

31 October 2017

## SEPTEMBER 2017 QUARTERLY REPORT

- AusCann is positioned as the only company in the region that has the fully integrated capability to grow and manufacture cannabis medicines in Australia
- Strong progress of operations in Australia with key licences granted for R&D, cultivation and manufacturing
- Appointment of Medical Liaison Managers to lead Medical Outreach program across Australia
- Medical Outreach program well underway with positive feedback and engagement from Australian doctors
- Australian market continues to evolve with positive regulatory advances and growing momentum and support

**AusCann Group Holdings Ltd** (ASX:AC8 or 'the Company') has today announced its appendix 4C for the 3-month period ended 30 September 2017 and is pleased to provide an overview of its activities for the quarter.

AusCann has made significant progress towards being a fully integrated cannabis medicines company. The Australian opportunity in medical cannabis is large with international broking firm Canaccord predicting the local market to be around \$1bn as we approach similar uptake to Canada (October 2017 Australian Cannabis Report – Canaccord). In addition to this, there are significant export opportunities that may emerge as the Government allows a medical cannabis export sector. There are a number of companies looking at the Australian medical cannabis opportunity but none of these are fully integrated to be able to grow and manufacture through to the end medicine in Australia. This gives AusCann a significant advantage and major lead over all others.

Beyond the growing and manufacturing of high quality cannabinoid medicines in Australia, there is the need to train Doctors and other health professionals in the use of AusCann's medicines. This is already underway with the Medical Liaison Managers appointed to work in conjunction with the AusCann international medical professionals who have been prescribing cannabinoid medicines for many years.

As AusCann prepares to grow and manufacture its cannabinoid medicines in Australia over the next year, it will provide the local market with imported medicines from its partner and major shareholder, Canadian group Canopy Growth Corporation. Canopy is the largest producer of cannabinoid medicines in North America.

AusCann has also been working closely with Government groups to help streamline the access for patients to cannabinoid medicines through their doctors. There is still work to be done here to make this process simple, fast and cost effective. AusCann believes that Australian patients have the right to high quality cost effective cannabinoid medicines through medical professionals.

AusCann Group Holdings Ltd ACN: 008 095 207

[www.auscann.com.au](http://www.auscann.com.au)

Email: [info@auscann.com.au](mailto:info@auscann.com.au)

Phone: +61 8 9561 8834

Registered Office: 85 Carabooda Road, Carabooda, Western Australia, 6033

AusCann also has operations in Chile through their JV, DayaCann, who have the only licence to cultivate medicinal cannabis in the Country. Chile represents a significant opportunity with a population of over 18m people and a world class regulatory regime. It is also well positioned in the Latin American market for future export opportunities.

## **OPERATIONAL**

### ***Cultivation, Manufacturing and Australian Supply Operations***

During the quarter, AusCann secured two key licences advancing its cultivation and manufacturing activities in the Australian market. AusCann was granted an Australian medicinal cannabis licence and a manufacturing licence from the Office of Drug Control under the Narcotic Drugs Act 1967 that enables it to undertake medicinal cannabis cultivation and manufacturing operations at its Western Australia location.

In addition to the licences for Western Australia, AusCann's strategic partner Tasmanian Alkaloids was granted a research and development licence, and a cultivation licence for its Tasmania site

These licences cover the production, supply, packaging, transport, storage and possession of the medical products, completing the supply chain in Australia.

AusCann and Tasmanian Alkaloids entered into an exclusive strategic partnership in May (see announcement dated 17 May 2017) to jointly establish cultivation, manufacturing and distribution operations for medicinal cannabis in Australia and overseas. Tasmanian Alkaloids is the largest producer of opiate medicine ingredients in the world, the major medicine for significant pain control.

AusCann is now one of only a few Australian based medical cannabis companies that has received both cultivation and manufacturing licences. Initially, AusCann will import medicines from its partner *Canopy Growth Corporation*, North America's largest producer of medicinal cannabis, ahead of establishing a supply of Australian produced medicines. During the quarter, this supply agreement with Canopy was formalised and signed, cementing the supply partnership.

### ***Medical Outreach Program Underway***

It is important that medical practitioners have the opportunity to learn about cannabinoid medicines so that they can make informed decisions when prescribing to their patients. For this reason, the Medical Outreach program forms a key part of the Company's strategy. During the quarter, AusCann appointed three Medical Liaison Managers to drive engagement and educational programs with the medical community. They are responsible for leading programs in their regions, expanding relationships and providing guidance and information to key medical practitioners. The Medical Liaison Managers each have a strong background within the health sector and extensive experience representing medications governed by the Therapeutic Goods Administration. They are all passionate about the treatment of chronic pain, AusCann's targeted treatment area, and have worked with some of the country's leading pain specialists.

These new appointments follow the appointment of Chief Medical Advisor, Dr Danial Schechter in the previous June quarter. The Medical Liaison Managers work closely alongside Dr Schechter who oversees the Company's Medical Outreach Program.

## **OUTLOOK**

The Company has made significant progress this quarter with the implementation of its Medical Outreach program and the appointment of its Medical Liaison Managers. The feedback from the medical community has been positive in response to the Medical Outreach program and the Company is encouraged by the initial support from the community.

Post the quarter, there were further encouraging moves by the Federal Government, with the passing of the *Medicinal Cannabis Legislation Amendment (Securing Patient Access) Bill 2017*. The Bill was introduced to expand upon the ability of terminally ill patients to access cannabinoid medicines through the *TGA Special Access Scheme Category A*. The Bill, if approved by the House of Representatives, will enable these terminally ill patients to access cannabinoid medicines that are produced by AusCann in Australia as well as those medicines being imported by AusCann, without waiting Doctor's waiting for prior approval from the TGA.

The Company and its strategic partner in Tasmania, Tasmanian Alkaloids, is currently awaiting the approval of its manufacturing licence from the Office of Drug Control that will enable it to commence manufacturing operations, thus completing the pipeline and enabling commencement of the cultivation and production activities in Australia.

Over the next quarter, the Company's cultivation and manufacturing team have commenced working with Tasmanian Alkaloids in preparing the cultivation and manufacturing facilities at the Tasmanian site ready for planting in 2018.

**Elaine Darby, Managing Director, AusCann** commented: "This quarter we were delighted to commence our Medical Outreach program with our recently appointed Medical Liaison Managers. The experience and expertise that our Medical Liaison Managers have brought to the AusCann team is second to none. Coupled with the guidance and knowledge from Dr Danial Schechter, we have in place what we believe to be the most comprehensive program on cannabinoid medications and their therapeutic benefits in Australia. As Australian demand for medicinal cannabinoid products grows and access to the medications becomes easier, we are positioned at the forefront of the industry to provide Australian patients with access to Australian produced, affordable and high quality cannabinoid medications. AusCann is the only fully integrated medical cannabis company in the region."

**ENDS**

**For more information please contact****AusCann**

Elaine Darby  
Managing Director  
elaine.darby@auscann.com.au  
+61 8 9561 8834

**For Investment Enquires**

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

**For Media Enquiries**

Caroline Zielinski  
Media & Capital Partners  
Caroline.zielinski@mcpartners.com.au  
+61 400 172 145

**ABOUT AUSCANN GROUP**

AusCann is an Australian based company that was incorporated in September 2014 with the aim of producing and providing high quality, economical and clinically validated cannabis medicines to patients. It 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 and has built a strong team of experts and partners with international connections. Partners includes TSX listed Canopy Growth Corporation, the largest producer of medicinal cannabis in North America, DayaCann, the only licensed medicinal cannabis grower in Chile and Tasmanian Alkaloids, producer of ~40% of the world's opiates.

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

AusCann Group Holdings Ltd

**ABN**

72 008 095 207

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

30 September 2017

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(543)	(543)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(33)	(33)
(d) leased assets	-	-
(e) staff costs	(140)	(140)
(f) administration and corporate costs	(663)	(663)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	69	69
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,310)</b>	<b>(1,310)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(26)	(26)
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (provide details if material)</b>	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(26)</b>	<b>(26)</b>

<b>3. 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	-	-
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 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4. 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	15,077	15,077
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,310)	(1,310)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(26)	(26)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$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>13,741</b>	<b>13,741</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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 \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	13,647	15,077
5.2	Call deposits	94	-
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>13,741</b>	<b>15,077</b>

**6. Payments to directors of the entity and their associates**

		<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	111
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payment of directors' fees and expenses

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	152
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Biologica Ventures Pty Ltd – consulting fees, overseas travel, accommodation and meeting costs incurred on behalf of AusCann \$135K

\* Dr Stewart Washer, who is related to AusCann directors Dr Mal Washer and Ms Elaine Darby, is a director of Biologica Ventures Pty Ltd

Mal Washer Nominees Pty Ltd – office rent and outgoings \$17K

\* Dr Mal Washer and Ms Elaine Darby are directors of Mal Washer Nominees Pty Ltd

8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	548
9.2 Product manufacturing and operating costs	157
9.3 Advertising and marketing	5
9.4 Leased assets	-
9.5 Staff costs	355
9.6 Administration and corporate costs	367
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>1,432</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

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:

  
(Company secretary)

Print name: Susan Hunter

Date: 31 October 2017

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.