2019

AusCann ANNUAL REPORT

Company Information

DIRECTORS
Dr Malcolm Washer
Elaine Darby (resigned 31 December 2018)
Hon. Cheryl Edwardes AM
Bruce Linton (resigned 5 September 2019)
Bruce McHarrie
Paul Macleman (appointed 27 September 2018)
David Pryce (alternate for Bruce Linton) (resigned 5 September 2019)
Dr Marcel Bonn-Miller (appointed 5 September 2019)

JOINT COMPANY SECRETARIES
Ms Susan Hunter
Mr Quentin Megson (appointed 1 February 2019)

REGISTERED OFFICE
Suite 8, Level 2, 57 Shenton Avenue
JOONDALUP WA 6027

WEBSITE
www.auscann.com.au

CORPORATE GOVERNANCE
The Company's corporate governance policies can be accessed at
http://www.auscann.com.au/investor-centre/corporate-governance.html

AUDITORS
PKF Perth
Level 4, 35 Havelock Street
West Perth WA 6005

SHARE REGISTRY
Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000

STOCK EXCHANGE
Australian Securities Exchange Ltd

ASX CODE
AC8

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On behalf of the Board of AusCann Group Holdings Ltd, I am pleased to present the 2019 Annual Report to shareholders

This was a year of transition for AusCann as the Company progressed its journey from medicinal cannabis startup to pharmaceutical company, developing and ultimately selling cannabinoid-based medicines. The most significant change was in the Company's leadership with Ms Elaine Darby stepping down as CEO and the subsequent appointment of Mr Ido Kanyon as new CEO. Mr Kanyon has an extensive background in the global pharmaceutical industry and is well placed to lead AusCann through its next phase of growth.

The Company's aim is to provide high-quality and clinically-validated cannabinoid medicines commencing with our hard shell capsules for the treatment of chronic pain. What makes our capsules unique is our offering of dosage controlled and standardised pharmaceuticals, currently not offered in the medicinal cannabis sector.

One of the highlights of the year was the successful completion of the capsule product development, which was a significant R&D breakthrough for the AusCann team. We have a clear road to market and we are fully funded to execute on our growth strategy following a $33.4 million placement this year. The next major step we are working towards is the release of our capsules for clinical trials before the end of CY19.

Solidifying our relationships with key partners to de-risk our supply chain was one of our strategic goals of the year. This included the appointment of PCI Pharma as our manufacturing partner, resulting in the successful manufacturing of AusCann's first engineering batch of capsules. In addition to this, we partnered with Canada's largest resin supplier, MediPharm, who completed the first commercial shipment of medical cannabis concentrate to the Company - representing the first ever bulk international shipment

Chairman's Letter

of medical cannabis concentrate from Canada to Australia. While post period end, we announced a revised agreement with TasAlk for the supply of high quality resin, to further diversify our raw materials supply chain.

We continued to place emphasis on creating competitive advantage through R&D with the establishment of our in-house Product Development facility in Perth to accelerate our pharmaceutical development activities. This represents a key point of differentiation to further develop our proprietary cannabinoid-based pharmaceutical product pipeline.

Education is also a key component of our strategy and we expanded our Medical Outreach Program to support medical practitioners in Australia raising awareness on the benefits and use of cannabinoid medicines.

In other key relationships, progress was also made by our DayaCann joint venture in Chile with a MoU signed with global medical cannabis company, Khiron Life Sciences, to cultivate medical cannabis to be used for patients and clinical trials. Our relationship with our largest shareholder, Canopy Growth, remains strong and we welcomed Canopy's new representative, Dr. Marcel Bonn-Miller, to the AusCann Board in September.

Our strong balance sheet, backed by an experienced medical and pharmaceutical team, together with the relationships with global strategic partnerships, gives me great confidence in AusCann's ability to execute on its growth plans.

In concluding, I thank my fellow Board members and the AusCann team for their commitment and hard work over the past year. I would also like to thank our shareholders for your continued support.

Yours sincerely

Dr Mal Washer MBBS, DHlthSci

CHAIRMAN

25 September 2019

This is my first letter to you, our investors, since I began my tenure as the CEO of AusCann. It is important for me to share with you that my optimism regarding AusCann has been reinforced since I have had the opportunity to deep dive into the company's intellectual property, financial, operational and strategic states.

AusCann has been an early pioneer in the rapidly evolving medicinal cannabis sector. A key differentiator for the Company has been its strategy to become a pharmaceutical company focused on cannabinoid-based medicines which have been found to be on par with other pharmaceuticals prescribed by healthcare practitioners. It is this pharmaceutical focus that attracted me to the company, along with the opportunity of building upon the excellent work conducted to date.

In becoming a pharmaceutical company, our product's consistency and standardisation will lead to the acceptance of medical cannabis across the healthcare sector. In pursuit of our goals, AusCann has been positioned at the high-value end of the product supply chain. During the last year, we have been focused on new product development and all the steps needed to produce an effective, safe and consistently dosed product. In addition, we have been investing in building a scalable supply chain in compliance with pharmaceutical Good Manufacturing Practices. Key partner relationships have been established for cannabis cultivation, as well as for manufacturing and distribution. We will continue to diversify our supply chain as the industry evolves and more high-quality, cost-efficient suppliers come to market.

We are currently focused on the treatment of Chronic Pain, a high unmet medical need, which represents one of the largest opportunities for medicinal cannabis. More than three

Letter from the Chief Executive Officer

million people are affected by the condition in Australia alone. Current pharmaceuticals are associated with severe side effects coupled with the risks of tolerance and/or dependence with long term use. AusCann has developed the first proprietary cannabinoid-based, highly dose sensitive and stable pharmaceutical product. Our capsules solve stability and dosing problems that currently exist with oils and capsules on the market. Current product formulations are also difficult to administer and deliver unreliable dosages. I cannot overemphasise that controlled dosage enables the consistent monitoring of patients' health outcomes and it is at the heart of AusCann's strategic advantage.

In order to drive both medical and patient acceptance, we are establishing strong relationships with healthcare practitioners. These relationships will provide real world data regarding the efficacy and ideal dosages for our products. They will provide physicians with the flexibility to personalise treatment by applying varying and appropriate dosages for each patient strictly on an individualised treatment program. Facilitated by our new R&D product development facility we will continue to develop our proprietary products consistent with our general strategy.

I want to thank each and every investor for their confidence in AusCann. I will keep you updated with progress and the achievement of our goals. I am confident that the direction we have chosen will provide AusCann the greatest opportunity for success. We are looking forward to delivering on our commitments with the release of our capsules and clinical trials towards the end of 2019.

Yours sincerely

Ido Kanyon.

Ido Kanyon

CHIEF EXECUTIVE OFFICER

25 September 2019

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019

The Directors present their report together with the financial statements of AusCann Group Holdings Ltd
("the Company" or "AusCann")
and its controlled entity
(collectively "the consolidated entity")
for the year ended 30 June 2019.

The following persons were directors of the Company during the financial year and up to the date of this report, unless otherwise stated:

• Dr Malcolm Washer	Appointed 19 January 2017
• Elaine Darby	Resigned 31 December 2018
• Hon. Cheryl Edwardes AM	Appointed 19 January 2017
• Bruce Linton	Resigned 5 September 2019
• Bruce McHarrie	Appointed 19 January 2017
• Dr Paul Macleman	Appointed 27 September 2018
• David Pryce	Resigned 5 September 2019 (alternate for Mr Linton)
• Dr Marcel Bonn-Miller	Appointed 5 September 2019

Dr Malcolm Washer
Independent Non-Executive Chairman
MBBS

Dr Washer was a Liberal member of the Australian House of Representatives from 1998 to 2013. He was educated at the University of Western Australia, graduating in 1970 with degrees in medicine and surgery. He was a general practitioner before entering politics, and established prominent medical centres in Western Australia. He is the current chair of the Organ and Tissue Authority was also past chair of the Alcohol and Other Drugs Council of Australia. He has extensive experience in agricultural and horticultural activities and currently operates a commercial avocado plantation in Western Australia, bringing highly relevant medical and horticultural expertise and experience to AusCann.

Interests in shares and options:
Ordinary shares: 12,851,786

Hon. Cheryl Edwardes AM
Independent Non-executive
LLM, BA, GAICD

Mrs Edwardes is a Commissioner on the WA Football Commission and a member of the Foreign Investment Review Board. She is also a Company Director on a number of ASX Boards, private companies and not-for-profit associations. A solicitor by profession, Mrs Edwardes is a former Minister in the Court Government with extensive experience and knowledge of WA's legal and regulatory framework relating to mining projects, environmental, native title, heritage and land access.

During her political career, Mrs Edwardes held positions as the first female Attorney General for Western Australia, Minister for Environment and Labour Relations, and was the Member for Kingsley for nearly 17 years.

Mrs Edwardes chairs Vimy Resources, a development company in uranium; the Port Hedland International Airport, a joint venture company between AMP Capital and Infrastructure Capital Group and is Deputy Chair of Flinders Mines

Mrs Edwardes was awarded an Order of Australia in the Queen's Birthday Honours 2016 for "significant service to the people and Parliament of Western Australia, to the law and to the environment, and through executive roles with business, education and community organisations." Cheryl was also named in the 100 Women of Influence 2016, inducted into Western Australian Women's Hall of Fame 2016 and was a finalist in the Women In Resources Award 2015.

Directorships held in other listed entities:

- Atlas Iron Limited (6 May 2015 – October 2019)
- CropLogic Limited (resigned 15 February 2019)
- Vimy Resources Limited (26 May 2014 – current)
- Flinders Mines Ltd (17 June 2019 - current)

Interests in shares and options:
Ordinary shares: 50,000

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019

Bruce McHarrie
Independent Non-executive
BCom FCA GAICD

Mr McHarrie is a highly experienced senior executive and independent company director with a background in the life sciences industry focussed on finance, operations, governance, business and investment management, and strategic planning.

He previously served as the Chief Financial Officer, Director of Operations and Director of Strategic Projects with the Telethon Kids Institute in Western Australia. Prior to joining the Institute, Bruce was based in London as an Assistant Director at Rothschild Asset Management in the Bioscience Unit, a life sciences private equity group investing in early stage biotechnology, healthcare and agribusiness companies. He co-founded two Institute spin-outs including publicly listed drug discovery company, Phylogica Limited, and has held a number of other non-executive director positions in biotechnology and not-for-profit healthcare organisations.

He is a Fellow of the Institute of Chartered Accountants Australia and New Zealand, holds a Bachelor of Commerce degree from the University of Western Australia, and is a graduate member of the Australian Institute of Company Directors.

Directorships held in other listed entities:

- Adherium Limited (20 July 2015 – present)
- Phylogica Limited (9 Aug 2002 – 8 April 2017)

Interests in shares and options: Ordinary shares: 114,286

Dr Paul MacLeman
Executive Director
(appointed 27 September 2018)
MBA BVSC GRADDIPTECHMGT
GRADCERTENG GAIDC

Dr MacLeman has over 25 years' board and executive experience across the life sciences, agricultural and not for profit sectors. This includes strategy formulation, capital raising, business development, technology commercialisation and sales & marketing. He has also launched a variety of products in Australia, the US and Asia, founded life sciences start-ups in the biologics area and worked in investment banking. Dr MacLeman is currently Chair of AdAlta Limited, Livac Pty Limited, and is a Non-Executive Director of Sypharma Pty Limited. He Chairs the committee reviewing the National Vocational Education Training Package in Pharmaceuticals and has in the past Chaired the Committee to develop a nationally recognised Course in Pharmaceutical Manufacture for Victoria, the AusBiotech Agricultural Advisory Board and has been Managing Director of Nasdaq, ASX and TSX listed companies.

Directorships held in other listed entities:

- AdAdlta Ltd (Chairman)

Interests in shares and options: Ordinary shares: 30,268

Dr Marcel Bonn-Miller

Non-executive (appointed 5 September 2019)

BPA

Dr. Bonn-Miller is Global Clinical Scientific Director of Spectrum Therapeutics, the medical division of Canopy Growth specialised in the development and commercialisation of validated cannabis medicines.

Dr. Bonn-Miller is a world-renowned researcher and pharmaceutical executive, bringing over 18 years of extensive clinical research and development expertise in cannabinoid-products for medical use. He has received funding for 27 research grants, has published 140 peer-reviewed academic papers and has led or contributed to 19 clinical trials. Prior to Canopy Growth, Dr. Bonn-Miller was Director of Cannabinoid Research for Zynerba Pharmaceuticals, a leading transdermal cannabinoid pharmaceutical company.

Dr Bonn-Miller has no direct interest in the shares and options of the Company.

Elaine Darby

Managing Director (resigned 31 December 2018)

BSc(Hons) LLB(Hons)

Ms Darby holds a Bachelor of Science in Biochemistry & Microbiology, with Honours in Molecular Biology, and a Bachelor of Laws. Previous roles have included project manager and investment director with Biologica Ventures, an advisory firm in the bio-medical sector, as a lawyer with top tier corporate law firm Clayton Utz, Media and Communications Officer for an Australian Federal Member of Parliament, and Managing Director and Senior Winemaker of Aquila Estate Winery where she was an award winning wine-maker and also involved in international business development and marketing in territories including Singapore, Japan, Canada, the United Kingdom, and the United States.

Interests in shares and options:
Ordinary shares: 11,606,445 (final interest)

Bruce Linton

Non-executive (resigned 5 September 2019)

BPA

Mr Linton was the founder, Chairman and CEO of Canopy Growth Corporation, one of the world's leading medical cannabis companies. Canopy Growth, through its subsidiaries Tweed and Bedrocan Canada, is the world's largest producer of legal cannabis. He left Canopy on 3 July 2019

He has more than 10 years of senior executive experience in the high-tech sector as a founder, executive and board member. He has a proven track record of international success, working extensively with the World Bank and the Asia Development Bank. He enjoys a high profile in the global medicinal cannabis sector and has a demonstrable track record of raising the capital required to build large scale cannabis business.

Bruce has no direct interests in the shares and options of the Company.

David Pryce
Alternate for Bruce Linton
(resigned 5 September 2019)
BA MBA

Mr Pryce is currently Vice President of International Market Expansion and Global Government Relations at Canopy Growth Corp., the largest cannabinoid medicine producer in North America. In this capacity, he is responsible for taking the company into new markets, growing footprint and driving its global expansion.

He previously held senior positions at BlackBerry and D2L, and founded the Dewhurst Group, a global affairs advisory consultancy. David has also been a senior advisor to the Premier of Ontario, Ontario Minister of Finance and the Canadian Minister of Industry.

David holds a specialised honours Bachelor of Arts degree in Political Studies from the University of Guelph and a Masters of Business Administration from Wilfrid Laurier University, where he also taught in the School of Business & Economics.

David has no direct interests in the shares and options of the Company.

Joint Company Secretary

Susan Hunter
BCom, ACA, F Fin, GAICD, AGIA

Ms. Hunter has over 23 years' experience in the corporate finance industry and is founder and Managing Director of consulting firm Hunter Corporate Pty Ltd, which specialises in the provision of corporate governance and company secretarial advice to ASX listed companies. Ms. Hunter holds a Bachelor of Commerce degree from the University of Western Australia majoring in accounting and finance, is a Member of the Australian Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia, a Member of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors.

Joint Company Secretary

Quentin Megson
(appointed 1 February 2019)
BCom, ACA

Mr Megson has over 25 years' experience in the finance and management sector and holds a Bachelor of Commerce and is a Member of the Australian Institute of Chartered Accountants. He started as a Tax Advisory Manager with a major accounting firm before moving to a medium tier accounting firm as a Partner. He then chose to move into commerce as the CFO and Company Secretary of an ASX listed company operating in the forestry/ agriculture industry and then moved into an operational role as general manager of operations & corporate Services. Quentin has also held non-executive director roles within several companies.

Board and committee meetings

	DIRECTORS' MEETINGS		AUDIT AND RISK COMMITTEE MEETINGS		REMUNERATION AND NOMINATION COMMITTEE MEETINGS	
Director	**Meetings held whilst in office**	**Attended**	**Meetings held whilst in office**	**Attended**	**Meetings held whilst in office**	**Attended**
Dr Malcolm Washer	12	12	3	3	5	5
Hon. Cheryl Edwardes AM	10	12	3	3	5	5
Bruce McHarrie	12	12	3	3	5	5
Dr Paul MacLeman [2]	8	8	-	-	-	-
Dr Marcel Bonn-Miller [3]	-	-	-	-	-	-
Elaine Darby [1]	6	5	-	-	-	-
Bruce Linton [4]	12	0	-	-	-	-
David Pryce [4]	12	1	-	-	-	-

1 Elaine Darby resigned on 31 December 2018
2 Dr Paul MacLeman was appointed as a Non-executive director on 27 September 2018.
3 Dr Marcel Bonn-Miller was appointed as a Non-Executive Director on 5 September 2019.
4 Bruce Linton and his Alternate Director resigned on 5 September 2019
5 The members of the Audit and Risk Committee are B. McHarrie (Chair), Dr M. Washer (member) and C. Edwardes (member). The members of the Remuneration and Nomination Committee are C. Edwardes (Chair), Dr M. Washer (member) and B. McHarrie (member).

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019

State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year, other than those discussed already in the financial report and elsewhere in this Directors' Report.

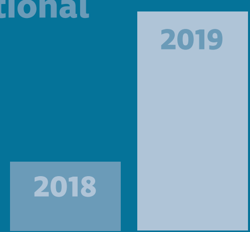
Principal activities

The Board and Management of AusCann Group Holdings Ltd maintain the belief that patients have a right to high quality, economical and clinically-validated cannabis medicines. Towards this, Auscann's principal activity during the financial year was the development of a stable, reliable dose form cannabinoid pharmaceutical product and preparing for its clinical trials. In addition, the group acquired a facility to be developed into a location whereby it can continue research & development activities to produce next generation of cannabinoid pharmaceutical products.

Operating results and financial position

The loss of the consolidated entity for the financial year was $7,649,221 (2018: $7,668,308). The loss included $57,943 (2018: $2,712,500) of non-cash share-based payments.

The net assets of the consolidated entity increased to $41,668,347 at 30 June 2019 from $14,112,032 as at 30 June 2018 as a result of continued operational expenditure.



Review of operations

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2019

The AusCann Group Holdings consolidated entity (AusCann) is pleased to report on its 2019 financial year.

AusCann made substantial progress during the year on its aim to become a leading pharmaceutical company focused on the development and commercialisation of cannabinoid-based medicines. The Company remained focused on advancing the development of its first product line - its reliable and consistent cannabis-based hard shell capsules for the treatment of chronic pain. AusCann aims is to provide patients with improved health outcomes and quality of life, with first product expected to be released for clinical trials towards the end of 2019.

The Company remains well funded to execute on its strategy as a result of successfully completing a capital raising of $33.4m via a shre placement in July 2018, and a further $1.9m via a share purchase plan in August 2018.

Leadership Transition

AusCann underwent leadership changes during the year. Ms Elaine Darby stepped down as Managing Director as part of the Company's transition from a licensing based start-up to a product development and commercialisation focused pharmaceutical business. AusCann would like to thank Ms Darby for her invaluable contribution to the growth and development of the Company.

After an extensive international executive search, AusCann appointed Mr Ido Kanyon as CEO to guide the Company through this significant next phase of development and growth. Mr Kanyon, commenced on 22 May 2019, and is a highly experienced global pharmaceutical executive with more than 15 years of pharmaceutical and medical device business experience commercialising new pharmaceutical treatment options.

Successful completion of pilot production of first product line

AusCann made a significant R&D breakthrough with the successful completion of the product development of its final dose cannabinoid capsules. AusCann has developed a unique solid capsule which provides consistent and stable dosages of the active cannabinoid ingredients, solving stability and dosing problems that exist with current oils and capsules on the market.

As part of the process, AusCann completed a production scale-up of the capsules in a Good Manufacturing Practice (GMP) environment. The scale up procedure includes all the steps required to move a pharmaceutical product from development to commercial manufacturing.

Established capabilities and partnerships across the whole supply chain

AusCann places strong emphasis on the development of partnerships across the supply chain to deliver superior value.

For the production of its capsules, AusCann appointed TGA licensed PCI Pharma to manufacture and release its proprietary solid hard-shell capsules for the treatment of chronic pain. This also led to the successful manufacturing of AusCann's first engineering batch of capsules from the manufacturer.

As part of the Company's strategy to de-risk and diversify its supply chain, a supply agreement was entered with MediPharm Labs Corporation, Canada's largest and most experienced supplier of purified, pharmaceutical grade cannabis extracts. The agreement is for the supply of high-grade cannabis resin to be used for AusCann's hard-shell cannabinoid capsules. During the period, MediPharm completed its first commercial shipment of medical cannabis concentrate to AusCann, representing the first ever bulk international shipment of active pharmaceutical ingredient (API) medical cannabis concentrate from Canada to Australia. The agreement strengthens AusCann's raw material supply chain with pharmaceutical grade cannabis resin being a critical component of the Company's manufacturing process.

Review of operations

Establishment of in-house Product Development facility

New proprietary product development is a key pillar of AusCann's growth, and the Company has invested in product development capabilities with the purchase of a dedicated 7,300m2 Research & Development (R&D) facility located in Perth, Western Australia. The site was acquired for $5.25 million and was fully funded from existing cash reserves. The new site will be an integrated facility accelerating pharmaceutical and novel dose form development activities, encompassing cultivation, extraction, new product development and manufacturing. The R&D facility is a key point of differentiation for AusCann to further develop its cannabinoid-based pharmaceutical product pipeline.

Medical outreach program and distribution

AusCann places a strong emphasis on building solid relationships with healthcare professionals, providing doctors and health care practitioners with access to cannabinoid medical education resources and reliable clinical information on the use of cannabinoid medicines.

As part of its Medical Outreach Program, the Company released a series of online courses for Australian health professionals to support medical practitioners in Australia with the necessary information to confidently make decisions regarding the use of cannabinoid medicines. The education resources are led by Dr Danial Schecter, AusCann's Chief Medical Advisor and Director of Global Medical Services at Canopy Growth, the world's largest cannabis company by market capitalisation and revenue.

Chilean operation

DayaCann, AusCann's 50:50 joint venture with Fundación Daya in Chile, signed a non-binding MoU with Canadian listed medical cannabis company Khiron Life Sciences Corp (Khiron).

The agreement led to the commencement of DayaCann's first cannabis cultivation activity with Khiron. As a result, DayaCann will be supplying Khiron with high quality cannabinoid medicines whilst Khiron will provide funds to support the development of these activities, resulting in staged payments to DayaCann of USD1,200,000 (A$1.67m).

DayaCann is the only commercial scale medical cannabis cultivation company in Chile which obtained medical cannabis production licences to complete two harvests yielding a total of over 1000kg of dried cannabis flower. The cultivation is done in a cost effective, outdoor growing, 30-hectare facility which holds an organic agriculture certification.

While this complements the joint venture's ongoing cultivation of cannabis plants material, the potential for disposal of existing inventory produced by DayaCann continues to be limited due to the ongoing government restrictions on the ability to export the product out of Chile. Until these restrictions are relaxed by the Chilean Government, the Company has chosen to conservatively impair the value of both the investment in DayaCann and the loan to DayaCann.

AusCann notes that on 12 August 2019 the Supreme Court of Chile confirmed the current prohibition on the export of medical cannabis outside of Chile. DayaCann continues to look at alternative pathways to pursue export licenses from the country. DayaCann remains confident in the prospects ahead as the global market for medical cannabis continues to grow with a number of Latin American countries having already approved the export of medical cannabis such as Argentina, Colombia and Uruguay.

In the meantime, the product is for use within Chile and is not affected by the export prohibition. DayaCann will continue to supply raw material for patients in Chile and engage with the regulatory bodies around the future export of cannabinoid-based medicines and raw material for the benefits of patients worldwide.

AusCann Board Changes

On 27 September 2018, experienced pharmaceutical executive, Dr Paul MacLeman, joined the Board as an Executive Director. He brings more than 25 years' experience in the life sciences sector and performed a key role during AusCann's leadership transition period acting as Interim CEO from 1 January 2019 to Mr Kanyon's official commencement on 22 May 2019.

On 5 September 2019, Mr Bruce Linton left the Board and was replaced by Dr Marcel Bonn-Miller.

Also during the period, Chief Operating and Financial Officer, Mr Quentin Megson, was appointed Joint Company Secretary of the Company, sharing the role with Ms Susan Hunter, AusCann's existing Company Secretary.

Future developments, prospects and business strategies

The focus of AusCann remains the provision of high quality, economical and clinically validated cannabis medicines, with emphasis in the near term on progressing the development and commercialisation of its hard shell capsules.

Environmental regulation

The consolidated entity's operations are not subject to significant environmental regulations under either Commonwealth or State legislation.

Dividends

No dividends were paid or declared during the year (2018: nil).

Events subsequent to reporting date

On 1 July 2019, AusCann signed a new supply agreement for the purchase of cannabis resin from Tasmanian Alkaloids (TasAlk). TasAlk is one of the world's largest manufacturers of controlled substances, producing alkaloid raw material in Tasmania for medicinal purposes. Under the new contract, which supersedes the original alliance established in CY 2017, the Company has agreed to purchase a minimum of 30% of its resin supply requirements from TasAlk for an initial three-year period, with the ability to extend for an additional three-year term. The agreement is part of AusCann's strategy to de-risk and diversify its supply chain with various GMP resin suppliers.

Other than as identified above, no events occurring subsequent to the end of financial year have significantly affected, or may significantly affect, the operations of the consolidated entity in subsequent financial years.

Indemnification and insurance of officers and auditors

The consolidated entity has indemnified the directors and executives of the consolidated entity for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the consolidated entity paid a premium in respect of a contract to insure the directors and executives of the consolidated entity against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The consolidated entity has not indemnified the auditor nor paid a premium to insure the auditor against any such liability.

Share Options

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Grant Date	Expiry Date	Exercise Price	Number
10 August 2017	31 December 2020	$0.70	1,000,000
10 August 2017	31 December 2020	$0.80	2,500,000
13 July 2018	13 January 2021	$1.465	15,187,503

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

7,777,639 (2018: 5,550,000) shares were issued on exercise of options at various times during the year ended 30 June 2019. Nil (2018: Nil) ordinary shares were issued on the conversion of performance shares and rights during the year ended 30 June 2019.

Corporate governance

The Board has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, to the extent they are applicable to the consolidated entity.

The consolidated entity's corporate governance policies are outlined on its website at: http://www.auscann.com.au/investors/corporate-governance.html

Remuneration Report (audited)

This report, which forms part of the Directors' Report, outlines the remuneration arrangements in place for the key management personnel of the consolidated entity for the financial year ended 30 June 2019. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

Key Management Personnel		
Directors		
Dr Malcolm Washer	Independent Non- Executive Chairman	Appointed 19 January 2017
Elaine Darby	Managing Director	Resigned 31 December 2018
Hon. Cheryl Edwardes AM	Independent Non-Executive Director	Appointed 19 January 2017
Bruce Linton	Non-Executive Director	Appointed 19 January 2017
Bruce McHarrie	Independent Non-Executive Director	Appointed 19 January 2017
Dr Paul MacLeman	Executive Director	Appointed 27 September 2018
David Pryce	Non-Executive Director	Appointed 19 January 2017

Remuneration Philosophy

The objective of the consolidated entity's reward framework is to set aggregate remuneration at a level which provides the consolidated entity with the ability to attract and retain directors and executives of the highest calibre whilst maintaining a cost which is acceptable to shareholders.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed by the board. The chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

Directors' fees

Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum for all non-executive directors currently stands at $500,000 in aggregate. This amount is separate from any specific tasks the directors may take on for the consolidated entity in the normal course of business and at normal commercial rates.

Fees for directors are not linked to the performance of the consolidated entity, however to align all directors' interests with shareholders' interests, directors are encouraged to hold shares in the Company and may receive options. This effectively links directors' performance to the share price performance and therefore to the interests of shareholders. There have been no performance conditions imposed prior to the grant of options which act as an incentive to increase the value for all shareholders.

Executive remuneration

The consolidated entity aims to reward executives (both directors and executives) with a level and mix of remuneration commensurate with their position and responsibilities within the consolidated entity and to:

- Reward executives for consolidated entity performance;
- Align the interest of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

Fixed remuneration is reviewed annually or upon renewal of fixed term contracts by the board and the process consists of a review of consolidated entity and individual performance, relevant comparative remuneration in the market and internal policies and practices. Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the consolidated entity.

The objective of variable remuneration provided is to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. Variable remuneration may be delivered in the form of share options granted with or without vesting conditions.

Remuneration for certain individuals is directly linked to individual performance milestones.

Employment Contracts

Name	Base Salary	Incentives	Termination conditions
Elaine Darby Managing Director (resigned 31 December 2018)	$310,000 pa plus 9.5% superannuation guarantee	• Short-term incentive of up to 25% of base salary based on the achievement of certain KPIs, payable in cash each year.	• 3 months' written notice by either party, or immediate termination if serious misconduct • Severance payment equal to 6 months base salary if terminated involuntarily
Ido Kanyon Chief Executive Officer (commenced 22 May 2019)	$420,000 pa plus 9.5% superannuation guarantee	• Short-term incentive of up to 33% of base salary based on the achievement of certain KPIs, payable in cash each year. • the Executive may be offered options to purchase shares of a value of up to 33% of base salary accordance with the terms and conditions of any share option plan that may be approved by shareholders from time to time. • A signing bonus of $50,000 worth of fully vested AusCann Holdings Ltd shares (at the market rate on the day of commencement)	• 6 months' written notice by either party, or immediate termination if serious misconduct • Severance payment equal to 6 months base salary if terminated involuntarily

Details of remuneration

REMUNERATION FOR THE YEAR ENDED 30 JUNE 2019							
Directors	Short-Term Benefits: Director Fees and Salaries $	Short-Term Benefits: Cash Bonuses $	Short-Term Benefits: Advisor Fees $	Post-Employment Benefits $	Share-based Payments $	Total $	Value of Share-based Payments as a Proportion of Remuneration %
Dr Malcolm Washer	80,000	-	-	7,600	-	87,600	-
Elaine Darby [1]	182,149	76,376	-	15,065	-	273,590	-
Hon. Cheryl Edwardes AM	60,000	-	-	5,700	-	65,700	-
Bruce Linton	54,750	-	-	-	-	54,750	-
Bruce McHarrie	60,000	-	-	5,700	-	65,700	-
Paul MacLeman	347,500	-	-	-	-	347,500	-
David Pryce	-	-	-	-	-	-	-
Other Key management personnel							
Ido Kanyon	41,538	-	-	3,946	50,000	95,484	52.4%
Total	**825,937**	**76,376**	**-**	**38,011**	**50,000**	**990,324**	**-**

1. Resigned 15 December 2017.

REMUNERATION FOR THE YEAR ENDED 30 JUNE 2018							
Directors	Short-Term Benefits: Director Fees and Salaries $	Short-Term Benefits: Cash Bonuses $	Short-Term Benefits: Advisor Fees $	Post-Employment Benefits $	Share-based Payments $	Total $	Value of Share-based Payments as a Proportion of Remuneration %
Dr Malcolm Washer	80,000	-	-	7,600	-	87,600	-
Elaine Darby	310,000	-	-	25,000	-	335,000	-
Harry Karelis [1]	90,000	-	-	-	-	-	-
Hon. Cheryl Edwardes AM	60,000	-	-	5,700	-	65,700	-
Bruce Linton	54,750	-	-	-	-	54,750	-
Bruce McHarrie	60,000	-	-	5,700	-	65,700	-
David Pryce	-	-	-	-	-	-	-
Total	**654,750**	**-**	**-**	**44,000**	**-**	**698,750**	

1. Resigned 15 December 2017.

Key management personnel equity holdings

Fully paid ordinary shares of the Company held either directly or indirectly

Directors	Opening Balance 1 July 2018	Received as part of Remuneration	Additions	Disposals	Closing Balance 30 June 2019
2019					
Dr Malcolm Washer	12,707,786	-	144,000	-	12,851,786
Hon. Cheryl Edwardes AM	50,000	-	-	-	50,000
Bruce McHarrie	100,000	-	14,286	-	114,286
Dr Paul MacLeman [2]	-	-	30,286	-	30,286
Dr Marcel Bonn-Miller [3]	-	-	-	-	-
Ido Kanyon [4]	-	129,870	-	-	129,870
Elaine Darby [1]	11,606,445	-	-	(11,606,445)	-
Bruce Linton [5]	-	-	-	-	-
David Pryce [5]	-	-	-	-	-

1. Elaine Darby resigned on 31 December 2018
2. Dr Paul MacLeman was appointed as a Non-executive director on 27 September 2018.
3. Dr Marcel Bonn-Miller was appointed as a Non-Executive Director on 5 September 2019.
4. Ido Kanyon was appointed as CEO on 22 May 2019
5. Bruce Linton and his Alternate Director resigned on 5 September 2019

Options of the Company held either directly or indirectly					
Directors	**Granted**	**Exercised**	**Additions**	**Expired/ Forefeited/Other**	**Closing Balance 30 June 2019**
2019					
Dr Malcolm Washer	-	-	-	-	-
Elaine Darby	-	-	-	-	-
Hon. Cheryl Edwardes AM	-	-	-	-	-
Bruce Linton [1]	-	-	-	-	-
Bruce McHarrie	-	-	-	-	-
David Pryce	-	-	-	-	-
Bruce Linton [5]	-	-	-	-	-
David Pryce [5]	-	-	-	-	-

1. 7,677,639 options were held by Canopy Growth Corporation, of which Bruce Linton is Chairman and CEO. It has been determined that Bruce Linton does not have a relevant interest in these options. The options were exercised during the year

Other Transactions with Key Management Personnel and their Related Parties

During the year, payments for consulting services were made to Biologica Ventures Pty Ltd of $206,667.

This concludes the Remuneration Report, which has been Audited

AusCann

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

PKF Perth continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Dr Malcolm Washer
Chairman - AusCann

25 September 2019

PKF Perth

Advisory • Audit
Business Solutions

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF AUSCANN GROUP HOLDINGS LTD

In relation to our audit of the financial report of AusCann Group Holdings Ltd for the year ended 30 June 2019, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF Perth

PKF PERTH

SHANE CROSS
PARTNER

25 SEPTEMBER 2019
WEST PERTH,
WESTERN AUSTRALIA

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FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Interest revenue		861,770	235,064
Other income	2	670,606	53,814
Total Income		**1,532,376**	**288,878**
Employee benefits expense		(2,078,605)	(1,627,245)
Share-based payments expense	14	(57,943)	(2,712,500)
Consulting fees – directors		(120,000)	(90,000)
Consulting fees – other		(2,000,392)	(1,832,109)
Legal expenses		(188,912)	(205,807)
Travel and accommodation		(312,278)	(366,806)
Share of profit/(loss) of DayaCann	8	(667,100)	38,857
Impairment of loan to Dayacann		(1,347,293)	-
Depreciation expense		(56,242)	(30,774)
Other expenses	2	(2,352,832)	(1,130,802)
Total expenses		**(9,181,597)**	**(7,957,186)**
Loss before income tax expense		**(7,649,221)**	**(7,688,308)**
Income tax expense		-	-
Net loss for the year		**(7,649,221)**	**(7,688,308)**
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation	8	(29,367)	99,307
Total comprehensive loss for the year		**(7,678,588)**	**(7,569,001)**
Earnings per share			
Basic loss per share (cents per share)	4	(2.48)	(2.81)
Diluted loss per share (cents per share)	4	(2.48)	(2.81)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Financial Report

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 $	2018 $
CURRENT ASSETS			
Cash and cash equivalents	6	35,307,287	12,878,252
Other current assets	7	367,253	1,027,646
Total Current Assets		35,674,540	13,905,898
NON-CURRENT ASSETS			
Investment in DayaCann	8	-	696,467
Property, plant and equipment	9	7,193,235	109,806
Total Non-Current Assets		**7,193,235**	**806,273**
Total Assets		**42,867,775**	**14,712,171**
CURRENT LIABILITIES			
Trade and other payables	10	1,110,026	534,322
Employee entitlements	11	89,402	65,817
Total Current Liabilities		**1,199,428**	**600,139**
Total Liabilities		**1,199,428**	**600,139**
NET ASSETS		**41,668,347**	**14,112,032**
EQUITY			
Issued capital	12	75,452,467	39,328,101
Reserves		1,237,108	2,155,938
Accumulated losses		(35,021,228)	(27,372,007)
TOTAL EQUITY		**41,668,347**	**14,112,032**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Issued capital $	Share-based payment reserve $	Foreign currency translation reserve $	Accumulated losses $	Total $
Balance at 1 July 2017	**33,519,536**	**1,268,636**	**(69,940)**	**(19,703,699)**	**15,014,533**
Loss after income tax for the period	-	-	-	(7,668,308)	(7,668,308)
Other comprehensive income for the period, net of tax					
Foreign currency translation	-	-	99,307	-	99,307
	-	-	99,307	(7,668,308)	(7,569,001)
Transactions with owners in their capacity as owners					
Issue of options (refer to Note 13)	-	2,712,500	-	-	2,712,500
Conversion of options to ordinary shares (refer to Note 12)	3,954,000	-	-	-	3,954,000
Exercised options	1,854,565	(1,854,565)	-	-	-
Balance at 30 June 2018	**39,328,101**	**2,126,571**	**29,367**	**(27,372,007)**	**14,112,032**
Balance at 1 July 2018	39,328,101	2,126,571	29,367	(27,372,007)	14,112,032
Loss after income tax for the period	-	-	-	(7,649,221)	(7,649,221)
Other comprehensive income for the period, net of tax					
Foreign currency translation	-	-	(29,367)	-	(29,367)
	-	-	(29,367)	(7,649,221)	(7,678,588)
Transactions with owners in their capacity as owners					
Issue of shares net of costs (refer to Note 13)	33,670,432	-	-	-	33,670,432
Issue of performance rights (refer to Note 13)	-	7,943	-	-	7,943
Conversion of options to ordinary shares (refer to Note 12)	-	-	-	-	-
Exercised options	2,453,934	(897,406)	-	-	1,556,528
Balance at 30 June 2019	**75,452,467**	**1,237,108**	**-**	**(35,021,228)**	**41,668,347**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
CASH FLOW FROM OPERATING ACTIVITIES			
Interest received		848,597	213,287
Government grants and incentives		670,606	53,814
Payments to suppliers and employees		(6,487,580)	(5,052,102)
Net cash used in operating activities	**17**	**(4,968,377)**	**(4,785,001)**
CASH FLOW ACTIVITIES FROM INVESTING			
Payments for investment in DayaCann		-	(338,324)
Payments for loan to DayaCann		(639,878)	(766,287)
Payments for term deposits		-	(122,679)
Payments for land		(5,541,328)	-
Payments for building improvements		(473,484)	
Payments for plant and equipment		(1,124,859)	(140,339)
Net cash used in investing activities		**(7,779,549)**	**(1,367,629)**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and exercise of options		36,903,078	3,954,000
Payments for capital raising costs		(1,726,118)	-
Net cash from financing activities		**35,176,960**	**3,954,000**
Net increase in cash and cash equivalents		22,429,034	(2,198,630)
Cash and cash equivalents at the beginning of the financial year		12,878,253	15,076,882
Cash and cash equivalents at the end of the financial year	**6**	**35,307,287**	**12,878,252**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

These financial statements and notes represent those of AusCann Group Holdings Ltd ("the Company") and its controlled entity (collectively "the consolidated entity") for the year ended 30 June 2019.

AusCann Group Holdings Ltd is a company limited by shares incorporated and domiciled in Australia.

The financial statements were authorised for issue in accordance with a resolution of directors on 24 September 2019.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for "for-profit" oriented entities. The consolidated financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial report is presented in Australian dollars, which is the consolidated entity's functional and presentation currency. The financial statements have been prepared on an accruals basis and are based on historical costs, where applicable, except for the revaluation of financial assets and financial liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income and certain classes of property, plant and equipment.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(q).

New, revised or amending Accounting Standards and Interpretations

A number of new or amended accounting standards became applicable for the current reporting period as the consolidated entity had to change its accounting policies as a result of adoption of the following standards:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

There has been no significant impact from the adoption of these standards.

Accounting Policies

(a) Revenue

Interest

Interest revenue is recognised on an accruals basis.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(b) Income tax

The income tax expense or benefit for the year is the tax payable on that year's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

(c) Goods and services tax (GST and other similar taxes)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

(d) Cash and cash equivalents

For the purposes of the statements of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months, net of bank overdrafts.

(e) Other receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(f) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Computer equipment	3 years
Furniture and fittings	3-5 years
Plant & equipment	3-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

(g) Interests in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The consolidated entity's investment in its joint venture, DayaCann, is accounted for using the equity method. Under the equity method, the investment in the joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the consolidated entity's share of net assets of the joint venture since the acquisition date.

The consolidated entity's share of the joint venture's results is reported in profit or loss.

(h) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

(i) Employee benefits

Provision is made for the consolidated entity's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at each reporting date, including related on-costs.

Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements. Consideration is given to expected future increases in wage and salary rates, including related on-costs and expected settlement dates based on turnover history.

Contributions are made by the consolidated entity to superannuation funds of each employee's choosing and are charged as expenses when incurred.

(j) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(k) Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

(l) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

(m) Share-based payments

Equity settled share-based compensation benefits are provided to employees or other suppliers.

Equity settled transactions are awards of shares, or options over shares, that are provided to employees or other suppliers in exchange for the rendering of services or provision of goods.

The cost of equity settled transactions are measured at fair value on grant date. Fair value is independently determined the binomial options pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity received the services or goods that entitle the employees or other suppliers to receive payment. No account is taken of any other vesting conditions.

The cost of equity settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

(n) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(o) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(p) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of AusCann Group Holdings Ltd ("the Company" or "parent entity") as at 30 June 2019 and the results of its controlled entity for the year then ended. AusCann Group Holdings Ltd and its controlled entity together are referred to in these financial statements as the "consolidated entity".

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(q) Critical accounting estimates and judgements

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the consolidated entity.

Share-based payments

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a binomial model, taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities with the next annual reporting period, but may impact on profit or loss and equity.

Impairment of non-financial assets

The consolidated entity assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value-in-use calculations, which incorporate key estimates and assumptions.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its plant and equipment. The useful lives could change significantly due to technical innovation or some other unforeseen event.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Valuation of joint venture assets

The consolidated entity has a 50% interest in DayaCann, which is a for-profit joint venture established to grow medicinal cannabis in Chile.

Due to the potential for disposal of existing inventory produced by DayaCann continues to be limited due to the ongoing government restrictions on the ability to export the product out of Chile, the Company has chosen to impair the value of the inventory in DayaCann. As such an independent valuation of the inventory and mother plants was not performed for the year ended 30 June.

As a result, the investment in DayaCann and the loan receivable from DayaCann have been fully impaired.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 and its impact on adoption is expected to result in total assets increasing by $120,032, total liabilities increasing by $128,366 and net assets decreasing by $8,334.

NOTE 2: OTHER INCOME AND EXPENSES

Other income	2019 $	2018 $
R&D Grant income	670,606	53,814
	670,606	53,814

Other expenses

Total expenses includes the following specific expenses:

Consumables	573,976	6,160
Occupancy expenses	102,537	58,241
Insurance	111,016	42,593

NOTE 3: INCOME TAX EXPENSE

Reconciliation between tax expense and pre-tax profit	2019 $	2018 $
Loss before tax	(7,649,221)	(7,668,308)
Income tax benefit calculated at 27.5% (2018: 27.5%)	(2,103,536)	(2,108,785)

Adjusted for:

Share-based payments	15,934	745,938
Share of DayaCann (profit)/loss	183,453	(10,686)
Other non-deductible expenses	(160,820)	57,627
Tax losses not recognised	2,064,969	1,315,906
Income tax expense	-	-

NOTE 3: INCOME TAX EXPENSE - continued

Deferred tax assets and liabilities have not been recognised in respect of the following	2019 $	2018 $
Deferred tax assets		
Business-related costs	604,720	361,914
Accrued expenses and payables	17,696	19,577
Provisions	24,585	18,100
Impairment of loan in DayaCann	370,505	-
Carry-forward revenue tax losses	3,647,874	2,275,497
Deferred tax assets not recognised	(4,965,380)	(2,675,086)
	-	-
Deferred tax liabilities		
Accrued interest	9,545	5,922
Other	28,462	20,498
Deferred tax liabilities not recognised	(38,007)	(26,420)
	-	-

The tax benefits of the above deferred tax assets will only be obtained if:

a) The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
b) The consolidated entity continues to comply with the conditions for deductibility imposed by law; and
c) No changes in income tax legislation adversely affect the consolidated entity in utilising the benefits.

The consolidated entity chose to form a tax consolidated group as at 1 July 2017, as a result tax losses have been consolidated and tested for future carry forward. Carry forward tax losses arising in Australia of $14,355,906 (2018: $7,317,165) that are available indefinitely for offset against future taxable profits, subject to meeting eligibility criteria within the Income Tax Assessment Act. Net deferred tax assets have not been brought to account as it is not probable within the immediate future that taxable profits will be available against which the deferred tax assets could be recognised.

NOTE 4: EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of the basic and diluted earnings per share are as follows:

	2019 $	2018 $
Basic loss attributable to ordinary equity holders of the parent	7,649,221	7,668,308

	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share	308,342,208	272,430,580

No securities are currently classified as dilutive potential ordinary shares. The options on issue are anti-dilutive, since their inclusion would reduce the loss per share.

NOTE 5: SEGMENT DISCLOSURES

At this stage of its development, the consolidated entity operates in one business segment, being the research and development of medicinal cannabis.

The consolidated entity has established activities in more than one geographical area, however those activities support the research and development conducted by the consolidated entity and are currently not considered material for the purposes of segment reporting.

The internal management reports that are reviewed by the Board of Directors, who are identified as the chief operating decision makers, are those of the consolidated entity as a whole.

NOTE 6: CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Cash at bank and in hand	35,307,287	12,878,252
	35,307,287	12,878,252

NOTE 7: OTHER CURRENT ASSETS

	2019 $	2018 $
Accounts receivable	2,638	-
GST receivable	91,229	90,504
Accrued interest	34,707	21,534
Prepayments	103,500	74,014
Loan to DayaCann*	1,347,293	707,415
Less: Impairment of loan to DayaCann	(1,347,293)	-
Short Term Deposits	135,179	134,179
	367,253	1,027,646

*The loan agreement between the Company and DayaCann includes the following key terms and provisions:

- Principal amount of USD$968,901
- Company has preferential right to DayaCann product
- Principal currency is USD
- Valid for 1 year and can be extended through written agreement

NOTE 8: INTEREST IN JOINT VENTURE

The consolidated entity has a 50% interest in DayaCann which is a for-profit joint venture established to grow medicinal cannabis in Chile. As the entity is a jointly controlled entity it has been treated as a joint venture under AASB11 Joint Arrangements, with the consolidated entity's investment in DayaCann accounted for using the equity method in the consolidated financial statements.

The potential for disposal of existing inventory produced by DayaCann continues to be limited due to the ongoing government restrictions on the ability to export the product out of Chile. Until these restrictions are relaxed by the Chilean Government, the Company has chosen to conservatively impair the value of the inventory in DayaCann. As such an independent valuation of the inventory and mother plants was not performed for the year ended 30 June 2019.

Summarised statement of financial position of DayaCann:

	2019 $	2018 $
Cash and cash equivalents	187,154	6,639
Trade and other receivables	-	226,455
Inventories	1,597,360	1,737,569
Impairment of inventories	(1,597,360)	-
Plant and equipment	122,332	128,580
Trade and other payables	(1,722,157)	(702,296)
Provisions for employee benefits	(7,065)	(4,013)
Net assets / equity	(1,419,736)	1,392,934
AusCann's 50% share of DayaCann's net assets	(709,868)	696,467
AusCann's carrying amount of the investment in DayaCann	(709,868)	696,467

Summarised statement of profit or loss of DayaCann:

Other income	-	505,830
Administration costs	(1,174,345)	(428,117)
Impairment of inventory	(1,597,360)	-
Tax expense	-	-
Profit/(Loss) for the period	(2,771,705)	77,713
AusCann's 50% share of DayaCann's loss for the period	(1,385,852)	38,857

AusCann's 50% share of DayaCann Loss recognised in Auscann group, including foreign currency translation	(696,467)	38,857

The loss recognised in AusCann Group Holdings Ltd was limited to the investment amount.

At 30 June 2019, as the investment balance in DayaCann has been reduced to $ nil, an amount of $709,868 relating to the group's shares of loss and movement in reserves in DayaCann has not been recognised in the consolidated entity.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	2019 $	2018 $
Land & Buildings at cost	5,541,328	-
Building Improvements at cost	473,484	-
Less: Amortisation	-	-
	6,014,812	
Computer Equipment – at cost	38,467	49,395
Less: Accumulated depreciation	(18,130)	(10,920)
	20,337	38,475
Furniture and Fittings – at cost	91,642	91,642
Less: Accumulated depreciation	(44,088)	(20,311)
	47,554	71,331
Plant & equipment– at cost	1,135,787	-
Less: Accumulated depreciation	(25,255)	-
	1,110,532	-
Total	**7,193,235**	**109,806**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Buildings & Building Improvements	Computer Equipment	Furniture and Fittings	Plant & equipment	Total
Balance at 1 July 2017	**-**	**242**	**-**	**-**	**242**
Additions	-	48,696	91,642	-	140,338
Disposals	-		-	-	-
Depreciation expense	-	(10,463)	(20,311)	-	(30,774)
Balance at 30 June 2018	**-**	**38,475**	**71,331**	**-**	**109,806**
Additions	6,014,812	1,172	-	1,123,687	7,139,671
Transfer	-	(12,100)	-	12,100	-
Disposals	-	-	-	-	-
Depreciation expense	-	(7,210)	(23,777)	(25,255)	(56,242)
Balance at 30 June 2019	**6,014,812**	**20,337**	**47,554**	**1,110,532**	**7,193,235**

NOTE 10: TRADE AND OTHER PAYABLES

	2019 $	2018 $
Trade payables and accrued expenses	1,026,308	471,780
PAYG and superannuation payable	83,718	62,542
	1,110,026	534,322

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

NOTE 11: EMPLOYEE ENTITLEMENTS

	2019 $	2018 $
Current		
Provision for annual leave	89,402	65,817

NOTE 12: ISSUED CAPITAL

	2019 $	2018 $	2019 Number of Shares	2018 Number of Shares*
(a) Ordinary shares – fully paid, net of costs	75,452,467	39,328,101	316,997,357	276,872,772
	75,452,467	39,328,101		

(a) Ordinary shares – fully paid

Movements in ordinary share capital

Details	Date	Number	$
Opening balance	30 June 2017	271,372,772	33,519,536
Exercise of 100,000 share options at $0.9360	08 Jan 2018	100,000	93,600
Transfer of value from options reserve	08 Jan 2018	-	24,375
Exercise of 100,000 share options at $0.9360	08 Feb 2018	100,000	93,600
Transfer of value from options reserve	08 Feb 2018	-	24,375
Exercise of 1,300,000 share options at $0.9360	15 Mar 2018	1,300,000	1,216,800
Transfer of value from options reserve	15 Mar 2018	-	316,815
Exercise of 1,250,000 share options at $0.6000	02 May 2018	1,250,000	750,000
Transfer of value from options reserve	02 May 2018	-	473,750
Exercise of 1,250,000 share options at $0.6000	04 May 2018	1,250,000	750,000
Transfer of value from options reserve	04 May 2018	-	473,750
Exercise of 1,500,000 share options at $0.7000	14 May 2018	1,500,000	1,050,000
Transfer of value from options reserve	14 May 2018	-	541,500
	30 June 2018	276,872,772	39,328,101

Placement of 30,375,000 shares at $1.10 (net of costs)	13 July 2018	30,375,000	33,412,500
Costs associated with Placement	13 July 2018	-	(1,726,118)
Share purchase plan of 1,842,076 shares at $1.05	9 August 2018	1,842,076	1,934,050
Exercise of 50,000 share options at $0.2100	4 April 2019	50,000	10,500
Transfer of value from option reserve	4 April 2019	-	5,665
Exercise of 50,000 share options at $0.2100	17 April 2019	50,000	10,500
Transfer of value from option reserve	17 April 2019	-	5,665
Exercise of 7,677,639 share options at $0.2000	10 June 2019	7,677,639	1,535,528
Transfer of value from option reserve	10 June 2019	-	886,076
Issue of share to managing director	10 June 2019	129,870	50,000
Closing Balance	30 June 2019	316,997,357	75,452,467

NOTE 12: ISSUED CAPITAL - continued

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Performance Shares

109,200 performance rights were issued to employees during the financial year. They were valued at $41,026, of which $7,943 vested during this year.

(c) Signing bonus

129,870 shares were issued as a signing bonus to Ido Kanyon on agreeing to accept the role as chief executive officer. The shares were valued at $50,000.

NOTE 13: RESERVES

Share-based payments reserve

The share-based payments reserve is used to recognise the value of share-based payments provided to directors or suppliers for services provided.

Movements in share-based payments reserve:

	2019 $	2018 $
Opening balance	2,126,571	1,268,636
Performance rights issued to employees (refer to Note 14)	7,943	-
Options issued to advisors (refer to Note 14)	-	2,712,500
Exercised options	(897,406)	(1,854,565)
	1,237,108	2,126,571

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences on translation of the consolidated entity's investment in DayaCann.

NOTE 14: SHARE-BASED PAYMENTS

Share-based payments during the year ended 30 June 2019

(a) Performance rights issued to employees

109,200 performance rights were issued to employees on 29 March 2019. The fair value of each option was calculated at 7.95 cents per right using a binomial model and the following assumptions:

Vesting date	30 November 2021
Spot price	$0.36
Vesting schedule – below 50th percentile	0%
Vesting schedule – above 50th but below 100th percen-tile	Pro-rata
Vesting schedule – at or above 100th percentile	100%
Expected volatility - company	90.8%
Expected volatility – peer group	50.8% to 218.2%
Dividend yield	Nil
Risk-free rate	1.40%

The expense arising from share-based payments was $7,943.

(b) Shares issued to Chief Executive Officer

129,870 shares were issued to the chief executive officer on acceptance of contract.

The expense arising from share-based payments was $50,000.

Share-based payments during the year ended 30 June 2018

(c) Options issued to advisors

7,500,000 options were issued to advisors in 3 tranches in consideration of investor relations services on 10 August 2017. The fair value of each option was calculated as shown below using a Black-Scholes model and the following assumptions:

	Tranche 1	Tranche 2	Tranche 3
Fair value (per option)	$0.379	$0.361	$0.345
Number of options	2,500,000	2,500,000	2,500,000
Exercise price	$0.60	$0.70	$0.80
Expiry date	31 Dec 2020	31 Dec 2020	31 Dec 2020
Spot price	$0.60	$0.60	$0.60
Expected volatility	95%	95%	95%
Dividend yield	-	-	-
Risk-free rate	1.94%	1.94%	1.94%

The expense arising from share-based payments was $2,712,500.

NOTE 15: COMMITMENTS

The Company entered into a 5-year lease for office premises on 11 September 2017, with an option to renew for 5 years.

Future minimum lease commitments are as follows:

	2019 $	2018 $
Within 1 year	42,344	40,208
1-5 years	99,850	128,666
	142,193	168,874

On 2 July 2018 the Company signed a loan agreement with DayaCann for a period of 1 year, with an option to extend through written agreement.

Future minimum loan commitments are as follows:

	2019 $	2018 $
Within 1 year*	-	304,635
	-	304,635

Expressed in AUD contractual commitment is USD225,745.

NOTE 16: RELATED PARTY TRANSACTIONS - continued

Key management personnel

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2019 $	2018 $
Short-term benefits	902,313	654,750
Post-employment benefits	38,011	44,000
Share-based payments	50,000	-
	990,324	698,750

Transactions with related parties:

	Amounts rec-ognised for services $	Amounts owed at 30 June $
Year ended 30 June 2019		
Biologica Ventures Pty Ltd [1]	206,667	-
Mal Washer Nominees Pty Ltd [2]	-	-
Year ended 30 June 2019		
Biologica Ventures Pty Ltd [1]	316,921	38,419
Mal Washer Nominees Pty Ltd [2]	15,366	-

1. Biologica Ventures Pty Ltd provided consulting services to the consolidated entity. The director of Biologica Ventures Pty Ltd is Dr Stewart Washer, who is the son of chairman Dr Mal Washer and brother of the former managing director Elaine Darby. Both Dr Stewart Washer and his wife Dr Patty Washer provide consulting services to the consolidated entity. Dr Patty Washer is also a Director of Biologica Ventures Pty Ltd.

2. Mal Washer Nominees Pty Ltd provided office space to the consolidated entity on a monthly tenancy basis up to 11 September 2017. The directors of Mal Washer Nominees Pty Ltd are chairman Dr Mal Washer and the previous managing director Elaine Darby. The consolidated entity now leases commercial property from an unrelated third party.

Terms and conditions - All transactions were made on normal commercial terms and conditions and at market prices.

NOTE 17: NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and deposits at call, net of outstanding bank overdrafts.

Reconciliation of operating loss after tax to net cash used in operating activities

	2019 $	2018 $
Operating loss after income tax	(7,649,221)	(7,668,308)
Adjusted for:		
Depreciation	56,242	30,774
Share-based payments	57,943	2,712,500
Share of DayaCann (profit)/loss	667,100	(38,857)
Impairment of loan to DayaCann	1,347,293	-
Unrealised FX gain/(loss)	-	81,194
Changes in operating assets and liabilities		
(Increase) / decrease in receivables	(16,537)	26,895
(Increase) / decrease in prepayments and deposits	(29,487)	(83,286)
(Increase) / decrease in other current assets	(1,000)	-
Increase / (decrease) in trade and other payables	575,703	139,952
Increase / (decrease) in other current liabilities	-	-
Increase / (decrease) in provisions	23,585	14,135
	(4,968,377)	(4,785,001)

Non-cash investing and financing activities

There were no non-cash investing and financing activities unde taken in financial year ended 30 June 2018 or 30 June 2019.

NOTE 18: FINANCIAL INSTRUMENTS

Capital risk management

The consolidated entity manages its capital to ensure that the consolidated entity will be able to continue as a going concern while maximising the return to stakeholders through optimising the debt and equity balance.

Financial risk management

The consolidated entity's management team coordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the consolidated entity and identifies any exposures by degree and magnitude of risks. These risks include credit risk, liquidity and cash flow interest rate risk and currency risk. The consolidated entity actively pursues avenues to minimise the effect of these risks.

Categories of financial instruments

	2019 $	2018 $
Financial Assets		
Cash and cash equivalents	35,307,287	12,878,252
Other current assets (excluding prepayments)	263,756	953,632
Financial Liabilities		
Trade and other payables	1,110,026	534,322

Financial risk management

The consolidated entity's management team coordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the consolidated entity and identifies any exposures by degree and magnitude of risks. These risks include credit risk, liquidity and cash flow interest rate risk and currency risk. The consolidated entity actively pursues avenues to minimise the effect of these risks.

The consolidated entity's exposure to foreign currency risk at 30 June is shown in the following table

Financial Liabilities		
Trade and other payables denominated in US Dollars	9,161	-
Trade and other payables denominated in Canadian Dollars	567,675	30,706
	578,550	30,706

Foreign currency risk sensitivity analysis

The following sensitivity analysis is calculated using the foreign currency risk exposures in existence at the reporting date. The 5% (2018: 5%) sensitivity is based on reasonably possible changes over a financial year, using an observed range of actual historical rates, for the AUD/USD and AUD/CAD exchange rates.

AUD/USD + 5 %	(458)	-
AUD/USD - 5 %	458	-
AUD/CAD + 5 %	(28,928)	(1,535)
AUD/CAD - 5 %	28,928	1,535

NOTE 18: FINANCIAL INSTRUMENTS - continued

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate. The consolidated entity's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed periodically.

The consolidated entity does not have a significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and borrowings is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Fair value of financial instruments

The fair value of short-term financial assets and financial liabilities approximate their carrying values because of their short term to maturity.

The consolidated entity currently has no long-term financial assets or borrowings.

Interest rate risk management

The consolidated entity is exposed to interest rate risk as it holds cash deposits at floating interest rates. Exposure to interest rate risk arises on the consolidated entity's cash and cash equivalents.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the year. The directors have determined that a 50 basis point increase or decrease represents management's assessment of the possible changes in interest rates.

At reporting date, if the interest rates had been 50 basis points higher or lower and all other variables were held constant, the consolidated entity's net profit would have been increased by $177,212 (2018: $68,599) and decreased by $177,212 (2018: $68,599) respectively. This is attributable to the consolidated entity's exposure to interest rates on its variable rate deposits.

The consolidated entity's exposure to interest rate risk at 30 June 2019 is shown in the following table.

Financial Assets	2019 $	2018 $
Cash at Bank	35,307,287	12,878,252
Short term deposits	135,179	134,179
Loan to DayaCann*	-	707,415
	35,442,466	13,719,846

*expressed in AUD, unimpaired loan is for $1,347,846

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors. The consolidated entity manages liquidity by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Maturity profile of financial instruments

The following tables detail the consolidated entity's remaining contractual maturity for its non-derivative financial liabilities. The financial liabilities represent undiscounted cash flows based on the earliest date on which the consolidated entity can be required to pay.

	Less than 1 year $	1 to 5 years $	5+ years $	Total $
2019				
Financial Liabilities				
Trade and other payables	1,110,026	-	-	**1,110,026**
2018				
Financial Liabilities				
Trade and other payables	534,322	-	-	**534,322**

NOTE 19: CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 30 June 2019.

NOTE 20: AUDITOR REMUNERATION

The auditor of the consolidated entity is PKF Perth.

(a) Auditor remuneration – accounting parent entity (AusCann Operations Pty Ltd)

Fees paid or payable to PKF Perth:	**2019 $**	**2018 $**
Taxation services	480	3,000
Other services	1,670	-
	2,150	3,000

NOTE 20: AUDITOR REMUNERATION - continued

(b) Auditor remuneration – legal parent entity (AusCann Group Holdings Ltd)

Fees paid or payable to PKF Perth:		
Audit or review of the financial report	57,825	103,140
Taxation services	15,677	2,500
Other services	-	6,850
Fees paid or payable to other audit firms:		
Audit or review of the financial report	19,595	20,706
	93,097	133,196

NOTE 21: PARENT ENTITY DISCLOSURES

AusCann Group Holdings Ltd is the legal parent entity.

	2019 $	2018 $
Current assets	43,325,542	14,292,232
Total assets	42,398,036	14,401,088
Current liabilities	(44,879)	(114,166)
Total liabilities	(44,879)	(114,166)

Issued capital	175,630,461	139,506,095
Share-based payment reserve	1,237,108	2,126,571
Accumulated losses	(133,544,412)	(127,345,744)
Total equity	43,353,157	14,286,922

Profit (Loss) of the parent entity	6,168,888	(7,394,111)
Total comprehensive profit (loss) of the parent entity	6,168,888	(7,394,111)

Legal subsidiaries

Percentage interest				
	Country of Incorporation	**2019 %**	**2018 %**	**Principal activities**
AusCann Operations Pty Ltd (formerly AusCann Group Holdings Ltd)	Australia	100%	100%	Medicinal cannabis research, development and cultivation

AusCann Group Holdings Ltd (formerly TW Holdings Limited) acquired AusCann Operations Pty Ltd in a reverse acquisition on 19 January 2017

NOTE 22: EVENTS SUBSEQUENT TO REPORTING DATE

On 1 July 2019, AusCann signed a new supply agreement for the purchase of cannabis resin from Tasmanian Alkaloids (TasAlk). TasAlk is one of the world's largest manufacturers of controlled substances, producing alkaloid raw material in Tasmania for medicinal purposes. Under the new contract, which supersedes the original alliance established in CY 2017, the Company has agreed to purchase a minimum of 30% of its resin supply requirements from TasAlk for an initial three-year period, with the ability to extend for an additional three-year term. The agreement is part of AusCann's strategy to de-risk and diversify its supply chain with various GMP resin suppliers.

Other than as identified above, no events occurring subsequent to the end of financial year have significantly affected, or may significantly affect, the operations of the consolidated entity in subsequent financial years.

AusCann

The Directors of the consolidated entity declare that:

1. The financial statements and notes are in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2019 and of its performance, for the year ended on that date; and

(b) complying with Australian Accounting Standards, and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(c) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial report.

2. There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

3. The directors have been given the declarations required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors:

Malcolm James Washer
Chairman - AusCann

25 September 2019

PKF Perth

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSCANN GROUP HOLDINGS LTD

Report on the Financial Report

Opinion

We have audited the accompanying financial report of AusCann Group Holdings Ltd (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion the accompanying financial report of AusCann Group Holdings Ltd is in accordance with the Corporations Act 2001, including:

i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Independence

We are independent of the consolidated entity in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the financial report of the current year. This matter was addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter. For each matter below, our description of how our audit addressed the matter is provided in that context.

Valuation of Investment in DayaCann Joint Venture

Why significant	How our audit addressed the key audit matter
The consolidated entity has a 50% interest in DayaCann which is a for-profit joint venture established to grow medicinal cannabis in Chile. The value of the investment in the consolidated entity as at 30 June 2019 is $nil (2018: $696,467). The consolidated entity's accounting policy in respect of Interest in Joint Ventures is outlined in Note 1(g). The potential for disposal of existing inventory produced by DayaCann continues to be limited due to the ongoing government restrictions on the ability to export the product out of Chile. Until these restrictions are relaxed by the Chilean Government, the Company has impaired the existing value of the inventory in DayaCann. As such an independent valuation of the inventory and mother plants was not required to be performed as at 30 June 2019. At 30 June 2019, a share of the loss was recognised in the profit or loss of $696,467 reducing the investment balance in DayaCann to nil. An additional share of loss amount of $709,868 has not been recognised in the consolidated entity, however disclosed within the note 8 to the financial report. A component auditor has been engaged within Chile to perform the various audit procedures on the joint venture, DayaCann.	Our work included, but was not limited to, the following procedures: • We considered the control relationship to confirm that equity accounting is appropriate; • We assessed the work performed by the component auditor on DayaCann to ensure in accordance with relevant auditing standards. • We ensured all other component auditor instructions provided by us were followed and addressed appropriately; and • We assessed the appropriateness of the related disclosures in Note 1(g), 1 (q) and 8.

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Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the consolidated entity's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors' for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report Opinion

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Auscann Group Holdings Ltd for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF Perth

PKF PERTH

SHANE CROSS
PARTNER

25 SEPTEMBER 2019
WEST PERTH,
WESTERN AUSTRALIA

The following additional information is required by the Australian Securities Exchange.
The information is current as at 18 September 2019

(a) Distribution schedule and number of holders of equity securities as at 18 September 2019

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 – and over	Total
Fully Paid Ordinary Shares	8,468	9,723	2,800	2,857	203	24,051
Unlisted Options – $0.70 31.12.2020	-	-	-	-	1	1
Unlisted Options – $0.80 31.12.2020	-	-	-	-	1	1
Unlisted Options – $1.465 13.01.2021	-	1	5	18	9	33
Unlisted Performance rights	-	-	-	3	-	3

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 18 September 2019 is 10,060.

b) 20 largest holders of quoted equity securities as at 18 September 2019

The names of the twenty largest holders of fully paid ordinary shares (ASX code: AC8) as at 18 September 2019 are:

Rank	Name	Shares	% of Total Shares
1	CANOPY GROWTH CORPORATION	42,087,639	13.28
2	CITICORP NOMINEES PTY LIMITED	19,821,917	6.25
3	MAL WASHER NOMINEES PTY LTD	12,707,786	4.01
4	MS ELAINE LUCY DARBY	11,606,445	3.66
5	GOLSPIE PTY LTD	8,246,529	2.60
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,384,454	2.01
7	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	5,524,748	1.74
8	J P MORGAN NOMINEES AUSTRALIA LIMITED	5,026,212	1.59
9	CELTIC CAPITAL PTY LTD <CELTIC CAPITAL A/C>	5,000,000	1.58
10	UBS NOMINEES PTY LTD	4,870,536	1.54
11	MR WARREN SIDNEY LANGMAN	4,235,928	1.34
12	BIOLOGICA VENTURES PTY LTD	4,080,230	1.29
13	MR ANTHONY NICHOLAS NAGY	3,900,000	1.23
14	BNP PARIBAS NOMS PTY LTD < DRP>	2,605,643	0.82
15	BNP PARIBAS NOMINEES PTY LTD < IB AU NOMS RETAIL CLIENT DRP>	2,470,221	0.78
16	DANNY STEPHENS INVESTMENTS PTY LTD <DANNY STEPHENS FAMILY A/C>	2,150,200	0.68
17	MR GEORGE CHIEN HSUN LU + MRS JENNY CHIN PAO LU	2,080,000	0.66
18	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SU-PERFUND>	1,700,000	0.54
19	KHATAK PTY LTD <KHATAK A/C>	1,694,371	0.53
20	DR ALAN OSBORNE TROUNSON	1,445,362	0.46
	TOTAL	**148,088,807**	**46.71**

The unquoted securities on issue as at 18 September 2019 are detailed below in part (d).

(c) Unquoted Securities

The number of unquoted securities on issue as at 18 September 2019:

Unquoted Security	Number on Issue
Fully Paid Ordinary Shares	-
Unlisted Options – exercisable at $0.70 expiring on 31.12.2020	1,000,000
Unlisted Options – exercisable at $0.80 expiring on 31.12.2020	2,500,000
Unlisted Options - exercisable at $1.465 expiring on 13.07.2021	15,187,503

(d) Holder Details of Unquoted Securities

Option holders that hold more than 20% of a given class of unquoted securities as at 9 September 2019 other than options issued under an employee incentive scheme:

Security	Name	Number of Securities
Unlisted Options – exercisable at $0.70 expiring on 31.12.2020	CG Nominees (Australia) Pty Ltd	1,000,000
Unlisted Options – exercisable at $0.80 expiring on 31.12.2020	CG Nominees (Australia) Pty Ltd	2,500,000
Unlisted Options – exercisable at $1.465 expiring on 13.01.2021	BNP Paribas Nominees Pty Ltd	5,389,036
Unlisted Options – exercisable at $1.465 expiring on 13.01.2021	Citicorp Nominees Pty Limited	3,791,381

(e) Substantial shareholder notices

In accordance with ASX Listing Rule 4.10.4, a listing of substantial holding notices provided to the Company and released to the ASX are included below:

Name	Shares	% of Total Shares	Date of Notice
Canopy Growth Corporation	42,087,639	13.28%	14 February 2017
Golspie Pty Ltd	14,209,4573	6.57%	2 February 2017
Gemelli Nominees Pty Ltd < Gemelli Family A/C>	13,226,331	6.11%	2 February 2017
ACN 161 995 204 Pty Ltd	14,209,473	6.57%	1 February 2017

(f) Restricted Securities as at 18 September 2018

The Company had no restricted securities as at 18 September 2019:

(g) Voting Rights

All fully paid ordinary shares carry one vote per ordinary share without restriction.

Unquoted options have no voting rights.

(h) On-Market Buy-Back

The Company is not currently undertaking an on-market buy-back.

(i) Corporate Governance

The Board of AusCann Group Holdings Ltd is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth and provide accountability. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance practices is set out on the Company's website at **http://www.auscann.com.au/investor-centre/corporate-governance/**

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