

## AusCann Targeting Production of Australian Pharmaceuticals in 2019

### Highlights

- Completed second harvest at Chilean joint venture DayaCann
- Appointed a Master Grower for oversight of Australian medical cannabis operation in Tasmania
- Entered a research agreement with Jade Cannabis to develop and optimise AusCann's cannabis cultivation system
- Increased R&D and staffing in order to establish commercial operations in Australia with aim of releasing a first product next year
- Continued the development of a stable, cost-effective, consistent dosage cannabinoid pharmaceutical

**Tuesday, 31 July 2018** – Leading medical cannabis company **AusCann Group Holdings Limited** (ASX:AC8) (AusCann or 'the Company') has today released its Appendix 4C and is pleased to provide an overview of its activities for the three months ended June 30 2018.

### Expanded partnership with Canopy

During the quarter, AusCann received an import permit under its existing import license to receive finished cannabis oils from its major shareholder and strategic partner Canopy Growth Corporate ('Canopy Growth').

AusCann and Canopy are pursuing opportunities in several key areas in Australia with the aim of becoming the leading suppliers of cannabis products to the Australian market. The expanded partnership is contemplating the importation, distribution and local production of medical cannabis products.

The Company also expanded its medical liaison team to educate Australian doctors about cannabinoid medicines as a therapeutic option in a number of disease areas. AusCann and Canopy's medical outreach program is identifying key opinion leaders in each target disease area and will provide them with products, training and clinical studies in respect to AusCann and Canopy cannabinoid medicines.

### Completed second harvest in Chile

AusCann completed its second harvest with DayaCann joint venture partner Fundación Daya in Chile in June.

The harvest yielded 620kg of dried cannabis buds, an increase of over 50 per cent on the 400kg yielded from the first crop harvested late last year. DayaCann planted the second crop at its 30-hectare facility using the superior strains from the first crop.

Fundación Daya has worked with the Chilean National Institute of Public Health to establish a special access scheme (SAS) similar to the one in Australia which enables patients in Chile access to local medicinal cannabis product. The medical cannabis product in Chile's SAS is being locally produced at Knop Laboratories from cannabis supplied by DayaCann.

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AusCann sees the Latin and South American market to have significant potential following recent legislative changes in the region and is working with Fundación Daya to pursue revenue streams that can be run in parallel the Company's Australian operations.

### **Appointed master grower and cultivation R&D**

Also in June, AusCann announced that it had appointed Canadian Luke Pigeau as its new Master Grower and entered a cultivation research agreement with Canadian group Jade Cannabis.

Mr Pigeau, who has more than a decade's experience in cannabis cultivation, was appointed following an extensive global search and will oversee AusCann's cultivation activities, accelerating its Australian medical cannabis manufacturing operation.

Under the research agreement, Jade Cannabis is undertaking research and development work that aims to obtain greater yield per square metre of grow room in a given period, resulting in more cost-effective cannabinoid pharmaceuticals for patients. AusCann is working with Jade Cannabis on the design and construction of prototype scale cultivation equipment. Pilot scale experiments have demonstrated substantial increases in yield when compared with current indoor cultivation approaches.

### **Pharmaceutical development R&D**

AusCann invested in increasing its R&D and staffing in the June quarter in order to prepare for commercial operations in Australia and the release of product in 2019. Key personnel have been sourced from the Australian pharmaceutical industry in a recruitment process that is ongoing.

The Company has been focused on continuing its successful work in developing a stable, cost-effective, consistent dosage cannabinoid pharmaceutical. The unavailability of a reliable final dose form pharmaceutical has been a key challenge for doctors looking to prescribe these cannabinoid medicines.

### **Capital raising**

Post the quarter, AusCann raised A\$33.4 million via a share placement to institutional and sophisticated investors from North American and Australia.

AusCann is using the proceeds of the placement to fund further cannabinoid pharmaceutical R&D and clinical studies, expand operations in Chile and Australia, develop and implement medical programs to coincide with the release of a commercial product, and for general working capital.

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## Financial Overview

The Company invested approximately \$1.3 million in Q4 FY18 on research and development, operating costs, joint venture expenses, consulting and legal fees and other associated expenses. AusCann ended Q4 FY18 with approximately \$12.8 million in cash and, following the post quarter cap raise, is well-funded to maintain its operational momentum in FY19 and beyond.

**AusCann Managing Director Elaine Darby:** "AusCann ended the financial year making good progress towards our unique Australian pharmaceutical product. Doctors have struggled with finding cost effective cannabinoid medicines that are easy to administer to their patients. The cannabis medicine industry has only recently moved from flower bud vaping to extracts that are mainly oils. These can be unstable and hard to measure for accurate dosing. AusCann has developed a proprietary final dose form that will solve these issues making it easier for doctors and patients. We are excited about launching this Australian product next year for Australian patients and export into international markets. With our expanded partnerships, bolstered team, increased R&D and well-funded balance sheet, we are looking forward to making great progress in the 2019 financial year."

## ENDS

### For more information, please contact:

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## 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 ASX listed company with the full set of necessary licences 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.

## 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 Limited

**ABN**

72 008 095 207

**Quarter ended ("current quarter")**

30 June 2018

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(12 months)<br/>\$A'000</b> |
|---|------------------------------------|---|
| <b>1. Cash flows from operating activities</b>            |                                    |   |
| 1.1 Receipts from customers                               | -                                  | -   |
| 1.2 Payments for  |                                    |   |
| (a) research and development                              | (707)                              | (2,102)   |
| (b) product manufacturing and operating costs             | -                                  | -   |
| (c) advertising and marketing                             | (54)                               | (172)   |
| (d) leased assets   | (20)                               | (20)  |
| (e) staff costs   | (423)                              | (1,306)   |
| (f) administration and corporate costs                    | (237)                              | (1,901)   |
| 1.3 Dividends received (see note 3)                       | -                                  | -   |
| 1.4 Interest received                                     | 54                                 | 214   |
| 1.5 Interest and other costs of finance paid              | -                                  | -   |
| 1.6 Income taxes paid                                     | -                                  | -   |
| 1.7 Government grants and tax incentives                  | 54                                 | 54  |
| 1.8 Other (provide details if material)                   | -                                  | -   |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(1,333)</b>                     | <b>(5,234)</b>                                  |
| <b>2. Cash flows from investing activities</b>            |                                    |   |
| 2.1 Payments to acquire:                                  |                                    |   |
| (a) property, plant and equipment                         | (3)                                | (153)   |
| (b) businesses (see item 10)                              | -                                  | -   |
| (c) investments   | -                                  | -   |

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| Consolidated statement of cash flows                             | Current quarter<br>\$A'000 | Year to date<br>(12 months)<br>\$A'000 |
|--|----------------------------|--|
| (d) intellectual property  | -                          | -                                      |
| (e) other non-current assets                                     | -                          | -                                      |
| <b>2.2</b> Proceeds from disposal of:                            |                            |  |
| (a) property, plant and equipment                                | -                          | -                                      |
| (b) businesses (see item 10)                                     | -                          | -                                      |
| (c) investments  | -                          | -                                      |
| (d) intellectual property  | -                          | -                                      |
| (e) other non-current assets                                     | -                          | -                                      |
| <b>2.3</b> Cash flows from loans to other entities               | (233)                      | (766)                                  |
| <b>2.4</b> Dividends received (see note 3)                       | -                          | -                                      |
| <b>2.5</b> Other (provide details if material)                   | -                          | -                                      |
| <b>2.6</b> <b>Net cash from / (used in) investing activities</b> | <b>(235)</b>               | <b>(919)</b>                           |

|   |              |              |
|---|--------------|--------------|
| <b>3.</b> <b>Cash flows from financing activities</b>                           |              |              |
| 3.1 Proceeds from issues of shares  | -            | -            |
| 3.2 Proceeds from issue of convertible notes                                    | -            | -            |
| 3.3 Proceeds from exercise of share options                                     | 2,550        | 3,954        |
| 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)   | -            | -            |
| <b>3.10</b> <b>Net cash from / (used in) financing activities</b>               | <b>2,550</b> | <b>3,954</b> |

|  |         |         |
|--|---------|---------|
| <b>4.</b> <b>Net increase / (decrease) in cash and cash equivalents for the period</b> |         |         |
| 4.1 Cash and cash equivalents at beginning of quarter/year to date                     | 11,896  | 15,077  |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above)                    | (1,333) | (5,234) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above)                    | (235)   | (919)   |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above)                   | 2,550   | 3,954   |

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| <b>Consolidated statement of cash flows</b> |  | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(12 months)<br/>\$A'000</b> |
|---|--|------------------------------------|---|
| 4.5   | Effect of movement in exchange rates on cash held  | -                                  | -   |
| <b>4.6</b>                                  | <b>Cash and cash equivalents at end of quarter</b> | <b>12,878</b>                      | <b>12,878</b>                                   |

| <b>5.</b>  | <b>Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | <b>Current quarter<br/>\$A'000</b> | <b>Previous quarter<br/>\$A'000</b> |
|------------|---|------------------------------------|-------------------------------------|
| 5.1        | Bank balances   | 9,842                              | 8,896                               |
| 5.2        | Call deposits   | 3,036                              | 3,000                               |
| 5.3        | Bank overdrafts   |                                    |                                     |
| 5.4        | Other (provide details)   |                                    |                                     |
| <b>5.5</b> | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>  | <b>12,878</b>                      | <b>11,896</b>                       |

**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

| <b>Current quarter<br/>\$A'000</b> |
|------------------------------------|
| 68                                 |
| -                                  |

Payment of Directors' fees and expenses.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 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

| <b>Current quarter<br/>\$A'000</b> |
|------------------------------------|
| 104                                |
| -                                  |

Biologica Ventures Pty Ltd – consulting fees, travel and meeting costs incurred on behalf of AusCann. Dr Stewart Washer and Dr Patty Washer, who are related to AusCann Directors Dr Malcolm Washer and Ms Elaine Darby, are Directors of Biologica Ventures Pty Ltd. Dr Stewart Washer provides business development and investor relations services to AusCann and Dr Patty Washer provides clinical trials services to AusCann.

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**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

|                                 | Total facility amount<br>at quarter end<br>\$A'000 | Amount drawn at<br>quarter end<br>\$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  | (880)          |
| 9.2 Product manufacturing and operating costs   | -              |
| 9.3 Advertising and marketing   | (160)          |
| 9.4 Leased assets   | (139)          |
| 9.5 Staff costs   | (519)          |
| 9.6 Administration and corporate costs  | (571)          |
| 9.7 Other - expansion of Australian Manufacturing Plant for Final Dose Form manufacturing and other investments | (2,908)        |
| <b>9.8 Total estimated cash outflows</b>  | <b>(5,178)</b> |

**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 |

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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.

Sign here: .....  
(Managing Director)

Date: 31 July 2018

Print name: Elaine Darby

### 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.
2. 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. 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.