

## **AusCann Enters Sale Agreement for DayaCann JV Interest**

**10 November 2020 – AusCann Group Holdings Limited** (ASX: AC8) ('AusCann' or 'the Company') is pleased to announce that it has entered into an agreement (**Agreement**) with GrowForChile SpA (**GFC**) and Telor International Limited (**Telor**), in respect to the sale of the Company's right, title and interest in its 50% owned Chilean joint venture, DayaCann SpA (**DayaCann**). Furthermore, the Agreement includes the transfer of the Company's loan with DayaCann to GFC. AusCann will receive an upfront payment of US\$200,000 and further payments that amount to a total consideration of US\$1.5 million.

AusCann formed a 50:50 joint venture with Fundación Daya in Chile in November 2016 to cultivate and supply local and global markets with cost-effective medicinal cannabis. DayaCann today is the only commercial-scale medical cannabis cultivation company in Chile that obtained production licences to complete multiple harvests yielding a total of over 1,000kg of dried cannabis flower. However, the Chilean government has constrained the supply of cannabis to Chilean patients and has not approved the export of medicinal cannabis out of Chile, which was previously anticipated.

AusCann has evolved its strategy to focus on differentiated, high value cannabinoid-based pharmaceuticals. As a result, the Chilean joint venture became a non-core activity.

Mr Max Johnston, AusCann Non-Executive Chairman, said: "We thank our joint venture partner, Fundación Daya in Chile, and wish them well for the future. The difficulties posed by the Chilean regulators combined with the move by AusCann away from cultivation made the DayaCann joint venture not viable to continue. The focus of AusCann going forward is the development of differentiated medicines for the treatment of unmet medical needs."

Mr Nick Woolf, AusCann CEO, commented: "The DayaCann joint venture became a non-core activity for AusCann due to the restrictions imposed by the Chilean government on the use and export of medicinal cannabis from Chile. This Agreement strengthens AusCann's capital position and enables management to focus on the Company's core strategy of building value through R&D and a differentiated portfolio of cannabinoid-based pharmaceuticals, the first being our unique hard-shell capsules already launched into the market."

The material terms of the Agreement are set out in the annexure to this announcement.

**ENDS**

This ASX announcement was authorised for release by the AusCann Board of Directors.

**For more information, please contact:**

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**ABOUT US**

**AusCann Group Holdings Limited** (ASX:AC8) is an Australian-based pharmaceutical company focused on the development, production, and distribution of cannabinoid-based medicines within Australia and internationally. AusCann transforms the way medicinal cannabis is dispensed today by making standardised, controlled dose products, providing educational support to healthcare professionals and generating clinical evidence that is accessible to patients, physicians and healthcare providers. AusCann is developing a pipeline of proprietary differentiated cannabinoid-based pharmaceutical products. The Company's first product was successfully launched in Australia in 2020 and is available under special access provisions for medicines.

**MATERIAL TERMS OF THE AGREEMENT**

<b>Term</b>	<b>Summary</b>
<b>Sale</b>	AusCann will transfer its 50% interest in DayaCann, comprising 50 fully paid ordinary shares in DayaCann ( <b>DayaCann Shares</b> ) in addition to its rights to the loan receivable from DayaCann ( <b>Loan</b> ) to GFC for total consideration of US\$1,500,000 (less any Adjustment Amount (refer below)).
<b>Consideration</b>	<p>The consideration for the DayaCann Shares comprises:</p> <ol style="list-style-type: none"> <li>1. US\$200,000: paid by the GFC within 5 days of signing (<b>Signing Payment</b>) and</li> <li>2. US\$200,000 (less the Adjustment Amount): payable on the Second Payment Date (<b>Second Share Payment</b>).</li> </ol> <p>The consideration for the Loan is:</p> <ol style="list-style-type: none"> <li>1. US\$100,000 (less the Adjustment Amount, if applicable): payable on the Second Payment Date (<b>First Loan Payment</b>);</li> <li>2. US\$500,000: payable on the date that is 1 year after the Execution Date; and</li> <li>3. US\$500,000: payable on the date that is 2 years after the Execution Date.</li> </ol>
<b>Non Refundable</b>	The Signing Payment is non refundable unless GFC terminates the agreement as detailed below.
<b>Due Diligence</b>	<p>From the Execution Date until 28 December 2020, the Buyer will undertake a limited scope due diligence on DayaCann (<b>Due Diligence</b>).</p> <p>Subject to the results of the Due Diligence, the parties may agree an amount, up to US\$300,000, to be deducted from the Second Share Payment and if needed the First Loan Payment (<b>Adjustment Amount</b>).</p>
<b>Pledge</b>	<p>AusCann has provided a pledge in favour of GFC and Telor to secure AusCann's obligations under the Agreement.</p> <p>The pledge will be cancelled upon the earlier of the Second Payment Date upon transfer of the legal title of the DayaCann Shares to GFC or termination of the Agreement.</p>
<b>Second Payment Date</b>	<p>The <b>Second Payment Date</b> will be the later of:</p> <ol style="list-style-type: none"> <li>1. 5 January 2021;</li> <li>2. the date that is 2 business days after the date the Adjustment Amount is determined in accordance with the Agreement.</li> </ol> <p>On the Second Payment Date:</p> <ol style="list-style-type: none"> <li>1. GFC or Telor (as guarantor) will pay the Second Share Payment and First Loan Payment to AusCann;</li> <li>2. AusCann will transfer the legal title of the DayaCann Shares to GFC; and</li> <li>3. the parties will enter into a deed of assignment in respect to the assignment of the Loan from AusCann to GFC with effect from the Second Payment Date.</li> </ol>
<b>Representations and Warranties</b>	<p>The Agreement contains customary title and capacity representations and warranties, including the following 'Fundamental Warranties', in respect to:</p> <ol style="list-style-type: none"> <li>1. the legal title and capacity of AusCann;</li> <li>2. the terms of the Company's loan to AusCann;</li> <li>3. the terms of the shareholders agreement between the shareholders of DayaCann;</li> <li>4. no receiver, manager or liquidator or statutory manager having been appointed in respect of the Company or its assets;</li> <li>5. no administration order having been made;</li> <li>6. no application having been made, or resolution passed to wind up the Company;</li> <li>7. the Company's ability to continue to pay its debts when they become due and payable;</li> <li>8. the Company not being subject to an insolvency event;</li> </ol>

	<p>9. there being no unsatisfied judgment, order or award that is outstanding against the Company;</p> <p>10. contracts and commitments of DayaCann;</p> <p>11. interests of the directors of the Company or DayaCann in any property, assets, real, personal or mixed, tangible or intangible, used in or pertaining to DayaCann's business;</p> <p>12. related party transactions; and</p> <p>13. the directors of the Company and DayaCann and the officers and employees of DayaCann business and financial dealings with DayaCann and any supplier, customer or competitor of DayaCann.</p>
<b>Buyer Guarantee</b>	Telor has unconditionally guaranteed and indemnified AusCann in respect to the performance of GFC's obligations under the Agreement.
<b>Termination</b>	<p>AusCann has the right to immediately terminate the Agreement by written notice in the event that:</p> <ol style="list-style-type: none"> <li>1. GFC does not complete the Due Diligence; or</li> <li>2. GFC or Telor does not pay the Second Share Payment or the First Loan Payment.</li> </ol> <p>GFC has the right to immediately terminate the Agreement upon finding that any of the Fundamental Representations made by AusCann are found to be not true, accurate or complete</p> <p>Upon termination the interest in the DayaCann Shares will be transferred back to AusCann, the Signing Payment will be refunded to GFC and the pledge will be cancelled.</p>