

AusCann Appendix 4D and Half-Year FY2021 Report

Highlights

- Robust financial position – \$15.2 million net cash balance at 31 December 2020
- Net cash used in operating activities for 6 months decreased 21% year-on-year to \$4.1 million
- Successful Phase I trial of hard-shell capsules using proprietary Neuvis® platform
- Advancement of CBD formulation based on Neuvis®2.0 platform for pharmacy-only Schedule 3
- Divestment of Chilean Joint Venture, DayaCann; upfront payment of \$270k
- Scheme of Arrangement to acquire CannPal Animal Therapeutics (ASX: CP1)

26 February 2020 - AusCann Group Holdings Limited (ASX: AC8) ('AusCann' or 'the Company'), is pleased to announce an overview of its half-year activities for the six months ended 31 December 2020.

Financial Results

Sales revenue for the first half of FY2021 was \$39,364 (H1 FY2020: zero). The revenue reflects the launch of AusCann's proprietary hard-shell capsules, a 1:1 ratio of THC:CBD, based on the Neuvis® platform. The product is available to Australian patients under Special Access provisions and is gaining traction with specialists in the fields of pain, palliative care, rehabilitation and aged care.

Net cash outflow from operating activities for the period decreased 21% to \$4.1 million (H1 FY2020: \$5.2 million). The reduction in cash outflow reflects rigorous cost control across all activities within the Company including capital expenditure. The Company received an upfront payment of \$270k during the period in relation to the divestment of its DayaCann joint venture in Chile. The proceeds will be recognised as income in H2 FY2021 when the sale conditions are formalised.

Research & development increased 90% in the period to \$1.4 million (H1 FY2020: \$0.7 million, reflecting higher purchases of raw materials and other activities related to the first and second-generations of the Neuvis® platform. AusCann had a cash balance at 31 December 2020 of \$15.2 million (31 December 2019: \$19.2 million) and no debt.

Operational Update

The Company completed a restructuring programme during the period to reduce 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.

AusCann successfully completed the first clinical study of the Company's unique orally administered THC and CBD combination using the Company's proprietary Neuvis® platform of self-emulsifying powder in hard-shell capsules. The randomised, open-label, cross-over Phase I study evaluated the pharmacokinetics and safety of a single dose, enrolling 28 fed healthy volunteers. The primary endpoints of the study were the assessment of the pharmacokinetics of THC, CBD and the main active metabolite of THC.

The total drug exposure (area under the plasma drug concentration-time curve) for the 10mg:10mg capsules was similar to the comparator oil and to results reported for fed healthy volunteers receiving a comparable dose of the Therapeutic Goods Administration (TGA)-registered oral spray, Sativex. Encouragingly, there were fewer adverse events with AusCann's capsules compared to the oil.

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 TGA amended its decision to down-schedule CBD for pharmacy-only registration by increasing the daily dose limit to 150mg per day versus the interim decision 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.

AusCann entered 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 will 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.

Mr Nick Woolf, AusCann's CEO, commented: "We are pleased with our progress during the first half of FY2021. Several key milestones have been achieved, including the acquisition of CannPal, pending relevant approvals. Other ongoing initiatives include initiating a 60-patient Investigator-led Phase II study of our Neuvis® THC/CBD product for the treatment of neuropathic pain. The formulation activities of our enhanced Neuvis®2.0 CBD-only pharmaceutical product are on track for completion later this year. Following our cost restructuring, AusCann is well-positioned to deliver on its strategic growth plan."

ENDS

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

For more information, please contact:

Mr Nick Woolf
Chief Executive Officer
info@aucann.com.au
+61 8 6305 0705

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.

AusCann

ABN 72 008 095 207

**Appendix 4D and
Half-Year Financial Report
31 December 2020**

Appendix 4D

AusCann Group Holdings Limited provides the following information under listing rule 4.2A:

Details of the reporting period and the previous corresponding period

- Reporting period – half-year ended 31 December 2020
- Previous corresponding period – half-year ended 31 December 2019

Results for announcement to the market

		%		\$A
Revenues from ordinary activities	<i>Down</i>	68%	<i>to</i>	82.474
Loss from ordinary activities after tax attributable to members	<i>Up</i>	34%	<i>to</i>	4,596,746
Net loss from the period attributable to members	<i>Down</i>	34%	<i>to</i>	4,596,746
Final and interim dividends	N/A			
Record date for determining entitlements to dividends	N/A			

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary share	9.530 cents	10.925 cents

Details of entities over which control has been gained or lost

There have been no changes in control over entities in the half-year ended 31 December 2020.

Details of dividends or distribution payments

No dividends or distributions are payable.

Details of dividend or distribution reinvestment plans

There is no dividend or distribution reinvestment program in operation.

Details of associates and joint venture entities

AusCann announced an agreement with GrowForChile and Telor International in respect of 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. An amount of US\$200,000 was received on signing. A further payment of US\$100,000 was received on 29 January 2021 with another US\$200,000 due in March 2021. Two additional payments are due to be received on the first and second anniversary of the agreement of US\$500,000 each. However, the effective sales date was not until after the reporting date upon the receipt of the second tranche of payments and the Due Diligence Notice

AusCann also announced that 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, it is intended that Mr Layton Mills, CEO of CannPal, will be appointed CEO of the combined group.

Foreign entities to disclose which accounting standards are used in compiling the report

N/A

Details of any audit dispute or qualification

None

Financial report

This half-yearly reporting information should be read in conjunction with the most recent annual financial report of the Company.

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2020

AusCann

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

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COMPANY INFORMATION

DIRECTORS

Max Johnston (Chairman)
Krista Bates
Dr Marcel Bonn-Miller (resigned 3 October 2020)
Bruce McHarrie
Chris Mews

COMPANY SECRETARY

Ms Susan Park
Mr Quentin Megson

REGISTERED OFFICE

Level 4
35 Havelock Street
West Perth WA 6005

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

SECURITIES EXCHANGE

Australian Securities Exchange Ltd

ASX CODE

AC8

This interim financial report does not include all the notes normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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 half-year ended 31 December 2020.

Directors

The following persons were directors of the Company during the half-year and until the date of this report, unless otherwise stated:

Max Johnston (Chairman)

Krista Bates

Dr Marcel Bonn-Miller

Resigned 3 October 2020

Bruce McHarrie

Chris Mews

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 cannabinoid-based medicines. Towards this, AusCann's principal activities during the six months to 31 December 2020 included the development and roll out of reliable, stable and standardised cannabinoid-based pharmaceutical products, intellectual property (IP), generating clinical evidence and commercialisation. In addition, the Company has continued to invest in its research & development activities to expand its portfolio of novel pharmaceutical products.

Operating results and financial position

The loss of the consolidated entity for the half year was \$4.6 million (2019: \$3.4 million). Net cash used in operating activities for the period decreased 21% to \$4.1 million (2019: \$5.2 million). AusCann received an upfront payment of \$270k from Telor International in relation to the disposal of the Company's 50% shareholding in the Chilean joint venture, DayaCann during the period. As the sale was not effective until the receipt of the second tranche of payments including the Due Diligence Notice, which occurred after the reporting date, this has been recognised as an unearned income liability.

The net assets of the consolidated entity as at 31 December 2020 were \$30.2 million (31 December 2019: \$34.6 million). AusCann's cash balance as at 31 December 2020 was \$15.2 million. The Company remains well funded to reach its operational milestones.

The Company conducted a restructuring programme during the period to reduce expenditure on corporate and administrative activities. The Company has focused its capital on core R&D activities and is in discussion with prospective partners to leverage its state-of-the-art medicinal cannabis facility in Western Australia.

Review of operations

AusCann has made solid progress during the first six months of FY2021. The Company's proprietary hard-shell capsules, a 1:1 ratio of THC:CBD, based on its proprietary self-emulsifying drug delivery system, Neuvis®, continued to gain traction with Australian prescribers and patients under special access schemes. AusCann established a Medical Advisory Board, chaired by Dr Marc Russo who is the Company's Chief Medical Advisor and is a pain specialist. Other members of the Medical Advisory Board have specialities in the fields of geriatric medicine, palliative care and rehabilitation.

All endpoints were achieved in the Company's Phase I clinical trial of the Neuvis®-based THC:CBD product, evaluating the pharmacokinetics and safety of the hard-shell capsules in healthy volunteers. The data from this open-label, cross-over study showed that absorption of active cannabinoids with AusCann's Neuvis® technology was similar to the comparator oil and the Therapeutic Goods Administration (TGA)-registered oral spray, Sativex®, but with a lower peak concentration. This resulted in fewer side-effects, which is an important positive outcome to support the differentiation of AusCann's capsules and their appeal to prescribers and patients.

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

The Company has extended its medical outreach programme during the period, including the sponsorship of various virtual events in Australia that have helped position and solidify the Neuvis® brand with healthcare professionals. An investigator-led Phase II study to evaluate the THC:CBD combination product in 60 patients with neuropathic pain across three sites in Australia is progressing through human ethics approval.

AusCann's second product based on an enhanced Neuvis®2.0 self-emulsifying drug delivery system to administer higher doses of pure CBD is advancing through formulation development. This CBD-only product has potential applications for the treatment of pain and neurological symptoms, such as anxiety, seizures, insomnia, social withdrawal and irritability. AusCann aims to formulate dosages up to 150mg using Neuvis®2.0 in hard-shell capsules. 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 plans to pursue approval of its novel CBD hard-shell capsules as a pharmacy-only medicine, pending discussions with the TGA regarding development requirements for registration.

On 10 November 2020, AusCann announced an agreement with GrowForChile and Telor International in respect of 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. An amount of US\$200,000 was received on signing. A further payment of US\$100,000 was received on 29 January 2021 with another US\$200,000 due in March 2021. Two additional payments are due to be received on the first and second anniversary of the agreement of US\$500,000 each. However, the effective sales date was not until after the reporting date upon the receipt of the second tranche of payments and the Due Diligence Notice.

Leadership Transition

During the period, the Company appointed Mr Nick Woolf as Chief Executive Officer, replacing Mr Ido Kanyon. Mr Woolf has over 25 years of experience in the life sciences industry as well as a background in commercial M&A transactions.

Latterly, on 16 November 2020, AusCann announced that 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, it is intended that Mr Layton Mills, CEO of CannPal, will be appointed CEO of the combined group.

Events subsequent to reporting date

On 10 November 2020, AusCann announced an agreement with GrowForChile and Telor International in respect of 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. An amount of US\$200,000 was received on signing. A further payment of US\$100,000 was received on 29 January 2021 with another US\$200,000 due in March 2021. Two additional payments are due to be received on the first and second anniversary of the agreement of US\$500,000 each. However, the effective sales date was not until after the reporting date upon the receipt of the second tranche of payments and the Due Diligence Notice.

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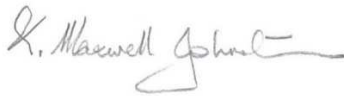
DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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.

This report is made in accordance with a resolution of the directors.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Max Johnston', with a stylized flourish at the end.

Max Johnston
Chairman

25 February 2021

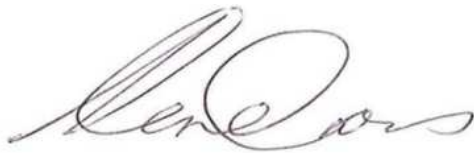
AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF AUSCANN GROUP HOLDINGS LIMITED

In relation to our review of the financial report of AusCann Group Holdings Limited for the half year ended 31 December 2020, 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



SHANE CROSS
PARTNER

25 FEBRUARY 2021
WEST PERTH,
WESTERN AUSTRALIA

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AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	2020 \$	2019 \$
Sales		39,364	-
Less: Cost of goods sold		(35,839)	-
		3,525	-
Interest revenue		52,645	256,953
Gain on disposal of right of use asset & liability		8,804	-
Other Income		17,500	-
Total income		82,474	256,953
Employee benefits expense	3(i)	(1,412,048)	(1,370,531)
Consulting fees	3(ii)	(290,252)	(279,895)
Research & development – direct cost	3(iii)	(1,352,896)	(710,296)
Joint Venture expenses	3(iv)	(45,518)	(161,389)
Corporate/ Administration Expenses		(774,723)	(648,553)
Depreciation expense		(127,315)	(45,593)
Other expenses		(676,468)	(462,991)
Total expenses		(4,679,220)	(3,679,248)
Loss before income tax expense		(4,596,746)	(3,422,295)
Income tax expense		-	-
Net loss for the period		(4,596,746)	(3,422,295)
Other comprehensive income, net of tax			
<i>Items that may reclassified subsequently to profit or loss:</i>			
Foreign currency translation		-	-
Total comprehensive loss for the period		(4,596,746)	(3,422,295)
Earnings per share			
Basic loss per share (cents per share)		(1.45)	(1.08)
Diluted loss per share (cents per share)		(1.45)	(1.08)

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

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

	Note	December 2020 \$	June 2020 \$
CURRENT ASSETS			
Cash and cash equivalents		15,234,345	19,165,661
Inventories	4	3,169,123	3,607,571
Asset held for resale	5	400,000	400,000
Other current assets	6	545,107	469,069
Total Current Assets		19,348,575	23,642,301
NON-CURRENT ASSETS			
Investment in DayaCann	7	-	-
Right of use asset	8	-	84,822
Property, Plant and equipment	9	11,640,047	11,738,064
Total Non-Current Assets		11,640,047	11,822,886
Total Assets		30,988,622	35,465,187
CURRENT LIABILITIES			
Trade and other payables	10	390,916	595,131
Unearned Income (DayaCann)	11	269,906	-
Lease liability		-	39,884
Employee entitlements		112,311	139,767
Total Current Liabilities		773,133	774,782
NON CURRENT LIABILITIES			
Lease liability		-	54,433
Total Non Current Liabilities		-	54,433
Total Liabilities		773,133	829,215
NET ASSETS		30,215,489	34,635,972
EQUITY			
Issued capital		75,468,632	75,468,632
Reserves		226,091	1,237,328
Accumulated losses		(45,479,234)	(42,105,988)
TOTAL EQUITY		30,215,489	34,635,972

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

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Issued capital \$	Share- based payment reserve \$	Accumulated losses \$	Total \$
Balance at 1 July 2019	75,452,467	1,237,108	(35,021,228)	41,668,347
Adjustment for change in accounting policy	-	-	(8,547)	(8,547)
Balance at 1 July 2019 - restated	75,452,467	1,237,108	(35,029,775)	(41,659,800)
Loss after income tax for the period	-	-	(3,422,295)	(3,422,295)
Other comprehensive income for the period, net of tax	-	-	-	-
<i>Transactions with owners in their capacity as owners</i>				
Issue of shares	10,500	-	-	10,500
Capital raising costs	-	9,071	-	9,071
Exercised options	5,665	(5,665)	-	-
Balance at 31 December 2019	75,468,632	1,240,514	(38,452,070)	38,257,076
Balance at 1 July 2020	75,468,632	1,273,328	(42,105,988)	34,635,972
Loss after income tax for the period	-	-	(4,596,746)	(4,596,746)
Other comprehensive income for the period, net of tax	-	-	(4,596,746)	(4,596,746)
<i>Transactions with owners in their capacity as owners</i>				
Issue of Shares net of costs	-	-	-	-
Issue of options / rights	-	176,263	-	176,263
Expired options	-	(1,223,500)	1,223,500	-
Exercised options	-	-	-	-
Balance at 31 December 2020	75,468,632	226,091	(45,479,234)	30,215,489

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

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	2020	2019
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	18,209	-
Receipts – Government grants & incentives	67,500	-
Interest received	52,618	283,351
Payments to suppliers and employees	(4,261,935)	(5,457,177)
Net cash used in operating activities	(4,123,608)	(5,173,826)
CASH FLOW FROM INVESTING ACTIVITIES		
Deposit received from sale of DayaCann	269,906	-
Loan to DayaCann	(45,518)	(161,389)
Payments for plant and equipment	(2,727)	(75,108)
Payments for building improvements	(7,721)	(3,808,239)
Net cash used in investing activities	213,940	(4,044,736)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Issue of Shares	-	10,500
Repayment of lease liabilities	(21,648)	(21,018)
Net cash flows from financing activities	(21,648)	(10,318)
Net increase / decrease in cash and cash equivalents	(3,931,316)	(9,229,080)
Cash and cash equivalents at the beginning of the period	19,165,661	35,307,287
Cash and cash equivalents at the end of the period	15,234,345	26,078,307

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

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

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 half-year ended 31 December 2020.

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 25 February 2021.

(a) Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Accounting Policies

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020****NOTE 2: 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 3: OTHER INCOME & EXPENSES

	December 2020	December 2019
	\$	\$
(i) Employee Benefits		
Employee Benefits expense	1,235,785	1,361,460
Share based payment expense-employees	176,563	9,071
Total	1,412,048	1,370,531
(ii) Consulting fees		
Consulting fees -directors	-	120,000
Consulting fees - other	290,252	159,895
Total	290,252	279,895
(iii) Research & development -direct costs		
Raw materials	415,361	19,542
Contract manufacturing R&D	242,250	320,775
Consultants – R&D	318,073	211,072
Analytics	375,544	152,346
Other	1,666	6,591
Total	1,352,896	710,296
(iv) Joint venture expenses		
Impairment of loan in DayaCann	45,518	161,389
Total	45,518	161,389

NOTE 4: INVENTORIES

	December 2020	June 2020
	\$	\$
Raw materials	3,025,779	3,214,477
Work in progress	140,298	390,466
Finished goods	3,046	2,628
	3,169,123	3,607,571

AUSCANN GROUP HOLDINGS LTD

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020****NOTE 5: ASSETS HELD FOR RESALE**

	December 2020	June 2020
	\$	\$
Plant & equipment held for resale	400,000	-
	<u>400,000</u>	<u>-</u>

This asset relates to plant & equipment that the company initially acquired for use in relation to an activity that the company has subsequently scaled down. If a suitable price can be achieved, the asset will be available for sale and as such has been classified as being available for sale.

NOTE 6: OTHER CURRENT ASSETS

	December 2020	June 2020
	\$	\$
Loan to DayaCann	1,612,719	1,567,201
Less: Impairment of Loan	(1,612,719)	(1,567,201)
Accounts Receivable	16,380	1,334
Accrued income	7,991	51,870
Short term deposits	216,741	150,179
GST receivable	134,559	6,568
Accrued interest	17,683	17,500
Prepayments	151,752	241,618
	<u>545,107</u>	<u>469,069</u>

NOTE 7: 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 restrictions on the ability to export the product out of Chile. The company has elected to fully impair the value of the investment in DayaCann while the recoverability of the existing inventory remains uncertain.

AusCann has announced an agreement with GrowForChile and Telor International in respect of 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. An amount of US\$200,000 was received on signing. A further payment of US\$100,000 was received on 29 January 2021 with another US\$200,000 due in March 2021. Two additional payments are due to be received on the first and second anniversary of the agreement of US\$500,000 each. However, the effective sales date was not until after the reporting date upon the receipt of the second tranche of payments and the Due Diligence Notice.

AUSCANN GROUP HOLDINGS LTD

ABN 72 008 095 207

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020****NOTE 8: OTHER NON-CURRENT ASSETS**

	December 2020 \$	June 2020 \$
Right-of-use asset		
Land and buildings – right-of-use	-	122,520
Less: Accumulated depreciation	-	(37,698)
	-	84,822

The Company leased land and buildings for its office under a five-year agreement. On renewal, the terms of the lease are renegotiated. The Company also leased car parking spaces, but this lease is either short-term or low-value, so has been expensed as incurred and not capitalised as right-of-use assets.

On 22 December 2020 the company agreed with the owner of the property to cease the lease and pay a break fee of \$12,747.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	December 2020 \$	June 2020 \$
Land & Buildings	5,541,328	5,541,328
Building Improvements	5,708,330	4,982,341
Capital works in progress	-	718,267
Less: Depreciation	(83,134)	-
	11,166,523	11,241,936
Computer Equipment – at cost	38,467	38,467
Less: Accumulated depreciation	(28,357)	(25,266)
	10,110	12,901
Furniture and Fittings – at cost	90,087	87,360
Less: Accumulated depreciation	(62,228)	(57,152)
	27,859	30,208
Plant & equipment– at cost	512,126	512,126
Less: Accumulated depreciation	(76,572)	(59,107)
	435,554	453,019
Total	11,640,047	11,738,064

NOTE 10: TRADE AND OTHER PAYABLES

	December 2020 \$	June 2020 \$
Trade payables and accrued expenses	249,562	496,769
PAYG and superannuation payable	74,782	98,362
Funds held for unmarketable parcel sale	66,572	-
	390,916	595,131

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

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020****NOTE 11: UNEARNED INCOME (DAYACANN)**

	December 2020	June 2020
	\$	\$
Unearned Income Dayacann Sale	269,906	-
	<u>269,906</u>	<u>-</u>

Refer Note 7.

NOTE 12: SHARE-BASED PAYMENTS**Share-based payments during the period ended 31 December 2020**

No performance rights or options were issued to employees during the period.

(a) Performance rights issued to employees

1,636,400 performance rights were issued to employees in prior financial years. They were valued at \$239,868, of which \$162,831 vested during this period (2019: \$7,943).

(b) Options issued to employees

400,000 options were issued to an employee in the previous financial year. They were valued at \$34,860, of which \$13,432 vested during this period (2019: \$nil).

Share-based payments during the year ended 30 June 2020**(a) Performance rights issued to employees**

1,527,200 performance rights were issued to employees on 9 December 2019. The fair value of each option was calculated at 13.02 cents per right using a binomial model and the following assumptions:

Vesting date	20 December 2022
Spot price	\$0.19
Vesting schedule – below 50 th percentile	0%
Vesting schedule – above 50 th but below 100 th percentile	Pro-rata
Vesting schedule – at or above 100 th percentile	100%
Expected volatility - company	82.8%
Expected volatility – peer group	47.1% to 209.3%
Dividend yield	Nil
Risk-free rate	0.71%

(b) Options issued to employees

2 tranches of 200,000 options each were issued to an employee on 9 June 2020. The fair value of the 1st tranche of options was calculated at 8.02 cents and the fair value of the second tranche of options was calculated at 9.41 cents, both using the Hoadley ESO2 valuation model and the following assumptions:

Valuation date	20 March 2020	20 March 2020
Spot price	\$0.180	\$0.180
Exercise Price	\$0.255	\$0.255
Vesting date	10 June 2021	10 June 2022
Expiry date	9 June 2023	9 June 2024
Expected future volatility	85%	85%
Risk free rate	0.29%	0.49%
Early exercise multiple	2.5x	2.5x
Dividend yield	Nil	Nil

The expense arising from share-based payments was \$41,055.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

NOTE 13: COMMITMENTS AND CONTINGENCIES

The company does not have any capital or contingent commitments as at 31 December 2020.

NOTE 14: EVENTS SUBSEQUENT TO REPORTING DATE

On 10 November 2020, AusCann announced an agreement with GrowForChile and Telor International in respect of 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. An amount of US\$200,000 was received on signing. A further payment of US\$100,000 was received on 29 January 2021 with another US\$200,000 due in March 2021. Two additional payments are due to be received on the first and second anniversary of the agreement of US\$500,000 each. However, the effective sales date was not until after the reporting date upon the receipt of the second tranche of payments and the Due Diligence Notice.

On 16 November 2020, AusCann announced that 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, it is intended that Mr Layton Mills, CEO of CannPal, will be appointed CEO of the combined group. However, the effective sales date was not until after the reporting date upon the receipt of the second tranche of payments and the Due Diligence Notice.

AUSCANN GROUP HOLDINGS LTD

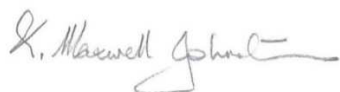
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DIRECTORS' DECLARATION

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 31 December 2020 and of its performance for the half-year ended on that date; and
 - (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
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.

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



Max Johnston
Chairman

25 February 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF AUSCANN GROUP HOLDINGS LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of AusCann Group Holdings Limited (the "Company") and controlled entities (the "consolidated entity") which comprises the consolidated statement of financial position as at 31 December 2020, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Company and the entities it controlled at 31 December 2020, or during the half year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of AusCann Group Holdings Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report.

Independence

We are independent of the Company in accordance with the auditor independence requirements of 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 (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code

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Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



PKF PERTH



SHANE CROSS
PARTNER

25 FEBRUARY 2021
WEST PERTH,
WESTERN AUSTRALIA