cash equivalents at the beginning of the period	15,076,882	2,960,890
Cash and cash equivalents at the end of the period	12,290,434	1,726,831

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

AUSCANN GROUP HOLDINGS LTD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

These financial statements and notes represent those of AusCann Group Holdings Ltd (“the Company”) and its controlled entity (collectively “the consolidated entity”) for the half-year ended 31 December 2017.

AusCann Group Holdings Ltd is a company limited by shares incorporated and domiciled in Australia.

The financial statements were authorised for issue in accordance with a resolution of directors on 28 February 2018.

Basis of preparation

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*. 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.

Reverse acquisition

On 19 January 2017, AusCann Group Holdings Ltd (formerly TW Holdings Limited), the legal parent, completed the acquisition of AusCann Operations Pty Ltd (formerly AusCann Group Holdings Ltd). The legal subsidiary AusCann Operations Pty Ltd was deemed to be the acquirer for accounting purposes as it obtained control of the legal parent. The transaction was not deemed to be a business combination, as TW Holdings Ltd was not considered to be a business under AASB 3: *Business Combinations*.

Accordingly, the 2017 consolidated financial statements of the Group were prepared as a continuation of the financial statements of the legal subsidiary AusCann Operations Pty Ltd with no fair value adjustments. The comparative information provided in the 2017 annual report and in these half-year consolidated financial statements is that of AusCann Operations Pty Ltd.

Accounting Policies

The accounting policies applied in the preparation of the half-year financial statements are consistent with those applied in the June 2017 annual consolidated financial statements, except for the adoption of new standards and interpretations effective 1 July 2017.

The consolidated entity has adopted the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. There has been no significant impact from the adoption of these Standards and/or Interpretations.

NOTE 2: SEGMENT DISCLOSURES

At this stage of its development, the consolidated entity operates in one business segment, being the research and development of medicinal cannabis.

The consolidated entity has established activities in more than one geographical area, however those activities support the research and development conducted by the consolidated entity and are currently not considered material for the purposes of segment reporting.

The internal management reports that are reviewed by the Board of Directors, who are identified as the chief operating decision makers, are those of the consolidated entity as a whole.

AUSCANN GROUP HOLDINGS LTD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 3: OTHER CURRENT ASSETS

	Dec 2017 \$	June 2017 \$
Loan to DayaCann	250,880	-
Term deposits with a maturity date exceeding 3 months	122,679	-
GST receivable	73,010	121,428
Accrued interest	27,913	17,504
Prepayments	39,759	2,228
Deposit for inventory	11,500	-
	<u>525,741</u>	<u>141,160</u>

AusCann and Fundación Daya have entered into a short-term loan arrangement to provide additional working capital towards completion of the second medicinal cannabis crop planted in December 2017 in Chile. An agreement which outlines the terms and conditions of this facility is currently being drafted.

NOTE 4: INTEREST IN JOINT VENTURE

Reconciliation of movement

	Dec 2017 \$	June 2017 \$
Opening balance	580,625	-
Additions	-	1,154,683
Share of loss	(313,937)	(504,118)
Foreign currency translation	(27,465)	(69,940)
Closing balance	<u>239,223</u>	<u>580,625</u>

The consolidated entity has a 50% interest in DayaCann, which is a for-profit joint venture established to grow medicinal cannabis in Chile. As the entity is a jointly controlled entity it has been treated as a joint venture under AASB11 *Joint Arrangements*, with the consolidated entity's investment in DayaCann accounted for using the equity method in the consolidated financial statements. An independent valuation as at 31 December 2017 has been undertaken of the biological assets, being inventory and mother plants, and plant and equipment.

The significant management estimates and assumptions used in determining the value for financial reporting purposes of medicinal cannabis inventory are as follows:

- 443 kg of dried flower were owned by DayaCann at valuation date;
- costs to sell were estimated by management to be 2% of the selling price;
- selling price per gram of inventory at valuation date is estimated by management to be \$1.92 (US\$1.50) per gram in consideration of Cannabis Benchmarks US price per gram of medicinal cannabis. Management consequently expects the retail price for the product will be \$3.84 (US\$3) per gram approximately based on discussions held with potential customers. Management has applied a 50% discount to the expected retail price of \$3.84 (US\$3) per gram to reflect the wholesale price of \$1.92 (US\$1.50) per gram;
- there is a risk of spoilage and wastage in the pre-harvest stage of 4%, which has been determined based on management's experience with growing and harvesting produce;
- estimate of percentage of costs incurred compared to the total costs incurred at the point of harvest;
- estimate of percentage of costs incurred for each stage of plant growth; and
- estimate of total costs incurred post-harvest.

AUSCANN GROUP HOLDINGS LTD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 4: INTEREST IN JOINT VENTURE (CONTINUED)

The significant management estimates and assumptions used in determining the value for financial reporting purposes of mother plants are as follows:

- estimated total costs incurred to grow the plants;
- estimate of useful life and age of plants; and
- estimate of plant salvage value.

On average, the grow cycle is 13 weeks. All plants were harvested as agricultural produce (i.e. medicinal cannabis). Management estimates the harvest yields for the plants at various stages of growth. These estimates are, by their nature, subject to change. From November 2016 to June 2017, DayaCann produced 444 kg of dried flowers (buds). At the valuation date, there were 435 plants in the growing phase that are expected to produce a yield of 435 kg of dried flower. A total of 52 mother plants, each thirteen months old, were owned by DayaCann at valuation date with an average useful life of two years, with minimal salvage value. Mother plants can produce multiple harvests. The time frame from when mother plants are unpacked up to the time clones have been harvested is approximately five months. For this valuation, the amortisation period was assessed as eight months for the existing plants.

As at 31 December 2017, the net realisable carrying value of the biological assets, inventory and mother plants was \$839,207.

NOTE 5: TRADE AND OTHER PAYABLES

	Dec 2017	June 2017
	\$	\$
Trade payables and accrued expenses	179,361	652,939
PAYG and superannuation payable	75,655	79,755
	<u>255,016</u>	<u>732,694</u>

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

NOTE 6: SHARE-BASED PAYMENTS

7,500,000 options were issued in consideration of investor relations services on 10 August 2017. The fair value of each option was calculated using a Black-Scholes model and the following assumptions:

	Tranche 1	Tranche 2	Tranche 3
Number of options	2,500,000	2,500,000	2,500,000
Expiry date	31 December 2020	31 December 2020	31 December 2020
Exercise price	\$0.60	\$0.70	\$0.80
Spot price	\$0.60	\$0.60	\$0.60
Expected volatility	95%	95%	95%
Dividend yield	Nil	Nil	Nil
Risk-free rate	1.94%	1.94%	1.94%
Fair value per option	\$0.379	\$0.361	\$0.345

The expense arising from share-based payments was \$2,712,500 (2016: nil).

AUSCANN GROUP HOLDINGS LTD

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 7: COMMITMENTS AND CONTINGENCIES

The Company entered into a 5-year lease for office premises on 11 September 2017, with an option to renew for a further 5 years.

Future minimum lease commitments are as follows:

	Dec 2017	June 2017
	\$	\$
Within 1 year	40,579	-
1-5 years	160,672	-
	<u>201,251</u>	<u>-</u>

The consolidated entity had no contingent assets or liabilities at 31 December 2017.

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

On 22 January 2018, AusCann announced that it had entered into a Heads of Agreement with ASX-listed Australian Pharmaceutical Industries Limited to form a wholesale agreement for the distribution of AusCann's cannabinoid medicines throughout Australia. This agreement will help to establish strong distribution channels for the supply of AusCann's medications to Australian patients.

100,000 shares were issued on conversion of options on 8 January 2018 at an exercise price of \$0.936 and a further 100,000 on 9 February 2018 at an exercise price of \$0.936.

9,408,069 ordinary shares were released from escrow on 19 January 2018.

Other than as identified above, no events occurring subsequent to the end of period have significantly affected, or may significantly affect, the operations of the consolidated entity.

DIRECTORS' DECLARATION

The Directors of the consolidated entity declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2017 and of its performance for the half-year ended on that date; and
 - (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors:



Malcolm James Washer
Chairman

28 February 2018

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF AUSCANN GROUP HOLDINGS LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of AusCann Group Holdings Limited (the company) and controlled entities (consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2017, or during the half year.

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:-

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors' of the company a written Auditor's Independence Declaration.

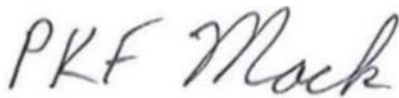
Directors' Responsibility for the Half-Year Financial Report

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 the Australian Accounting Standards and the Corporations Regulations 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 consolidated entity's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of AusCann Group Holdings Limited and the entities it controlled during the half year, 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.



PKF MACK



SHANE CROSS
PARTNER

28 FEBRUARY 2018
WEST PERTH
WESTERN AUSTRALIA

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