

AusCann Makes Major Progress Towards Production of Cannabinoid Medicines During FY18

Highlights

- Undertook comprehensive pharmaceutical development project to create an optimal dosage form cannabinoid medicine
- Signed an agreement with Australia's leading distributor of pharmaceutical products
- Established a medical outreach program to ensure Australian doctors have access to the necessary information required to prescribe medical cannabis products
- Completed a second harvest in Chile, with a significant increase in yield
- Appointed a Master Grower and entered a cultivation research agreement with Canadian group Jade Cannabis
- Welcomed the Federal Government's decision to allow the export of manufactured cannabinoid medicines from Australia
- Raised over A\$35m post FY18 and is well-funded to continue executing strategic goals

Friday, 31 August 2018 – Leading medical cannabis company **AusCann Group Holdings Limited** (ASX:AC8) (AusCann or 'the Company') is pleased to provide its preliminary results for the financial year ended 30 June 2018.

Overview

During the financial year, AusCann continued to work towards its goal of providing Australia and select international markets with high-quality, cost-effective and clinically-validated cannabinoid medicines.

AusCann has established a number of strategic partnerships in Australia, Chile and Canada and is making strong progress in solidifying its position as a leading and fully-integrated cannabinoid pharmaceutical company. In the year ended June 30 2018, the Company achieved important milestones across its operations, including new agreements, R&D breakthroughs, and regulatory advances. Post FY18, the Company raised over A\$35m and remains well-funded to continue executing its strategic goals.

Regulatory advances and progress in Australia

AusCann was granted its manufacturing licence in August 2017 [ASX Announcement: August 9, 2017], completing its supply chain, and making it one of the few Australian-based companies that can cultivate, manufacture, and supply Australian-produced cannabinoid medicines to patients.

State of the art, Canadian developed, Conviron cannabis grow rooms and Argus Controls systems have been ordered. Conviron's grow rooms deliver highly uniform and precisely controlled conditions that ensure consistent and repeatable yields, which AusCann requires to produce a pharmaceutical product.

AusCann also welcomed the Australian Federal Government's decision in January to allow manufactured cannabinoid medicines to be exported from Australia. AusCann is well-

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positioned to benefit from this change as it has all the requisite partnerships and licences in place to establish itself as a supplier of cannabinoid medicines to select international markets.

Agreement with API

In preparation for domestic distribution of its medical cannabis products, AusCann signed a Heads of Agreement (HoA) with Australian Pharmaceutical Industries Limited (ASX:API), Australia's leading distributor of pharmaceutical products in early 2018. [ASX Announcement: January 22, 2018].

The HoA allows for storage and logistic support of AusCann's domestically produced cannabinoid medicines, and pre-empts requirements for strong distribution channels for registered medicines.

Medical liaison managers appointed

AusCann announced the appointment of three Medical Liaison Managers (MLMs) in September 2017 [ASX Announcement September 14, 2017].

AusCann has in-depth knowledge of cannabinoid medicines through its Chief Medical Advisor Dr Danial Schechter and partnership with Canopy, the largest medicinal cannabis producer in North America. Each MLM has an impressive resume and track record as representatives of medications governed by the Therapeutic Good Administration.

The MLMs are responsible for leading engagement programs across Australia expanding relationships and providing guidance and information to key medical practitioners about cannabis-derived medicines.

Completion of second harvest in Chile and access for Chilean patients

In March, AusCann announced that its joint venture partner Fundación Daya had worked with the Chilean National Institute of Public Health to establish a special access scheme (SAS) which enables Chilean patients immediate access to medicinal cannabis products [ASX Announcement: March 28, 2018].

Chilean patients are now able to apply to their doctors for a prescription on a case-by-case basis similar to the Australian SAS. Doctors have typically used this mechanism to prescribe imported pharmaceutical products when there are no alternatives in the local market. In this case, the SAS is being applied to a medical cannabis product being locally produced at Knop Laboratories from cannabis supplied by the AusCann/Fundación Daya joint venture entity DayaCann.

The financial year also saw DayaCann complete its second harvest, achieving a yield of 620kg of dried cannabis product, an increase of over 50 per cent on the first crop [ASX Announcement: June 7, 2018].

DayaCann runs a 30-hectare facility in the south of Santiago which features a large open greenhouse and various strains are grown for their particular medical usages. DayaCann planted the second crop at the end of 2017 using the superior strains from the first crop.

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AusCann sees the South American market as having huge potential following recent legislative changes in Argentina, which has joined Chile, Colombia and Uruguay in legalising medical cannabis for therapeutic purposes.

Expanded partnership with Canopy

AusCann and Canopy Growth are pursuing opportunities in several key areas in Australia including the importation, distribution, and local production of medical cannabis products.

Under the proposed expanded partnership, Canopy is to supply the Company with medicinal cannabis products for AusCann to distribute into the Australian market. Spectrum Cannabis is Canopy Growth's international medical brand, operating under a simple colour-coded system to classify its medical cannabis products.

The intention is for AusCann to undertake the distribution of both AusCann and Spectrum products through its existing and future distribution networks. Canopy Growth would also provide the same initiative for AusCann as both teams work together to complement each other's distribution efforts and cover the maximum potential market in Australia.

Appointment of Master Grower and Research Agreement with Jade Cannabis

AusCann ended the financial year with the appointment of Canadian Luke Pigeau as its new Master Grower and the establishment of a cultivation research agreement with Canadian group Jade Cannabis [ASX Announcement: June 25, 2018].

Mr Pigeau was appointed following an extensive global search and will oversee AusCann's cultivation activities, accelerating AusCann's Australian medical cannabis manufacturing operation.

AusCann has engaged Jade Cannabis to undertake research and development work at its Canadian facility for an initial three-year period. Going forward, AusCann's medical cannabis genetics will be supported by cannabis cultivation systems piloted and implemented by Jade Cannabis under this agreement.

Through this research, AusCann aims to achieve a greater yield per square metre of grow room in a given period, resulting in more cost-effective cannabinoid pharmaceuticals for patients.

Post FY18 developments

Post FY18, AusCann raised over A\$35 via placement [ASX Announcement: July 5, 2018] and subsequent share purchase plan (SPP) [ASX Announcement: August 9, 2018].

AusCann is well-funded heading into FY19 and beyond. It is intended that funds raised under the Placement and SPP will be used as follows:

- Clinical studies for product registration in Australia
- Commissioning and approval of an Australian manufacturing plant for production of a proprietary final dose form medicine
- Establishment of a manufacturing facility in Chile
- Establishment medical outreach programs in new international markets
- Research and development of cannabinoid pharmaceuticals
- General working capital requirements

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The Company also made an important R&D breakthrough post FY18, announcing the successful completion of a pilot study of its final dose form cannabinoid medicine capsules [ASX Announcement: August 16, 2018].

Currently, medicinal cannabis is typically administered via oral products infused with cannabis extract, inhalers, liquid sprays, or hard or soft-shell gelatin capsules containing cannabinoids dissolved in oils. The drawbacks to many of these are that the formulations include a wide variability in the composition of active ingredients, poor stability and low bioavailability of active ingredients.

AusCann has developed effective oral dose form cannabinoid medicines which will provide consistent and stable dosages of the active ingredients with predictable bioavailability. Patents have been lodged in respect to the oral solid capsule and will be used by AusCann in the production of its first cannabinoid pharmaceuticals to be released in 2019.

Financial position

AusCann has made a significant investment into acquiring the necessary licenses to complete its entire supply chain and is working closely with government, lawyers, consultants and advisors to progress towards the commercialisation of medicinal cannabis products.

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.

AusCann Managing Director Elaine Darby: "Progress has been made across all aspects of the company's operations during this financial year. We are now several steps closer to our goal of providing patients with access to high-quality, economical and clinically-validated cannabinoid medicines. I'd like to personally thank all shareholders for their continued support and we look forward to delivering on our commitment to releasing our first medicinal cannabis products in 2019."

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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.

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