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1 December 2016

The Manager
Market Announcements Office
ASX Limited

Dear Sir / Madam

**Takeover bid by TW Holdings for AusCann Group Holdings Limited
Supplementary Bidder's statement**

We attach pursuant to 647(3)(b) of the *Corporations Act 2001*(Cth), a copy of TW Holdings Limited's (TWH) supplementary bidder's statement in relation to TWH's off-market takeover bid for all the ordinary shares in AusCann Group Holdings Limited (ACN 601 953 860).

Yours sincerely



Susan Hunter
Company Secretary

For further information, please contact:

David Wheeler
Non Executive Chairman
TW Holdings Limited
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30 November 2016

SUPPLEMENTARY BIDDER'S STATEMENT

This document is a supplementary bidder's statement under section 643 of the *Corporations Act 2001* (Cth). It is the first supplementary bidder's statement (**Supplementary Bidder's Statement**) issued by TW Holdings Ltd ACN 008 095 207 (**TWH**) in relation to the off-market takeover bid for all the ordinary shares in the capital of AusCann Group Holdings Limited (ACN 601 953 860) (**AusCann**), on issue as at 5.00pm (Perth time) on 4 November 2016, by TWH.

This Supplementary Bidder's Statement supplements, and should be read together with, TWH's bidder's statement dated 8 November 2016 (**Bidder's Statement**).

Words and phrases defined in the Bidder's Statement have the same meaning in this Supplementary Bidder's Statement (unless otherwise defined).

A copy of this Supplementary Bidder's Statement has been lodged with ASIC. Neither ASIC nor any of its officers takes any responsibility for its contents.

1. INTRODUCTION

On 21 November 2016 TWH issued a replacement prospectus in response to an interim stop order issued by ASIC over disclosure concerns in relation to the original prospectus issued by TWH and lodged with ASIC on 31 October 2016 (**Replacement Prospectus**).

The purpose of this Supplementary Bidder's Statement is to address concerns raised by ASIC in relation to the Bidder's Statement, primarily as a result of the additional disclosure provided in the Replacement Prospectus, namely to:

- (a) update disclosure around AusCann activities contained in the Bidder's Statement, including in relation a binding heads of agreement dated 10 November 2016 with Chilean-based medical cannabis group Fundación Daya (**Daya**) to establish a for-profit joint venture (**DayaCann**) to cultivate medicinal cannabis in Chile and develop and distribute cannabis-based medicinal products (**Daya HoA**);
- (b) disclose the effect of AusCann entering into the Daya HoA on the Performance Milestone for Performance Shares issued under the Offer;
- (c) remove the implied value attributed to the conversion of Performance Shares; and
- (d) update disclosure relating to antecedents of the incoming directors of TWH.

2. CONSOLIDATION UPDATE

Following the passing of the Essential Resolutions at the Company's general meeting held on 31 October 2016, the directors resolved to effect the Consolidation. As a consequence, the Consolidation became effective as at 10 November 2016. As at the date of this Supplementary Bidder's Statement, the Company has 30,117,785 Shares on issue.

3. AUSCANN BUSINESS MODEL AND KEY INVESTMENTS UPDATE

3.1 DayaCann

On 10 November 2016 AusCann announced that it had entered into a binding heads of agreement with Chilean-based medical cannabis group Fundación Daya (**Daya**) to establish a for-profit joint venture (DayaCann) to cultivate medicinal cannabis in Chile and develop and distribute cannabis-based medicinal products (**Daya HoA**).

The DayaCann joint venture will, in addition to the existing AusCann business model, expand AusCann's activities into the cultivation and manufacturing of medicinal cannabis in Chile. As a result:

- (a) the following additional wording is inserted the end of section 5.6(a) of the Bidder's Statement (AusCann's Business Model):

"(vi) the cultivation and manufacturing of medicinal cannabis products in Chile."

- (b) the following additional wording is inserted at the end of section 5.6 of the Bidder's Statement (Overview of AusCann's activities and projects):

"(c) AusCann cultivation, production and manufacture in Chile

*AusCann has entered into a binding heads of agreement with Fundación Daya (**Daya**), based in Santiago, Chile.*

Daya has been awarded a medicinal cannabis grow permit by the Chilean Government for each of the last three years, up to and including 2016.

*The proposal is to form a for-profit joint venture vehicle with AusCann holding a 50% stake (**DayaCann**). DayaCann is to hold rights to the grow permit and derive income from sale of products both domestically in Chile and over time into other international markets.*

All necessary infrastructure is already in place from the previous year's activities in Chile. Planting of the crop will commence immediately with harvesting expected in May 2017. This plant material will be sold to several groups conducting research, clinical trials and developing products where AusCann and Daya have long-standing relationships."

3.2 Disclosure following the issue of the Replacement Prospectus

In accordance with the updated disclosure in the Replacement Prospectus:

- (a) the last paragraph of section 5.6(b)(iii) of the Bidder's Statement (New medicinal cannabis strains, cultivation and extraction techniques) is removed and replaced with the following wording:

"Under the current non-binding heads of agreement with Phytoplant Research SL, AusCann is granted exclusivity in the Australian market over certain strains of interest to it including, but not limited to, high yielding strains containing particular cannabis compounds of medical interest. AusCann is also granted exclusivity in the Australian market for any relevant intellectual property and know-how in terms of the extraction protocols that Phytoplant has developed.

The Company has not allocated funds to activities to conduct research, development and cultivation activities in Australia. If and when such activities are undertaken in Australia the Company will review its funding position and sources and, decided at that time, the nature and scope of activities to be undertaken."

- (b) the following wording is inserted at the end of section 5.6(b)(vii) of the Bidder's Statement (Licensing applications for growing and manufacturing operations in Australia):

"AusCann has completed its assessment of appropriate physical locations, regulatory requirements, and infrastructure and personnel requirements. The Company has engaged consultants to undertake security assessments which are being currently undertaken. Investigation of the economic potential is ongoing."

- (c) the table at section 5.6(b)(iv) of the Bidder's Statement is removed and replaced with the following table:

Proposed Activities	Licensing requirements	Licence status
Horticultural R&D (incl. breeding, sourcing varieties)	There are state building, environmental and local government approvals and requirements in respect to the construction and use of greenhouse facilities at Murdoch University. These approval processes are procedural with standard conditions that would need to be complied with. As cannabis will not be grown in the greenhouse modelling activities specific licensing or permits in respect to cannabis under the ND Act are not required.	To be applied for upon completion of plans. Expected to be completed in the last quarter of 2016.
Analytical testing	The analytical testing of medicinal cannabis products for use in clinical trials will be covered by the same licences and permits required for undertaking clinical trials as outlined in Section Error! Reference source not found. .	AusCann is in the process of obtaining relevant licences and permits to undertake this work. Working with clinicians it has commenced drafting of the clinical trial protocols required for the application process. AusCann expects to have the relevant licences and permits required to under this activity in the first half of 2017.
Clinical trials	Please see outline of approvals and permits required for undertaking a clinical trial in Section Error! Reference source not found. .	AusCann is in the process of obtaining relevant licences and permits to undertake this work. Working with clinicians it has commenced drafting of the clinical trial protocols required for the application process. AusCann expects to have the relevant licences and permits required to under this activity in the first half of 2017.
Medical Education	No licencing or permits are required for the provision of education material to authorised medical clinicians.	Not applicable

- (d) Sections 5.7(a) to 5.7(e) of the Bidder's Statement are removed and replaced with the words below:

“(a) Business opportunity

Cannabis has been used therapeutically for some 5000 years and, like many other plant based medicines, such as opiates, salicylic acid, and quinine, its use has been investigated for a range of medical conditions. Many of the uses being evaluated through clinical studies today have been seen in observational studies dating back to the late 1800s.¹ A variety of social and technological developments led to the stigmatisation of cannabis by the 1920s and, by the 1940s, an international prohibition put an end to nearly all research into therapeutic uses of medicinal cannabis. Over the past decade however there has been an increased interest in therapeutic uses and a growing body of clinical research attests to the many potential uses for a range of diverse symptoms and conditions.²

As outlined below, key indications for medical cannabis use, based upon research to date include alleviation of:

- (i) chronic pain;
- (ii) palliative care symptoms, i.e. nausea, pain, anorexia, anxiety;
- (iii) chemotherapy-induced nausea; and
- (iv) treatment-resistant epilepsy seizures.

(b) Chronic pain incidence in Australia

Chronic pain is a common condition that has a substantial economic impact on society due to its prevalence and its various impacts on people who suffer from it and those caring for them. In 2007, around 3.2 million Australians (1.4 million males and 1.7 million females) were estimated to have experienced chronic pain. The prevalence of chronic pain is projected to increase as Australia's population ages, from around 3.2 million Australians in 2007 to 5.0 million by 2050. Allocated health expenditure on chronic pain was estimated at around \$4.4 billion in 2000-01.³

(c) Palliative care incidence in Australia

There were over 62,000 palliative care-associated hospitalisations in Australia over 2013-14 with more than 51,200 palliative care-related prescriptions, of which 12,915 (25%) were analgesics.⁴

(d) Chemotherapy-induced nausea incidence in Australia

Although chemotherapy has enabled many patients to live longer, there are significant adverse effects, with patients frequently citing nausea and vomiting as the most distressing and associated with a reduced quality of life.⁵ According to the Australian Institute of Health and Welfare there were over 129,000 individual occasions of service provided to Australian outpatients associated with chemotherapy over 2010-11 (Australian Institute of Health and Welfare, 2012), with chemotherapy accounting for 7% of all episodes of admitted outpatient care over that period. In a study based on community oncology practices, 33% of patients experienced delayed vomiting and 62% delayed nausea with

¹ Notcutt, W., & Clarke, E. L. (2014). Cannabinoids in Clinical Practice: A UK Perspective. In R. G. Pertwee, Handbook of Cannabis (pp. 415 - 432). Oxford: Oxford University Press.

² Lucas, P., Walsh, Z., Crosby, K., Callaway, R., Belle-Isle, L., Kay, R., Holtzman, S. (2015). Substituting cannabis for prescription drugs, alcohol and other substances among medical cannabis patients: The impact of contextual factors. Drug and Alcohol Review, 1-8.

³ Access Economics Pty Limited in collaboration with University of Sydney Pain Management Institute. (2007). The high price of pain: the economic impact of persistent pain in Australia. Sydney: Access Economic Pty Limited

⁴ Australian Institute of Health and Welfare. (2014). National Drug Strategy Household Survey detailed report 2013. Drug statistics series no. 28. Canberra: AIHW.

⁵ Burke, T., Wisniewski, T., & Ernst, F. (2011). Resource utilization and costs associated with chemotherapy-induced nausea and vomiting (CINV) following highly or moderately emetogenic chemotherapy administered in the US outpatient hospital setting. Supportive Care in Cancer, 19, 131-140.

chemotherapy treatment,⁶ while the prestigious US National Institute of Health indicates that chemotherapy-induced nausea and vomiting can occur in up to 80% of patients.⁷

Nausea and vomiting remain a significant adverse effect of chemotherapy impacting on a considerable patient population in Australia.

- (e) Treatment-resistant epilepsy incidence in Australia

It is estimated that over 250,000 Australians are living with epilepsy.⁸ It has been reported that approximately one third of those with epilepsy do not respond to treatment.⁹ If this data is applied to Australia, this would indicate that over 82,000 Australians live with epilepsy that is non-responsive to current treatments.”;

- (e) the words “*TSX Venture exchange*” in section 5.7(f) and the definition of Canopy in section 12.1 of the Bidder’s Statement (Definitions) is removed and replaced with the words “*Toronto Stock Exchange*”, and
- (f) the heading “Business partnerships” at section 5.7(f) is removed and replaced with the heading “Strategic relationships”.

4. PERFORMANCE MILESTONE

As stated in section 4.5 of the Bidder’s Statement, each Performance Share will convert into Shares at the rate of one (1) TWH Share for every one (1) Performance Share within 7 days of achievement of the Performance Milestone.

The Performance Milestone will be satisfied if, before the Milestone Date, AusCann is issued or acquires an interest of not less than 49% in a party or entity that holds a permit, licence, authority, registration or approval for the cultivation and production of cannabis and cannabis resin for medicinal and related scientific purposes in another jurisdiction.

As announced on 10 November 2016, under the Daya HoA, AusCann will acquire a 50% interest in DayaCann which is to become the holder of rights attaching to a grow permit to cultivate and produce cannabis and cannabis resin for medicinal and related scientific purposes in Chile. As a result, upon the establishment of DayaCann and the transfer of the grow permit from Daya to DayaCann, the Performance Milestone will be satisfied and all Performance Shares will automatically convert into TWH Shares on a one-for-one basis. TWH understands that AusCann believes that conversion will occur during the first quarter in 2017.

Upon the conversion of the TWH Performance Shares into TWH Shares, the capital structure of the Merged Entity, set out at section 6.6 of the Bidder’s Statement on a post-consolidation basis, will be as follows:

⁶ Cohen, L. e. (2007). Chemotherapy- induced nausea and vomiting - incidence and impact on patient quality of life at community oncology settings. *Support Care Cancer*, 15, 497-503

⁷ National Cancer Institute. (2016, 01 04). Nausea and Vomiting (PDQ®)—Health Professional Version

⁸ Epilepsy Action Australia. (2016). Facts and Statistics About Epilepsy

⁹ Kwan, P., & Sander, J. (2004). The natural history of epilepsy: an epidemiological view. *Journal of Neurology, Neurosurgery and Psychiatry*, 75, 1376-1381

	Minimum subscription		Maximum subscription	
	Number	% ¹	Number	% ¹
TWH Shares				
TWH Shares currently on issue	30,118,121	12.28	30,118,121	11.80
TWH Shares to be issued to AusCann Shareholders and Advisors under the Pre-existing Sale Agreements	62,407,152	25.45	62,407,152	24.45
TWH Shares to be issued to AusCann Shareholders under the Offer	98,823,266	40.30	98,823,266	38.72
TWH Shares to be issued upon conversion of the TWH Performance Shares to be issued to AusCann Shareholders under the Pre-existing Sale Agreements	9,214,392	3.76	9,214,392	3.61
TWH Shares to be issued upon conversion of the TWH Performance Shares to be issued to AusCann Shareholders under the Offer	19,015,956	7.76	19,015,956	7.45
TWH Shares to be issued upon conversion of the TWH Performance Rights to be issued to advisors	2,794,231	1.14	2,794,231	1.09
Public Offer	15,000,000	6.12	25,000,000	9.80
Total Shares	237,373,118	96.81	216,348,539	96.93
Options				
TWH Options to be issued to Canopy	7,677,639	3.13	7,677,639	3.01
options to be issued to the Directors	150,000	0.06	150,000	0.06
Total Options	7,827,639	3.19	7,827,639	3.07
Total Securities	245,200,757	100.0	255,200,757	100.0

Note:

Percentages are calculated on a fully diluted basis and are subject to rounding errors

5. IMPLIED VALUE OF TWH SHARES

Given that the Independent Expert did not ascribe a value to the Performance Shares to be issued as consideration under the Offer (due to the fact that the Performance Milestone is based on future events, the outcome of which cannot be determined as at the date of the Independent Expert's Report), the following wording is removed from section 2.1 of the Bidder's Statement (You will receive attractive value for your AusCann Shares):

"The implied value of the TWH Shares that may be issued upon conversion of the Performance Shares in the event the Performance Milestone is satisfied is a further \$0.00173 per AusCann Share based on the same TWH share price assumption."

For further information in relation to the Independent Expert's view on the value of the Performance Shares, please refer to section 8.1 of the Independent Expert's Report.

6. DIRECTOR DISCLOSURE

In accordance with the updated disclosure in the Replacement Prospectus:

- (a) the following wording is inserted at section 3.3 of the Bidder's Statement (Proposed Directors) at the end of the section entitled "Mr Harry Karelis - Proposed Executive Director":

“Mr Karelis was a director of XRT Limited ACN 076 348 000 (XRT) which was placed in voluntary administration in January 2012 and creditors’ voluntary liquidation on 14 February 2012. XRT was a privately-funded technology company involved in high-resolution x-ray imaging and due to the inability to raise sufficient follow-up funding as a result of a combination of the global financial crisis and insufficient demand for XRT’s products, XRT was placed in voluntary administration by the directors and eventually deregistered on 22 May 2015. Mr Karelis had a role as a non-executive director of XRT.

Mr Karelis was also a director of Continara Limited ACN 105 040 793 (Continara) which was placed in voluntary administration on 7 June 2011. Continara was a medical device company involved in designing, developing and commercialising treatments for continence care in Australia and due to an inability to raise necessary funds to progress clinical trials Continara was placed in voluntary liquidation by creditors and deregistered on 21 February 2013. Mr Karelis had a role as a non-executive director of Continara.”; and

- (b) the following paragraph at section 7.3(d)(ii) of the Bidder’s Statement (Gemelli Nominees/Mr Harry Karelis (Executive Director)) is removed:

“At the company’s discretion and subject to obtaining applicable regulatory approvals, Gemelli Nominees is also entitled to a performance-based bonus over and above the consultancy fee.”

7. OTHER NOTICES

This Supplementary Bidder’s Statement prevails to the extent of any inconsistency with the Bidder’s Statement.

As announced on 25 November 2016, TWH has extended the Offer Period such that it will now close at **5.00pm (Perth time) on 6 January 2017** (unless extended or withdrawn).

8. APPROVAL OF FIRST SUPPLEMENTARY BIDDER’S STATEMENT

This First Supplementary Bidder’s Statement has been approved by a unanimous resolution of the directors of AusCann.

Dated: 30 November 2016

Signed for and on behalf of
TW Holdings Limited



David Wheeler
Non-Executive Director