

18 July 2018

Ben Secrett
Principal Adviser, Listings Compliance
ASX Compliance Pty Ltd (Perth)
Level 40, Central Park
152-158 St Georges Terrace
PERTH WA 6000

Dear Mr Secrett

I refer to the ASX's aware query dated 16 July 2018 and respond as follows (using the numbering and defined terms as per your letter unless otherwise stated):

1. When did AC8 first become aware of the Capital Raising? In answering this question, please state the date and time AC8 first became aware of the Capital Raising.

On 26 June 2018, AusCann Group Holdings Ltd (**AC8**) engaged a lead manager and bookrunner to a proposed capital raising (**Lead Manager**). At the time that AC8 engaged the Lead Manager, AC8 was not aware of the pricing, dilution or investor mix of a proposed capital raising.

Following its engagement, the Lead Manager was mandated to contact investors on a private and confidential basis to gauge investor interest in a potential capital raising.

On 2 July 2018, AC8 signed a second mandate with the Lead Manager, with respect to raising funds from North American investors.

Before market open on 3 July 2018, AC8 requested that its securities be placed in a trading halt (**Trading Halt**).

On 3 July 2018, AC8 determined the pricing and proposed raising quantum (which at that stage was contemplated to be approximately \$32 million) of the proposed offer. The terms of the proposed offer were contained in a term sheet that was circulated to select investors on a private and confidential basis on 3 July 2018 (**Term Sheet**).

On 4 July 2018, following the close of trading, the investor mix and raising quantum (being \$33.4 million) were determined.

Before market open on 5 July 2018, AC8 disclosed a \$33.4 million share placement to institutional investors from North America and Australia at an issue price of \$1.10 per fully paid ordinary share (**Capital Raising**) by way of an announcement on the ASX Market Announcements Platform.

Accordingly, AC8 first became aware of the Capital Raising on 3 July 2018, noting that at that time, it was still not sufficiently certain of the likely investor mix, nor the quantum, of the Capital Raising.

Prior Discussions

Over the past 12 months, AC8 has at various times considered and explored various capital raising structures. During this time, AC8 spoke with potential lead managers and other advisers on a confidential basis to discuss indicative capital raising terms and structures.

Prior to 20 June 2018, AC8 was in discussions with the Lead Manager and other advisors, however, for commercial reasons management elected not to advance investigations concerning a proposed capital raising until the following financial year. This was communicated to the Board by way of an email from the Managing Director at 9:58am (WST) on 20 June 2018.

On the evening of 25 June 2018, AC8 received an unsolicited telephone call from its major shareholder advising that it was willing to cornerstone a potential capital raising for the expansion plans of AC8.

Following confirmation from its major shareholder that it was willing to cornerstone a potential capital raising, AC8 resolved to recommence investigations into the pricing, dilution and proposed investor mix of a future capital raising.

At no time prior to 3 July 2018 did AC8 agree to the pricing or dilution of a potential capital raising. Furthermore, AC8 had not formally engaged a lead manager to facilitate a capital raising or to advise AC8 of the likely investor mix of a potential capital raising prior to 26 June 2018.

2. Does AC8 consider the Capital Raising to be information that a reasonable person would expect to have a material effect on the price or value of its securities.

AC8 considers the information that it became aware of on 3 July 2018, being the pricing and likely dilution of the Capital Raising, as set out in the Term Sheet dated 3 July 2018, as well as the investor mix of the Capital Raising which AC8 became aware of on 4 July 2018, to be information that a reasonable person would expect to have a material effect on the price or value of its securities.

3. If the answer to question 2 is "no", please advise the basis for that view.

Not applicable.

4. If the answer to question 2 is "yes" and AC8 first became aware of the Capital Raising before the Price Query, did AC8 make any announcement prior to the Price Query which disclosed the Capital Raising information? If so, please provide details. If not, please explain why the Capital Raising information was not released to the market at an earlier time, commenting specifically on when you believe AC8 was obliged to release the Capital Raising information under Listing Rules 3.1 and 3.1A and what steps AC8 took to ensure that the Capital Raising information was released promptly and without delay.

Not applicable as AC8 was not aware of the Capital Raising prior to the Price Query, specifically, at the time it received the Price Query, AC8 had not determined and agreed pricing and dilution of any proposed capital raising, nor had AC8 formally engaged a lead manager in respect of any capital raising.

Further, at the time of receiving the Price Query, as noted in response number 1, AC8 had determined not to advance investigations concerning a proposed capital raising until the following financial year.

Therefore there was nothing to disclose in response to the Price Query.

5. Please confirm that AC8 is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

AC8 confirms that it is in compliance with the Listing Rules, and in particular, Listing Rule 3.1.

- 6. Please confirm that AC8's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AC8 with delegated authority from the board to respond to ASX on disclosure matters.**

AC8 confirms that the above responses have been authorised and approved in accordance with its published continuous disclosure policy.

Yours sincerely

A handwritten signature in black ink that appears to read "S. Hunter".

Susan Hunter
Company Secretary



16 July 2018

Ms Susan Hunter

AusCann Group Holdings Limited
Suite 8, Level 2, Shenton House
57 Shenton Avenue
JOONDALUP WA 6027

By email

Dear Ms Hunter

AUSCANN GROUP HOLDINGS LIMITED (“AC8”): AWARE QUERY

ASX Limited (“ASX”) refers to the following:

- A. The ASX price and volume query sent to AC8 at 1.46pm AWST on Wednesday, 20 June 2018, regarding a decrease in the price of AC8’s securities (“Price Query”), and AC8’s response received by ASX at 2.47pm AWST on Wednesday, 20 June 2018, which was subsequently released on the ASX Market Announcements Platform (“Platform”), and contained the following statements.
 - “AusCann Group Holdings Ltd (AC8 or the Company) is not aware of any information concerning it which has not been announced to the market which, if known by some in the market, could explain the recent trading in its securities.”
 - “The Company is not aware of any other information that may explain the recent trading in the Company’s securities.”
 - “The Company confirms that it is compliance with the Listing Rules, and in particular, Listing Rule 3.1.”
 - “The Company confirms that the above responses have been authorised and approved in accordance with its published continuous disclosure policy.”
- B. AC8’s request received by ASX at 7.11am AWST on 3 July 2018 for its securities to be placed in trading halt pending the release of an announcement regarding a capital raising.
- C. AC8’s announcement entitled “AusCann Completes A\$33.4 million Placement” released on the Platform before market open on Thursday, 5 July 2018, disclosing that AC8 had completed a capital raising of A\$33.4 million via a placement of shares and free attaching options, of which the terms of the options include an accelerated exercise period clause (“Capital Raising”).
- D. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities.
- E. The definition of “aware” in Chapter 19 of the Listing Rules, which states that:

“an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity”

and section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information”*.

F. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed."

G. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:

"Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule."

Having regard to the above, ASX asks AC8 to respond separately to each of the following questions and requests for information.

1. When did AC8 first become aware of the Capital Raising? In answering this question, please state the date and time AC8 first became aware of the Capital Raising.
2. Does AC8 consider the Capital Raising to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
3. If the answer to question 2 is "no", please advise the basis for that view.
4. If the answer to question 2 is "yes" and AC8 first became aware of the Capital Raising before the Price Query, did AC8 make any announcement prior to the Price Query which disclosed the Capital Raising information? If so, please provide details. If not, please explain why the Capital Raising information was not released to the market at an earlier time, commenting specifically on when you believe AC8 was obliged to release the Capital Raising information under Listing Rules 3.1 and 3.1A and what steps AC8 took to ensure that the Capital Raising information was released promptly and without delay.
5. Please confirm that AC8 is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
6. Please confirm that AC8's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of AC8 with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, **by not later than 7.00am AWST on Thursday, 19 July 2018**.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at tradinghaltspert@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to AC8's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that AC8's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, providing the information requested in this letter.

Further, if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, AC8's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in this letter and may require AC8 to request a trading halt immediately.

If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We will require the request for the trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you do not respond to this letter by the deadline set out above or if ASX does not consider your response to be satisfactory, ASX is likely to suspend trading in AC8's securities under Listing Rule 17.3.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Ben Secrett
Principal Adviser, Listings Compliance (Perth)