AusCann
ASX RELEASE

Quarterly Cash Flow Report and Market Update for March 2022 Quarter

Key Highlights

- Received official Memorandum of Conference ('MOC') from the U.S FDA-CVM, supporting the development and regulatory pathway for CPAT-01
- Progressed DermaCann® registrations in Australia and New Zealand as a first-in-class medicine for anti-inflammatory support and the maintenance of healthy skin and immune function in dogs
- Entered into a research agreement with the Monash University's Medicines Manufacturing Innovation Centre ('MMIC') to optimise its SEDDS platform technology
- Submitted R&D Tax Incentive claim for estimated rebate of $1,484,237
- Well-funded with $10.1m net cash as at March 31; reduction in administration and corporate costs of 68% versus the same period in the prior year

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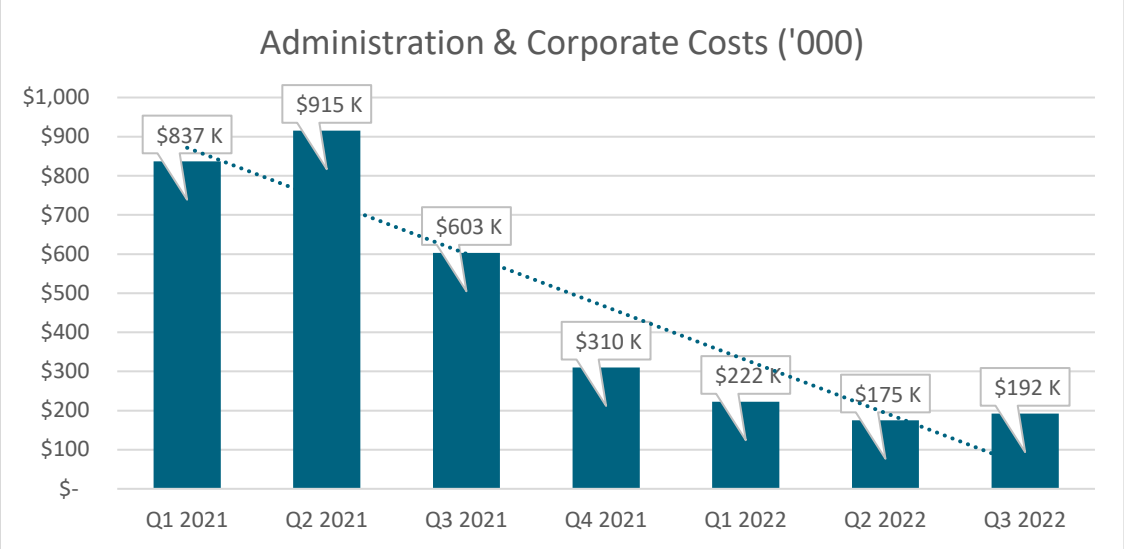
29 April 2022 - **AusCann Group Holdings Limited** (ASX: AC8) ('AusCann' or 'the Company') is pleased to update the market on its progress in the March 2022 quarter and attaches its Appendix 4C Quarterly Cash Flow report for the period.

AusCann remains well funded with net cash of $10.1m as at March 31, 2022. Operating outflows totalled $1.06m for the quarter, with $739k (70%) related to research and development costs in respect of the Company's core human and animal programs.

The Company reduced administration and corporate costs by an additional 74% versus the prior calendar year, complementing a reduction versus the same quarter in the previous financial year due to an increased focus on improving the Company's cost base.



The Company was also pleased to have submitted an R&D rebate for $1,484,237 under the R&D Tax Incentive Scheme for expenditure related to research and development activities during the previous financial year ($3,412,041).

There were no related party payments for the period except for Directors' fees of $64k paid from the pool of fees approved by shareholders.

Key Operational Updates

Received official MOC from the FDA-CVM for CPAT-01

During the period the Company was pleased to announce that it had received its official Memorandum of Conference ('MOC') from the U.S Food and Drug Administration, Centre for Veterinary Medicine ('FDA-CVM'), providing formal guidance on the development program and regulatory pathway for the approval of CPAT-01 as a veterinary medicine in the United States.

The MOC is the CVM's official record of a successful Pre-Submission Conference meeting which was held virtually with the agency in December to discuss the ongoing development program for the approval of CPAT-01 as veterinary medicine for the management of pain, inflammation, and quality of life in dogs with osteoarthritis **[ASX:AC8 December 9th, 2021]**.

AusCann is nearing the completion of the design phase for its Phase 2C clinical effectiveness trial to generate final pilot data to inform the design of the Company's Phase 3 pivotal program to support a New Animal Drug Application for the approval of CPAT-01 as a world "first-in-class" U.S FDA registered veterinary medicine.

The protocol for the Phase 2C study is expected to be finalised for submission to an Ethics Research Committee in Q2 2022.

During the period the Company was also pleased to have commenced the scheduling of its 28-day repeat toxicological study, as well as the finalisation of the study proposal and site selection for the Company's Phase 3 Pivotal Target Animal Safety study ('TAS'). The 28-day repeat study is expected to commence in Q2 2022, and the TAS study is expected to commence upon FDA protocol concurrence in late 2022.

Progressed DermaCann® Registrations in Australia and New Zealand

During the quarter the Company was pleased to make positive progress on the registration of DermaCann® in Australia and New Zealand as a first-in-class cannabinoid based registered veterinary medicine for anti-inflammatory support and the maintenance of healthy skin and immune function in dogs.

Following the submission of its registration modules, the Company received initial feedback from the Australian Pesticides and Veterinary Medicines Authority ('APVMA') with a decision that hemp seed oil and flax seed oil (two components of the product) will require the submission of active dossiers, which have now been successfully completed and submitted.

AusCann is also delighted to announce that post quarter the Company passed its first technical module assessment with an official response from the APVMA confirming that it is satisfied that environmental risks of the proposed use of DermaCann® are acceptable.

The purpose of the Environmental technical assessment is to establish whether the risk to any of the organisms posed by the proposed use of the product may be considered unacceptable or whether there are other concerns due to the behaviour of the substance in the environment.

The Company was also pleased to have commenced the review of its Chemistry, Efficacy and Safety technical sections for its Data Assessment Report ('DAR') for the registration of DermaCann® in New Zealand as an Agricultural Compounds and Veterinary Medicine ('ACVM').

Prior to the authorisation to import, manufacture, sell, or use an ACVM in New Zealand, it must be authorised with the Ministry of Primary Industries. The MPI requires an independent data assessment to be completed as a first step before an application for registration is made under the ACVM Act 1997.

In October 2021 AusCann appointed Intuit Regulatory Ltd, a Ministry of Primary Industries ('MPI') approved data assessor, to complete its Data Assessment Report **[ASX:AC8 October 13th, 2021]**.

The DAR is expected to be completed for submission to the MPI by late Q2 2022.

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Research Agreement with MMIC and Neuvis Update

During the quarter the Company was also pleased to have entered into a research agreement with the Monash University's Medicines Manufacturing Innovation Centre ('MMIC') to optimise its self-emulsifying drug delivery technology ('SEDDS') to enhance production capabilities for the platform.

The research project aims to optimise its SEDDS technology to enable the ability to supply bulk THC and CBD powders as single active ingredients, as well as manufacture its standardised pharmaceutical capsules in differing ratios, to complement the Company's Neuvis® 1:1 Oral THC:CBD capsules.

SEDDS technology is a proprietary mixture of oils, surfactants and solvents, which can be used for the design of novel formulations in order to improve the characteristics of highly lipophilic drug compounds.

AusCann launched its Neuvis® hard-shell capsules using its own patented SEDDS formulation under the Special Access Pathway (SAS-B) and was extremely pleased with the initial endorsement of the product by healthcare practitioners and patients, with repeat prescriptions accounting for up to 75% of ongoing sales.

However, as announced in July 2021, the Company does not expect its revenue to be material while its focuses on improving its SEDDS manufacturing processes and reducing production costs for the platform technology **[ASX:AC8 July 30, 2021].**

As such, the Company has temporarily paused the production of its 1:1 Oral capsules to focus on the completion of its process development activities which are intended to significantly reduce manufacturing costs, while improving consistency of supply and enabling a better variety of product formats for local and export markets.

AusCann has also temporarily paused the commencement of its exploratory clinical study into Spinal Cord Injury ('SCI') to conserve resources while it focuses on the completion of its manufacturing optimisation program.

ENDS

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

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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	31 March 2022

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	9
1.2	Payments for		
	(a) research and development	(739)	(2,244)
	(b) product manufacturing and operating costs	(133)	(248)
	(c) advertising and marketing	(30)	(116)
	(d) leased assets	(3)	(10)
	(e) staff costs	(133)	(355)
	(f) administration and corporate costs	(192)	(589)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	25
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Property Rental and outgoings income	167	290
1.9	**Net cash from / (used in) operating activities**	**(1,057)**	**(3,238)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities (net of cash acquired)	(88)	(88)
	(b) businesses	-	-
	(c) property, plant and equipment	(92)	(117)
	(d) investments	-	-
	(e) intellectual property	(77)	(122)
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(257)**	**(327)**

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	-	724
3.6	Repayment of borrowings	-	(724)
3.7	Transaction costs related to loans and borrowings & acquisition cost	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**-**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	11,429	13,680
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,057)	(3,238)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(257)	(327)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**10,115**	**10,115**

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	907	605
5.2	Call deposits	9,208	10,824
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)**	**10,115**	**11,429**

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	64
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	Overdraft (refer below)	-	-
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)	(1,057)
8.2	Cash and cash equivalents at quarter end (item 4.6)	10,115
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	10,115
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	**10**
	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: 29/04/2022

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.