

AusCann advances the development of cannabinoid hard shell capsules

Highlights

- Agreement with PCI Pharma to manufacture AusCann's cannabinoid hard shell capsules
- DayaCann and Khiron Life Sciences to commence first cultivation activities under the MoU signed at the start of the Quarter
- Expanded medical educational program to drive engagement with medical practitioners in Australia
- CEO transition to support AusCann's next phase of growth as a pharmaceutical company continued to progress and is now at an advanced stage
- AusCann on track for the production of cannabinoid medicines for use in clinical trials during this calendar year

31 January 2019 – Leading medical cannabis 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 31 December 2018.

Operational

PCI Pharma appointed manufacturer of AusCann's first medicinal cannabis product line

During the Quarter AusCann announced the appointment of PCI Pharma to manufacture and release its first medicinal cannabis product line - its proprietary solid hard shell capsules for treatment of chronic pain.

PCI Pharma is a US-based provider of pharmaceutical development and manufacturing services. AusCann's hard shell capsules will be manufactured at PCI Pharma's facilities in Australia, where it is licensed by the Therapeutic Goods Administration (TGA).

The manufacturing work by PCI Pharma will complement the research and development facility AusCann will establish in Western Australia (WA) during the 2019 calendar year.

The Company is aiming for the production of its capsule-based products for clinical trials during this calendar year. These medicines will be taken through the Company's clinical development program for registration as an approved medical cannabis pain management pharmaceutical product. The capsules will be targeted for sufferers of chronic and neuropathic pain, which in Australia alone account for 1.9 million people¹.

¹ <https://www.racgp.org.au/afp/2013/march/neuropathic-pain/>

AusCann recognised that one of the key barriers for doctors to prescribe cannabinoid medicines lies in the dosage forms that are currently available. The Company's capsules solve stability and dosing problems that exist with current oils and capsules on market, by providing easy to administer and consistent dose of the active ingredients.

Significant progress in Chile under the DayaCann joint venture

AusCann has made continued advancements in Chile with its joint venture DayaCann signing a non-binding MoU with Canadian listed medical cannabis company Khiron Life Sciences.

The MoU is a collaboration through which DayaCann, Fundación Daya and Khiron can offer new alternatives of medical cannabis to patients in Chile. Activities will include cultivation, manufacturing, scientific and commercial engagements that support cannabinoid medicines as a valued medicinal option. DayaCann is the only company in Chile to hold a medical cannabis production licence. As part of the agreement, Khiron will provide funds to support the development of the activities conducted, while DayaCann will offer cultivation and potentially manufacturing services to Khiron.

Post quarter end, the agreement led to the commencement of DayaCann's first cannabis cultivation activity with Khiron. This is DayaCann's third cultivation crop overall and the joint venture is now preparing for cultivation of cannabis plant material to be ultimately used for patients and clinical trials. The agreement will result in staged payments by Khiron to DayaCann of US\$1.2 million (A\$1.67 million).

Expansion of educational Medical Outreach Program to drive awareness

Although there is a significant market for medical cannabis, a key challenge in Australia is the willingness and ability of doctors to prescribe cannabinoid medicines. In the continued efforts to raise awareness of medical cannabis to Australian based medical professionals, AusCann released online education courses as part of its Medical Outreach Program.

The online education courses ensure practitioners have access to the necessary information to make informed decisions regarding treatment possibilities, with the ultimate aim of confidently prescribing cannabinoid medicines.

Corporate

Leadership Transition Update

Following the announced departure of former Managing Director Ms. Elaine Darby in December 2018, the Company has progressed the CEO search. A final shortlist of candidates has been identified and the process is now nearing completion.

The new CEO will have the necessary skills and expertise to lead the Company through its next phase of growth as a pharmaceutical manufacturing and sales business.

In the interim, Dr Paul MacLeman, Executive Director at AusCann, has taken on the role of interim CEO from 1 January 2019 until a full-time appointment is made by the Board. Dr MacLeman is a well-credentialed pharmaceutical executive who has worked as a senior consultant to AusCann and is leading the Board's executive search process.



ASX RELEASE

AusCann Executive Director and interim CEO, Dr Paul MacLeman, commented:

“AusCann has made important progress this quarter towards the manufacture and launch of our solid dose form capsules. Our pharmaceutical development and manufacturing capabilities are a key point of difference and our partner PCI Pharma is renowned for its high standards of safety and quality.

“We’ve also made advancements in the Latin American market with our DayaCann joint venture securing an MoU with Khiron Life Sciences that has resulted in the commencement of DayaCann’s first cultivation activities with Khiron. We see the South American market as internationally significant following legislative changes in a number of countries which have legalised medicinal cannabis for therapeutic purposes. There are extensive unmet medical needs in this market and our aim is to provide patients with affordable and safe medical cannabis products for the relief of chronic pain.

“2019 will be a key year for AusCann as we launch our solid hard shell capsules, establish an R&D facility in Western Australia and progress to commercialisation.”

ENDS

For more information, please contact:

For Investment Enquires

Quentin Megson
Chief Operating and Financial Officer
info@auscann.com.au
+61 8 9561 8834

For Media Enquiries

Elodie Castagna
FTI Consulting
elodie.castagna@fticonsulting.com
+61 8 9321 8533

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.

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(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	(218)	(505)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(908)	(1,759)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	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)
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)	-	-
3.10 Net cash from / (used in) financing activities	0	33,662

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	43,732	12,878
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,102)	(3,059)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(908)	(1,759)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	33,662

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	41,722	41,722

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	23,667	10,677
5.2	Call deposits	18,055	33,055
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	41,722	43,732

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

Current quarter \$A'000
91
-

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

Current quarter \$A'000
103
-

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 <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. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(945)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(47)
9.4 Leased assets	(75)
9.5 Staff costs	(546)
9.6 Administration and corporate costs	(1,038)
9.7 Other – planned capital expenditure for the quarter	(9,392)
9.8 Total estimated cash outflows	(12,043)

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)

Date: 31 January 2019

Print name: Susan Hunter

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.