AusCann
ASX RELEASE

AusCann Quarterly Cash Flow Report and Market Update for June 2021 Quarter

Key Highlights

- Received positive clinical results for the Phase 2A pilot study for FDA veterinary drug candidate, CPAT-01, confirming improvements in pain, lameness and quality of life in dogs with osteoarthritis;
- Submitted a PAA request with the APVMA for DermaCann®, a cannabinoid-based veterinary product in development for anti-inflammatory and immune support in dogs with dermatological conditions;
- Entered into an agreement to allow for the supply of the Company's proprietary Neuvis® THC/CBD 1:1 oral capsules to the Tasmanian Department of Health;
- Entered into an agreement to lease the Company's Wangara facility as part of a revised growth strategy to reduce operating expenses and maximise the value of the Company's assets;
- Well-funded with $13.7m net cash as at June 30 and positive cash generated for the quarter due to a research and development tax rebate of $1.65m received during the period;
- Substantial corporate cost reduction of 49% versus the prior quarter due to the synergies and operational efficiencies realised post the merger of AusCann and CannPal.

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30 July 2021 - **AusCann Group Holdings Limited** (ASX: AC8) ('AusCann' or 'the Company') is pleased to update the market on its progress in the June 2021 quarter and attaches its Appendix 4C Quarterly Cash Flow report for the period.

AusCann remains well funded with net cash of $13.7m as at June 30, 2021. Operating outflows were $1.6m for the quarter, which included $930k related to research and development costs in respect of the Company's core programs.

The Company significantly reduced administration and corporate costs by 49% versus the prior quarter due to synergies post the merger of AusCann and CannPal, including significant reductions in statutory expenses, shared resources, operational efficiencies, and a streamlined organisational structure.

The revised Company structure and strong capital position will support continued progress for the Business, allowing for more resources to be allocated to core revenue generating activities for the Company's lead human and animal health programs.

Related party payments of $92k were incurred during the quarter for Directors' fees paid from the pool of fees approved by shareholders.

Key Operational Updates

CPAT-01 Improves Pain, Lameness and Quality of Life in Dogs

During the quarter the Company was pleased to update the market on key clinical veterinary and owner scoring results for the CPAT-01 Pilot Phase 2A study supporting the safe and effective use of the product for pain, lameness and quality of life in dogs with osteoarthritis.

CPAT-01 is a standardised pharmaceutical product derived from natural THC and CBD extracts, in development for FDA/CVM (U.S Food and Drug Administration, Centre for Veterinary Medicine) approval as a safe and effective veterinary medicine for pain and inflammation in dogs.

The FDA/CVM established an Investigational New Animal Drug (INAD) file for CPAT-01 following the submission of a summary of scientific rationale to the agency which included data generated from a robust pre-clinical and Phase 1 research program **[ASX:CP1 Announcement March 11, 2020].**

The positive indicators of CPAT-01 improving pain, inflammation and mood based on the Phase 2A clinical and biochemical results were complemented by the promising safety profile confirmed in the Phase 2B Target Animal Safety Study **[ASX:CP1 October 29, 2020]**.

AusCann intends to submit a formal request for a PSC (pre-submission conference) meeting request with the FDA/CVM, which is now expected to be filed in Q3 2021. The meeting will be used as an opportunity to share the Company's Phase 1 and Pilot Phase 2 data and receive formal guidance on the U.S development and regulatory plan for CPAT-01, to support the progression of the Phase 2 program which will re-commence upon receiving guidance from the FDA/CVM.

Regulatory and Commercialisation Progress for DermaCann®

During the quarter the Company submitted a PAA request with the APVMA to propose a timeline and regulatory submission plan for DermaCann®, a cannabinoid-based veterinary product in development for anti-inflammatory and immune support in dogs with dermatological conditions.

Post the Quarter, AusCann submitted its first data module to the APVMA to commence the Australian registration of DermaCann®, following a formal response to its PAA outlining a project plan with agreed milestones for the product registration **[ASX:AC8 Announcement July 20, 2021].**

The DermaCann® submission in Australia complements the previously announced application for approval with the South African Department of Agriculture, Forestry and Fisheries (DAFF), and is expected to be followed by a submission in New Zealand with the Ministry of Primary Industries in the coming months.

The global canine skin and dermatitis market is worth an estimated US$1.5B globally and, subject to approval, DermaCann® will become a world 'first in class' regulatory approved oral cannabinoid-based veterinary product for skin and immune health in dogs.

During the quarter, the Company appointed a global marketing manager who will be leading the initial efforts for the commercialisation of DermaCann® in the SANZA region (South Africa, New Zealand and Australia), as well as the U.S where legislation in certain States permits the sale of animal health products containing CBD without registration.

Successful Tender Bid with the Tasmanian Department of Health

On July 1, the Company was pleased to announce that AusCann has entered into an agreement to allow for the supply of pre-packaged pharmaceutical cannabis products for the Tasmanian Department of Health (DoH) **[ASX:AC8 Announcement July 1, 2021].**

The agreement follows a successful bid in response to a Request for Tender issued by the DoH for the supply of pre-packaged pharmaceutical products to the Tasmania Health Service (THS), Ambulance Tasmania (AT) and other Tasmanian Government health centres.

Subject to receipt of official purchase orders, the Company's proprietary Neuvis® THC/CBD 1:1 oral capsule's in 2.5mg and 10mg concentrations can be supplied to hospitals within the THS, AT, and other Tasmanian Government health centres, hospitals or organisations with a contracted pharmacy arrangement.

Revenues for Neuvis® are not expected to be material in the near-term as the Company focuses on optimising the manufacturing processes and reducing production costs, however, this development further endorses the Company's commitment to providing reliable and standardised cannabinoid-derived therapeutic products to patients in Australia.

The Company was also pleased to receive confirmation that selected Australian health funds (including Medibank Private and the Defence Health) allow the Company's Neuvis® THC/CBD 1:1 oral capsule's in their reimbursement programmes.

As a non-PBS treatment option, many Australians are unable to access medicinal cannabis due to the out of pocket expenses. The potential to reduce the overall cost burden to patients is aligned with our

commitment to make high quality, cannabis-derived medicines more accessible to patients in Australia and Internationally.

Lease Agreement for Wangara Facility

During the quarter, AusCann announced that it had entered into an agreement to lease the Company's Wangara facility to Source Certain International ('SCI'), a leading Australian scientific technology company that provides forensic provenance, analytical, research and development services to industries including food, agriculture, law enforcement, regulators and medical cannabis **[ASX:AC8 Announcement June 17, 2021].**

The lease agreement provides AusCann with an immediate reduction in its cost base and a rental income of $475,000 p.a. ex GST (subject to CPI increases and rent reviews).

Leasing the Wangara facility is part of a revised growth strategy to reduce the Company's operating expenses, maximise the value of its assets, and more clearly focus its resources on core projects which are expected to provide the greatest return on investment.

Mr Layton Mills, AusCann's CEO, commented: *"The team has made significant progress across our key human and animal health programs during the quarter which, along with our improved business fundamentals through cost reductions and operational efficiencies, will enable the Company to capitalise on a number of positive investment catalysts in the coming financial year."*

ENDS

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

For more information, please contact:

Layton Mills
Chief Executive Officer
info@auscann.com.au
+61 8 6305 0705

ABOUT AUSCANN

AusCann Group Holdings Limited (ASX:AC8) is an Australian-based company focused on the development and commercialisation of cannabinoid-derived therapeutic products to address unmet needs for humans and animals within Australia and internationally. Our key difference is the commitment to rigorous product development, focused on providing reliable, stable and standardised cannabinoid-derived therapeutics products, whilst generating robust safety, quality assurance and efficacy data to support market access in various regulatory environments around the world.

Appendix 4C

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

Name of entity	
AusCann Group Holdings Limited	
ABN	**Quarter ended**
72 008 095 207	30 June 2021

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	17	59
1.2	Payments for		
	(a) research and development	(930)	(2,512)
	(b) product manufacturing and operating costs	(29)	(514)
	(c) advertising and marketing	(6)	(6)
	(d) leased assets	(12)	(49)
	(e) staff costs	(326)	(1,998)
	(f) administration and corporate costs	(310)	(2,318)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	10	75
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	1,658	1,676
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**72**	**(5,587)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities (net of cash acquired)	(1,134)	(413)
	(b) businesses	-	-
	(c) property, plant and equipment	(32)	(49)
	(d) investments	-	-
	(e) intellectual property	(22)	(22)
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	654
	(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)	-	-
2.6	**Net cash from / (used in) investing activities**	**(1,188)**	**124**

3.	Cash flows from financing activities		
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 & acquisition cost	-	(23)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**(23)**

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	14,796	19,166
4.2	Net cash from / (used in) operating activities (item 1.9 above)	72	(5,587)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,188)	124

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(23)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**13,680**	**13,680**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	248	1,376
5.2	Call deposits	13,432	13,420
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**13,680**	**14,796**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	92
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Explanation of payments to related parties.

- 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

7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**-**	**-**
7.5	**Unused financing facilities available at quarter end**		-
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.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9) (excluded Government grants and tax incentives)	(1,586)
8.2	Cash and cash equivalents at quarter end (item 4.6)	13,680
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	13,680
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	9
	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: 30 July 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.