

## AusCann Reduces Cash Outflow in Q2 FY2021

### Highlights

- Robust financial position – \$15.2 million net cash balance at 31 December 2020
- Scheme of Arrangement to acquire CannPal Animal Therapeutics (ASX: CP1)
- Divestment of Chilean Joint Venture, DayaCann
- Progress towards formulation of novel CBD-only product based on Neuvis® platform

**29 January 2021 - AusCann Group Holdings Limited** (ASX: AC8) ('AusCann' or 'the Company'), is pleased to announce an overview of its quarterly activities for the three months ended 31 December 2020.

### Financial Update

AusCann had a cash balance at 31 December 2020 of \$15.2 million (30 September 2020: \$16.8 million), and no debt. This strong capital position supports the continued progress of the Company's growth strategy.

Net cash outflows for the quarter decreased 33% to \$1.6 million (Q1 FY2021: \$2.4 million). The Company received an initial payment of \$264k during the quarter in relation to the divestment of its DayaCann joint venture in Chile. Net cash used in operating activities decreased 22% quarter-on-quarter to \$1.8 million compared to \$2.3 million for the previous quarter reflecting rigorous cost control across all activities within the Company.

Cash receipts from AusCann's proprietary hard-shell capsules, a 1:1 ratio of THC:CBD based on the Neuvis® platform, increased 160% in the period. The product is available to Australian patients under special access schemes and is still in the launch phase of commercialisation. In addition to GPs, the Company is gaining traction with specialists in the fields of pain, palliative care and rehabilitation.

Product manufacturing and operating costs of \$250k were 32% lower compared to the previous quarter due to enhancements to the manufacturing process resulting in a significant reduction in the cost of goods.

There were no related party payments for the period except for Directors' fees of \$71k paid from the pool of fees approved by shareholders.

### Operational Update

The Company completed its restructuring programme during the period to reduce the cash burn on corporate and administrative activities. The Company is focusing its expenditure on value-adding R&D and IP, in addition to leveraging its state-of-the-art medicinal cannabis facility in Western Australia.

On 10 November 2020, AusCann announced an agreement with GrowForChile and Telor International in respect to the sale of the Company's 50% owned Chilean joint venture, DayaCann. The total consideration for the sale could amount to US\$1.5 million.

On 16 November 2020, AusCann announced it has entered into a scheme implementation deed with CannPal Animal Therapeutics under which AusCann will acquire 100% of the issued share capital of CannPal. Subject to shareholder approval, the transaction is expected to complete in March 2021. Following completion of the acquisition the current CannPal CEO, Mr Layton Mills, will be appointed CEO of the combined group.

AusCann continues to advance the formulation and development of its second product based on an enhanced Neuvis®2.0 self-emulsifying drug delivery system, administered in a hard-shell capsule, containing up to 150mg of CBD. On 16 December 2020, the Therapeutic Goods Administration (TGA) amended its interim decision to down-schedule CBD for pharmacy-only registration by increasing the daily dose limit to 150mg per day versus the previous recommendation of 60mg per day. AusCann is

formulating its CBD-only product candidate to pursue approval as a pharmacy-only medicine, pending discussions with the TGA regarding development requirements for registration.

Mr Nick Woolf, AusCann's CEO, commented: "AusCann has achieved important milestones and made solid progress during the second quarter of FY2021. We have multiple initiatives underway, including a 60-patient Investigator-led Phase II study of our Neuvis® THC/CBD product for the treatment of neuropathic pain. This seminal study is expected to commence in March 2021. The formulation activities of our enhanced Neuvis2.0 CBD-only product are on-track with encouraging results to-date. Following our cost restructuring, AusCann is well-positioned to deliver on its strategic growth plan. The anticipated acquisition of CannPal will add considerable breadth and depth to our product pipeline."

**ENDS**

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

**For more information, please contact:**

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**ABOUT AUSCANN**

**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 based on the Neuvis® platform was successfully launched in Australia in 2020 and is available under special access provisions for medicines.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

AusCann Group Holdings Limited

**ABN**

72 008 095 207

**Quarter ended**

31 December 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	13	18
1.2 Payments for		
(a) research and development	(445)	(1,195)
(b) product manufacturing and operating costs	(150)	(370)
(c) advertising and marketing	-	-
(d) leased assets	(9)	(9)
(e) staff costs	(552)	(1,216)
(f) administration and corporate costs	(674)	(1,404)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	20	53
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	13	18
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,799)</b>	<b>(4,107)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(6)	(10)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	270	270
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	(-)	(46)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>264</b>	<b>214</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	(9)	(38)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(9)</b>	<b>(38)</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	16,798	19,166
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,799)	(4,107)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	264	214

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(29)	(38)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>15,234</b>	<b>15,234</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	326	1,660
5.2	Call deposits	14,908	15,138
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>15,234</b>	<b>16,798</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	71
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<b>Explanation of payments to related parties.</b>		
- Payment of remuneration to directors for director services.		
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments		

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. <b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9) (excluded one off grant)	1,799
8.2 Cash and cash equivalents at quarter end (item 4.6)	15,234
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	15,234
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	8
Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as N/A. Otherwise a figure for the estimated quarters of funding available must be included in item 8.5	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
Note where item 8.5 is less than 2 quarters, all of the questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.	

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 January 2021

Authorised by: The Board of Directors of AusCann Group Holdings Ltd  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.