

## On track for launch of validated cannabinoid medicines in 2019

### Highlights

- Completion of successful pilot production of AusCann's final dose form cannabinoid hard shell capsules
- This success enables the move of the production process into a commercial facility in preparation for Australian market and export supply in 2019
- These medicines will then be taken through AusCann's clinical development program for registration of an approved cannabinoid pain management pharmaceutical product
- Well-funded to execute on its growth strategy following A\$35 million Placement during the quarter

**Tuesday, 30 October 2018** – Medical cannabinoid pharmaceutical company **AusCann Group Holdings Limited** (ASX:AC8) (AusCann or 'the Company') is pleased to provide an overview of its activities for the three months ended 30 September 2018.

### Operational

On target to supply Australian produced cannabinoid pharmaceuticals to patients in 2019.

AusCann made a significant step towards commercial product supply, announcing the successful completion of pilot production of its final dose form cannabinoid capsules.

Following an industry best practice pharmaceutical development project involving expertise in Colorado, and Australia, AusCann has created a patient centric, capsule-based cannabinoid medicine for sufferers of chronic and neuropathic pain.

Around 1.9m Australians suffer from chronic neuropathic pain. Chronic neuropathic pain is ongoing pain caused by an abnormality of, or damage to, the nerves. Current treatments for this target patient group have limitations in efficacy and notable side effects.

The Australian TGA guidance document on the use of cannabinoids for chronic non-cancer pain provides:

'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'

AusCann's work has focused upon the development of a novel effective, stable oral dose form that enables reliable dosing and ease of administration for doctors and their patients.

Currently medicinal cannabis is administered via oral liquids, oral sprays, soft-shell gelatin capsules containing cannabinoids dissolved in oils, or inhalation of dried material or extracts. The shortcoming of these products however is the poor stability of the active cannabinoids, resulting in variability in the composition and the efficacy of the

formulations. This has been a significant issue for doctors prescribing these products. AusCann's hard shell capsules solve this issue by providing consistent and stable dosage of the active ingredients.

With the pilot study completed, AusCann is moving into commercial manufacture, aiming to release its first capsule-based pharmaceuticals for clinical trial and patients in the first half of 2019.

AusCann has lodged a patent in respect to the intellectual property of the dose form it has developed. The Company has also ensured that international Good Manufacturing Practice standards were followed in the design and manufacturing process. This will also enable export to key overseas markets.

### Medical Outreach Program

In addition to solving the issue of a reliable dose form for doctors, AusCann continues to work in addressing doctor's other key concern, which is access to reliable clinical information on the use of cannabinoid medications. Significant progress was made with AusCann's Medical Outreach Program to drive engagement and educational programs of cannabinoid medicines with the Australian medical community. The medical outreach team, led by AusCann's Chief Medical Advisor, Dr Danial Schechter, released a series of online cannabinoid medical courses for Australian health professionals post period end. The Program provides Australian medical practitioners and health professionals with the necessary information to confidently make informed decisions regarding the use of cannabinoid medicines.

### Progress with Chilean Joint Venture DayaCann

AusCann continues to work towards its goal of supplying high quality cannabinoid medicines to the Latin American market through its Chilean joint venture DayaCann, established with Fundación Daya.

DayaCann is the only company in Chile to hold a medical cannabis production licence, and subsequent to the period end, the company signed a non-binding MoU with Canadian listed medical cannabis company Khiron Life Sciences. The MoU is intended to facilitate the provision of new medical cannabis products to patients in Chile. To achieve this, the parties will engage in cultivation, manufacturing, educational, scientific and commercial activities that present cannabinoid medicines as a part of normal patient management practices. As part of the agreement, DayaCann will be supplying Khiron with high quality cannabinoid medicines and Khiron will provide funds to support the development of these activities.

## **Corporate**

### Capital Raising

During the quarter, the Company completed a A\$33.4 million Placement to institutional and sophisticated investors from North America and Australia, in addition to raising A\$1.9 million via a Share Purchase Plan. The proceeds will be used specifically to fund cannabinoid pharmaceutical R&D and clinical studies, in addition to expanding AusCann's operations in Chile and Australia, whilst promoting medical outreach programs in new international markets. The successful capital raising has AusCann well-funded to execute

on its growth strategy as it progresses towards the commercialisation of its cannabinoid medicines.

### Leadership Transition

AusCann announced a leadership transition with Ms Elaine Darby advising of her intention to step down as Managing Director. This is part of the Company's transition from a start-up company focused on the complex licensing and product development aspects of this sector, to a pharmaceutical production and sales business. As a result, the AusCann leadership is transitioning to reflect the broader skills and experience needed to guide the Company through this next phase of the Company's development and growth.

The Board has commenced a comprehensive executive search and Ms Darby will continue in her role to ensure an orderly transition process until an appropriate time to hand over leadership responsibilities is agreed with the Board.

During the quarter, Dr Paul MacLeman joined the Board as an Executive Director. Dr MacLeman brings over 25 years' experience in the pharmaceutical sector and will lead the CEO search process.

In October, the Company also appointed Quentin Megson as Chief Operations and Financial Officer in order to provide support for Ms Darby and Dr MacLeman, and ultimately for the incoming CEO. Mr Megson has experience in both the finance and operational activities of agricultural and pharmaceutical businesses as well as being involved in the early stages of a listed company.

### Trading on US OTCQX market

AusCann also commenced trading in the US on the OTCQX market under the stock symbol ACNNF. Trading on the OTCQX supports the Company's strategy to broaden its international investor base, particularly in North America where it has a number of strategic agreements in place, while also enabling greater accessibility and liquidity of the stock.

**AuCann Managing Director Elaine Darby commented:** "I am pleased with the progress AusCann made in the September quarter specifically with the results from our development work bringing us closer to releasing our proprietary cannabinoid capsules.

Delivery of a consistent and stable dosage of the active cannabinoids has been an issue that plagues the industry. Our capsules will truly be a game-changer in the world of cannabinoid medicines for doctors and patients, solving issues around quantity and administration, and giving a consistent treatment outcome time and time again.

AusCann has a presence across the whole medicinal cannabis supply chain, and together with our partnerships and well-funded balance sheet, we look forward to releasing our capsule-based products in the first half of 2019."

**ENDS**

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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 holds 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 September 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 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	(776)	(776)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(70)	(70)
(d) leased assets	(32)	(32)
(e) staff costs	(365)	(365)
(f) administration and corporate costs	(785)	(785)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	71	71
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>(1,957)</b>	<b>(1,957)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(564)	(564)
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	(287)	(287)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(851)</b>	<b>(851)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	35,347	35,347
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	(1,685)	(1,685)
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>33,662</b>	<b>33,662</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	12,878	12,878
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,957)	(1,957)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(851)	(851)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	33,662	33,662

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 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>43,732</b>	<b>43,732</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	10,677	9,842
5.2	Call deposits	33,055	3,036
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>43,732</b>	<b>12,878</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 \$A'000</b>
96
-

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 \$A'000</b>
113
-

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.

**8. Financing facilities available**

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

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.

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**9. Estimated cash outflows for next quarter**

**\$A'000**

9.1	Research and development	(850)
9.2	Product manufacturing and operating costs	-
9.3	Advertising and marketing	(80)
9.4	Leased assets	(100)
9.5	Staff costs	(587)
9.6	Administration and corporate costs	(643)
9.7	Other – planned capital expenditure for the quarter	(100)
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>(2,360)</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.



30 October 2018

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

Date: .....

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.