

For personal use only



ABN 72 008 095 207

**Appendix 4E and Preliminary
Unaudited Financial Report**

30 June 2018

AUSCANN GROUP HOLDINGS LTD
ABN 72 008 095 207

AusCann Group Holdings Limited provides the following information under listing rule 4.3A:

Details of the reporting period and the previous corresponding period

- Reporting period – year ended 30 June 2018
- Previous corresponding period – year ended 30 June 2017

Results for announcement to the market

	%	\$
Revenues from ordinary activities	<i>Down</i> 20%	<i>to</i> 288,878
Loss from ordinary activities after tax attributable to members	<i>Down</i> 46%	<i>to</i> 7,668,308
Net loss from the period attributable to members	<i>Down</i> 46%	<i>to</i> 7,668,308
Final and interim dividends	-	
Record date for determining entitlements to dividends	N/A	

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary share	5.10 cents	5.33 cents

Commentary on results

The AusCann Group Holdings consolidated entity (AusCann) is pleased to report on its 2018 financial year.

The net loss of AusCann for the financial year was down 46% from last year due to incurring \$7.159M in the prior year for costs associated with listing on the ASX. The 2018 loss included a share-based payment of \$2.7M being for advisor share options issued during the period. The net assets decreased to \$14.1M predominantly due to cash attrition and supplier payment cycles. Expenditure has been in line with the prior year with some increase in employee and consultancy expenses, and research and development expenditure, associated with preparing for the launch of Australian product in 2019. Funds spent were offset by proceeds received from the conversion of share options, amounting to \$3.954M. Capital expenditure was incurred for new head office premises, as well as some operational equipment.

Subsequent to the reporting date AusCann successfully completed a capital raising of \$33.412M via a share placement in July 2018, and a further \$1.953M via a share purchase plan in August 2018.

AusCann was established to provide patients with access to high quality, economical and clinically validated cannabinoid medicines. AusCann made substantial progress in delivering on this commitment during the year and is on track to release its Australian produced unique capsule cannabinoid medicines in the new year.

Achieving licensing to operate

Last year AusCann obtained an Australian medicinal cannabis licence from the Office of Drug Control (ODC) which enables the cultivation of medical cannabis. In the 2018 financial year it obtained an additional licence from the ODC to manufacture cannabinoid medicines in Australia.

Since the granting of these licences AusCann has been working on establishing cultivation and manufacturing operations in Australia, in addition to its cultivation operation in Chile. This has involved the further development of AusCann's expertise and capabilities in cultivation, manufacture, and distribution of cannabinoid medicines.

Development of Cultivation and manufacturing expertise

Cultivation and manufacture research and development activities for the 2018 financial year amounted to \$2.102M.

AusCann recognises that its key points of difference from other cannabis producers is its pharmaceutical development and manufacturing capabilities; and its medical education and distribution capabilities.

For personal use only

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

It is expected that raw materials such dried flower bud and extracted resin will become an international traded commodity at some point in time. Countries around the world are legalising the cultivation of cannabis, and these jurisdictions are currently looking for potential markets to take raw material. The ability to be able to source cost effective high quality raw material is a positive for AusCann.

The ability to be able to cultivate initially, and the development of genetics and growing techniques that enable cost effective medicines is important however. With this in mind, AusCann entered into a cultivation research agreement with Canadian group Jade Cannabis. AusCann's cannabis genetics will be supported by cannabis cultivation systems piloted and implemented by Jade Cannabis under this agreement. The aim of the research is to obtain greater yield per square metre of grow room in a given period, resulting in more cost-effective cannabinoid pharmaceuticals for patients. The output of this research will include the development and optimisation of the AusCann cultivation system. AusCann is also 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. AusCann also appointed experienced Canadian grower, Luke Pigeau, as its new Master Grower to oversee AusCann's cultivation activities in Australia.

In respect to manufacturing, AusCann assembled an expert team out of the Australian pharmaceutical sector. They were tasked with the development of efficient, cost effective extraction techniques, and importantly, the development of a cannabinoid pharmaceutical that met the needs of patients and doctors as well as the strict requirements of the Therapeutic Goods Administration (TGA) manufacturing standards.

During the year AusCann undertook a comprehensive pharmaceutical development project to create an optimal dosage form cannabinoid medicine. Currently medicinal cannabis is typically administered via oral liquids, liquid sprays, hard or soft-shell gelatin capsules containing cannabinoids dissolved in oils, or inhalation of dried material or extracts. The main drawback to these formulations is the stability of the active cannabinoids which results in variability in the composition of the key cannabinoids and the efficacy of the formulations.

Through its research, AusCann developed a unique effective stable oral dose form which provides consistent and stable dosages of the active cannabinoids with reliable bioavailability. AusCann has lodged a patent in respect to the intellectual property it has developed and will be using these techniques in the production of its first stage cannabinoid pharmaceuticals being released in first half of 2019.

Medical outreach program and distribution

AusCann medical outreach activities amounted to \$625K and included developed of online educational material for doctors as well as personnel.

AusCann's initial therapeutic target area is chronic neuropathic pain. It is estimated that 1.9 million Australians suffer from chronic neuropathic pain. Current treatment options, which include anticonvulsants like pregabalin, antidepressants, benzodiazepines, and opiates are lacking in efficacy and can have significant side effects. Between 2011 and 2015 over 2,000 Australians died from prescription opioids.

Although there is a significant market, a key challenge for the Australian sector is the willingness and ability of doctors to prescribe cannabinoid medicines. The TGA has taken steps to assist in this area. The Commonwealth Department of Health, in conjunction with state and territory governments, coordinated the development of new clinical guidance documents for prescribers of medicinal cannabis products for treating chemotherapy-induced nausea and vomiting, epilepsy, multiple sclerosis, chronic non-cancer pain and palliative care.

The guidances were based on the work of a team from the Universities of New South Wales, Sydney and Queensland, under the co-ordination of the National Drug and Alcohol Research Centre, who reviewed the clinical evidence for the use of medicinal cannabis that had been published in refereed medical journals since 1980.

The guidance document on the treatment of chronic non-cancer pain provided the following:

'A meta-analysis of all randomised studies in CNCP [chronic non-cancer pain] averaging across all medicinal cannabis products indicated that medicinal cannabis was more likely than placebo to produce 30% and 50% reductions in pain scores and more likely than placebo to produce a significantly greater reduction in pain intensity ratings'

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

‘Similarly, patients who used medicinal cannabis for non-MS related neuropathic pain were more likely to experience a 50% reduction in pain and a reduction in pain scores compared with patients taking a placebo.’

Last month the TGA introduced an online system for doctors to lodge applications to prescribe cannabinoid medicines. The online system enables a doctor’s application to be submitted simultaneously to both Commonwealth and the relevant State/Territory Health Department. Prior to the introduction of this system, prescribers of unapproved medicinal cannabis products were required to complete and separately submit paper forms to the TGA and relevant State Health Department.

During the year AusCann expanded its medical outreach program with the appointment of three medical liaison managers (MLMs) to provide guidance and information to key medical practitioners. The new MLMs combined have nearly 50 years of experience in the health sector and have worked in senior liaison roles with some of the world’s leading pharmaceutical companies including MundiPharma, Phebra, Sanofi, Astra Zeneca and Novartis. They have represented some of the most prevalent pain medicines including the leading opiate pain medicines and have worked with some of the country’s leading pain specialists. They are each passionate about improving patient access to high quality pain medicines and excited by the potential of cannabinoid medicines in the sector. The MLMs work closely alongside the AusCann’s Chief Medical Advisor, Dr Danial Schecter, and draw on his expertise gained from decades of working in the Canadian medical cannabis market and running his own cannabinoid medical clinics.

During the year AusCann entered into a Heads of Agreement with ASX listed Australian Pharmaceutical Industries Limited (API) for the distribution of AusCann’s cannabinoid medicines throughout API’s extensive distribution network in Australia.

Chilean operation

Additional funding of \$1.105M were advanced to our joint venture partner, DayaCann, for operational purposes.

During the year DayaCann completed its second harvest in Chile. The second crop yielded 620kg of dried cannabis product, an increase of over 50 per cent on the 400kg yielded from the first crop. This equated to an approximate yield of 1.2 tonnes per Hectare. DayaCann has a total 30-hectare facility in the south of Santiago which features an open greenhouse to grow various strains for particular cannabinoid profiles. DayaCann planted the second crop at the end of 2017 using the superior strains selected from the first crop. AusCann’s joint venture partner, 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 medicinal cannabis product in Chile’s SAS is being locally manufactured at Knop Laboratories from cannabis supplied by DayaCann. AusCann sees the South American market as internationally significant following legislative changes during the year in Argentina, which has joined Chile, Colombia and Uruguay in legalising medicinal cannabis for therapeutic purposes.

Dividends

The Board has not declared dividends or made dividend payments in the periods ended 30 June 2017 and 2018. The Company does not have any dividend or distribution reinvestment plans in operation.

Details of entities over which control has been gained or lost

There have been no changes in control over entities in the year ended 30 June 2018.

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.

Foreign entities

Except for the 50% interest in DayaCann, there are no foreign entities.

Audit status

The consolidated financial statements are in the process of being audited.

Financial report

The following financial report included in this Appendix 4E does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and operating, financing and investing activities of the consolidated entity as the full financial report. The financial report should be read in conjunction with any public announcements made by AusCann Group Holdings Limited in accordance with the continuous disclosure obligations of the ASX Listing Rules.

The accounting policies applied are the same as those noted in the most recent interim financial report and the previous annual report.

For personal use only

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Interest revenue		235,064	98,584
Other income	1	53,814	260,396
Employee benefits expense		(1,627,245)	(780,898)
Listing fee (excess deemed consideration for acquisition)		-	(7,159,307)
Share-based payments expense		(2,712,500)	(3,677,998)
Joint venture expenses		-	(75,121)
Consulting fees – directors		(90,000)	(161,900)
Consulting fees – other		(1,832,109)	(992,538)
Legal expenses		(205,807)	(317,543)
Travel and accommodation		(366,806)	(265,112)
Share of profit/(loss) of DayaCann	6	38,857	(504,118)
Depreciation expense		(30,774)	(121)
Other expenses		(1,130,802)	(561,501)
Total expenses	1	(7,957,186)	(14,496,157)
Loss before income tax expense		(7,668,308)	(14,137,177)
Income tax expense		-	-
Net loss for the year		(7,668,308)	(14,137,177)
Other comprehensive income, net of tax			
<i>Items that may reclassified subsequently to profit or loss:</i>			
Foreign currency translation		99,307	(69,940)
Total comprehensive loss for the year		(7,569,001)	(14,207,117)
Earnings per share			
Basic loss per share (cents per share)	2	(2.81)	(6.34)
Diluted loss per share (cents per share)	2	(2.81)	(6.34)

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 30 JUNE 2018**

	Note	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	4	12,878,252	15,076,882
Other current assets	5	1,027,646	141,160
Total Current Assets		13,905,898	15,218,042
NON-CURRENT ASSETS			
Investment in DayaCann	6	696,467	580,625
Property, plant and equipment		109,806	242
Total Non-Current Assets		806,273	580,867
Total Assets		14,712,171	15,798,909
CURRENT LIABILITIES			
Trade and other payables	7	534,322	732,694
Employee entitlements	8	65,817	51,682
Total Current Liabilities		600,139	784,376
Total Liabilities		600,139	784,376
NET ASSETS		14,112,032	15,014,533
EQUITY			
Issued capital	9	39,328,101	33,519,536
Reserves		2,155,938	1,198,696
Accumulated losses		(27,372,007)	(19,703,699)
TOTAL EQUITY		14,112,032	15,014,533

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

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	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	-	-	-	(14,137,177)	(14,137,177)
Other comprehensive income for the period, net of tax					
Foreign currency translation	-	-	(69,940)	-	(69,940)
	-	-	(69,940)	(14,137,177)	(14,207,117)
<i>Transactions with owners in their capacity as owners</i>					
Deemed value of shares issued in acquisition (refer to Note 14)	6,023,624	-	-	-	6,023,624
Issue of shares, net of costs (refer to Note 12)	16,008,946	-	-	-	16,008,946
Issue of shares to advisors (refer to Note 12)	2,904,246	-	-	-	2,904,246
Issue of performance rights (refer to Note 13)	-	391,192	-	-	391,192
Issue of options (refer to Note 13)	-	1,268,636	-	-	1,268,636
Conversion of performance rights to ordinary shares (refer to Note 12)	391,192	(391,192)	-	-	-
Transfer of option reserve to accumulated losses	-	(601,827)	-	601,827	-
Balance at 30 June 2017	33,519,536	1,268,636	(69,940)	(19,703,699)	15,014,533
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	-	-	-	(7,668,308)	(7,668,308)
Other comprehensive income for the period, net of tax	-	-	-	-	-
Foreign currency translation	-	-	99,307	-	99,307
	-	-	99,307	(7,668,308)	(7,569,001)
<i>Transactions with owners in their capacity as owners</i>					
Issue of options (refer to Note 13)	-	2,712,500	-	-	2,712,500
Conversion of options to ordinary shares (refer Note 12)	3,954,000	-	-	-	3,954,000
Exercised options	1,854,565	(1,854,565)	-	-	-
Balance at 30 June 2018	39,328,101	2,126,571	29,367	(27,372,007)	14,112,032

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

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$	2017 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Interest received		213,287	87,148
Government grants and incentives		53,814	10,396
Payments to suppliers and employees		(5,052,102)	(3,045,919)
Net cash used in operating activities		(4,785,001)	(2,948,375)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for investment in DayaCann		(338,324)	(816,359)
Pre-acquisition loan to TWH		-	(164,910)
Payments for loan to DayaCann		(766,287)	-
Cash in TWH on acquisition		-	36,690
Payments for term deposits		(122,679)	-
Payments for property, plant and equipment		(140,339)	-
Net cash used in investing activities		(1,367,629)	(944,579)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		3,954,000	17,000,000
Payments for capital raising costs		-	(991,054)
Net cash from financing activities		3,954,000	16,008,946
Net increase in cash and cash equivalents		(2,198,630)	12,115,992
Cash and cash equivalents at the beginning of the financial year		15,076,882	2,960,890
Cash and cash equivalents at the end of the financial year	4	12,878,252	15,076,882

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

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

	2018 \$	2017 \$
NOTE 1: OTHER INCOME AND EXPENSES		
Other income		
Exclusivity fee	-	250,000
R&D income	53,814	10,396
	<u>53,814</u>	<u>260,396</u>

Other expenses

Total expenses includes the following specific expenses:

Net foreign exchange gain/(loss)	-	12,097
Occupancy expenses	58,421	38,354
Superannuation	103,140	46,203

NOTE 2: EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of the basic and diluted earnings per share are as follows:

Basic loss attributable to ordinary equity holders of the parent	7,668,308	14,137,177
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	272,430,580	1,535,675,977

No securities are currently classified as dilutive potential ordinary shares. The options on issue are anti-dilutive, since their inclusion would reduce the loss per share.

NOTE 3: 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.

NOTE 4: CASH AND CASH EQUIVALENTS

	\$	\$
Cash at bank and in hand	12,878,252	15,076,882
	<u>12,878,252</u>	<u>15,076,882</u>

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

NOTE 5: OTHER CURRENT ASSETS

GST receivable	90,504	121,428
Accrued interest	21,534	17,504
Prepayments	74,014	2,228
Loan to DayaCann*	707,415	-
Short Term Deposits	134,179	-
	<u>1,027,646</u>	<u>141,160</u>

*The loan agreement between the Company and DayaCann includes the following key terms and provisions:

- Principal amount of USD750,000
- 4% interest per annum
- Company has preferential right to DayaCann product
- Principal currency is USD
- Valid for 1 year and can be extended through written agreement

NOTE 6: INTEREST IN JOINT VENTURE

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 30 June 2018 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:

- 1,064 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 \$2.02 (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 \$4.05 (US\$3) per gram approximately based on discussions held with potential customers. Management has applied a 50% discount to the expected retail price of \$4.05 (US\$3) per gram to reflect the wholesale price of \$2.02 (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.

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.

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

NOTE 6: INTEREST IN JOINT VENTURE (continued)

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 2017 to June 2018, DayaCann produced 1,064 kg of dried flowers (buds). At the valuation date, there were no plants in the growing phase that are expected to produce a harvest. A total of 114 mother plants, each five months old, were owned by DayaCann at valuation date with an average useful life of 18 months, 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 18 months for the existing plants.

As at 30 June 2018, included in the net realisable carrying value of inventories was \$1,300,000 (2017: \$739,495) in dried flower and \$25,900 (2017: \$15,515) in mother plants.

Summarised statement of financial position of DayaCann:

	2018	2017
	\$	\$
Cash and cash equivalents	6,639	57,028
Trade and other receivables	146,246	545,095
Inventories	1,737,569	755,010
Other current assets	-	21,243
Plant and equipment	128,580	103,509
Deferred tax assets	-	70,201
Trade and other payables	(622,087)	(282,279)
Provisions for employee benefits	(4,013)	(4,225)
Deferred tax liabilities	-	(104,332)
Net assets / equity	<u>1,392,934</u>	<u>1,161,250</u>
AusCann's 50% share of DayaCann's net assets	<u>696,467</u>	<u>580,625</u>
AusCann's carrying amount of the investment in DayaCann	<u>696,467</u>	<u>580,625</u>

Summarised statement of profit or loss of DayaCann:

Other income	505,830	417,426
Administration costs	(428,117)	(267,764)
Amortisation of intangibles	-	(1,118,630)
Tax expense	-	(39,268)
Profit/(Loss) for the period	<u>77,713</u>	<u>(1,008,236)</u>
AusCann's 50% share of DayaCann's loss for the period	<u>38,857</u>	<u>(504,118)</u>

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are comprised of acquired product rights and brand names, which are carried at cost less accumulated impairment losses.

NOTE 7: TRADE AND OTHER PAYABLES

Trade payables and accrued expenses	471,780	652,939
PAYG and superannuation payable	62,542	79,755
	<u>534,322</u>	<u>732,694</u>

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

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

NOTE 8: EMPLOYEE ENTITLEMENTS

Current

Provision for annual leave	65,817	51,682
----------------------------	--------	--------

NOTE 9: ISSUED CAPITAL

	2018	2017	2018	2017
	\$	\$	Number of Shares	Number of Shares
(a) Ordinary shares – fully paid, net of costs	39,328,101	33,519,536	276,872,772	271,372,772
(b) Convertible notes, net of costs	-	-		
	<u>39,328,101</u>	<u>33,519,536</u>		

(a) Ordinary shares – fully paid

Movements in ordinary share capital

Details	Date	Number	\$
Opening balance	30 June 2016	1,497	5,219,448
Conversion of number of shares	31 Aug 2016	2,127,156,611	-
Conversion of convertible notes	28 Sep 2016	805,332,528	2,972,080
Issue of shares to Canopy	28 Sep 2016	1,692,360	-
Acquisition of former AusCann Group Holdings Ltd	19 Jan 2017	146,709,182	6,023,624
Elimination of former AusCann Group Holdings Ltd shares upon reverse acquisition	19 Jan 2017	(2,934,182,996)	-
Shares on issue in former TWH Holdings Ltd at acquisition date	19 Jan 2017	30,117,785	-
Public offer	19 Jan 2017	25,000,000	5,000,000
Share-based payments to advisors	19 Jan 2017	14,521,229	2,904,246
Conversion of performance shares and rights	10 May 2017	31,024,576	391,192
Placement	24 & 25 May 2017	24,000,000	12,000,000
Share issue costs	Jan & May 2017	-	(991,054)
		<u>271,372,772</u>	<u>33,519,536</u>
Exercise of 100,000 share options at \$0.9360	08 Jan 2018	100,000	93,600
Transfer of value from options reserve	08 Jan 2018	-	24,375
Exercise of 100,000 share options at \$0.9360	08 Feb 2018	100,000	93,600
Transfer of value from options reserve	08 Feb 2018	-	24,375
Exercise of 1,300,000 share options at \$0.9360	15 Mar 2018	1,300,000	1,216,800
Transfer of value from options reserve	15 Mar 2018	-	316,815
Exercise of 1,250,000 share options at \$0.6000	02 May 2018	1,250,000	750,000
Transfer of value from options reserve	02 May 2018	-	473,750
Exercise of 1,250,000 share options at \$0.6000	04 May 2018	1,250,000	750,000
Transfer of value from options reserve	04 May 2018	-	473,750
Exercise of 1,500,000 share options at \$0.7000	14 May 2018	1,500,000	1,050,000
Transfer of value from options reserve	14 May 2018	-	541,500
Closing balance	30 June 2018	<u>276,872,772</u>	<u>39,328,101</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

NOTE 9: ISSUED CAPITAL (continued)

(b) Convertible notes

No convertible notes were issued during the financial year.

(c) Performance Shares

28,230,345 performance shares were issued on acquisition. These shares converted to ordinary shares upon satisfaction of the performance conditions on 10 May 2017, when the consolidated entity was granted a license to cultivate medical cannabis under the *Narcotic Drugs Act 1967*. There were no further performance shares issued during the 2018 financial year.

NOTE 10: EVENTS SUBSEQUENT TO REPORTING DATE

On 5 July 2018 the Company successfully completed a capital raising of \$33,412,500 via a share placement. The placement was to sophisticated and professional investors from North America and Australia, including AusCann's major shareholder, Canopy Growth Corporation, Inc.

On 13 July 2018 the Company granted 15,187,503 unlisted options exercisable at \$1.465 per share with an expiry date on 13 January 2021.

On 9 August 2018 the Company announced the results of its Share Purchase Plan (SPP) which raised approximately \$1,952,601.

Proceeds from the capital raising and SPP will be used to fund clinical studies, R&D, the expansion of Australian and Chilean operations, the medical outreach program and for working capital.

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