

Quarterly Cash Flow Report and Market Update for June 2022 Quarter

Key Highlights

- Entered into a binding term sheet with European Cannabis Corporation Ltd ('Eurocann') to explore mutual opportunities in the European and Australian cannabis markets
- Successfully produced first Neuvis engineering batch as part of a technical transfer of the Company's self-emulsifying drug delivery technology ('SEDDS') at new manufacturing location
- Progressed a review of the Company's development activities, with a view to potentially undertake a transaction or a series of transactions which may involve strategic acquisitions and disposals
- Engaged JLL Australia to commence preparations for a marketing campaign to sell the Company's R&D facility in Wangara, Perth

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

Operating outflows totalled \$940k for the quarter, with \$540k (57%) related to research and development costs in respect of the Company's core research programs.

The Company was pleased to receive \$1.48m in Government grants and tax incentives during the period, resulting in positive cash cashflow of \$704k for the quarter. The Company had \$5.74m cash at bank as at June 30, 2022, following the drawdown of \$5m in loans to Eurocann Cannabis Corporation **[ASX:AC8 April 29, 2022]**.

There were no related party payments for the period except for Directors' fees of \$51k paid from the pool of fees approved by shareholders.

Operational Update

Strategic Collaboration with Eurocann

During the period the Company was pleased to announce that it had entered into a binding term sheet with European Cannabis Corporation Ltd ('Eurocann') to explore mutual opportunities in the European and Australian cannabis markets.

Eurocann is an Australian, unlisted public company which owns (through its wholly owned subsidiary HAPA Pharm B.V.) 100% of HAPA Pharm GmbH ('HAPA') in Germany, has been an early mover in the European cannabis market with EU-GMP certification for the cultivation, extraction, and manufacture of medicinal cannabis products.

Under the term sheet, the parties will focus on AusCann's self-emulsifying drug delivery technology ('SEDDS'), for the development of standardised dosage form cannabis products for commercialisation in Germany as well as exploring other strategic opportunities that are beneficial to AusCann and Eurocann, including the import of EU-GMP cannabis products into Australia.

Progressed Neuvis Technical Transfer

During the quarter the Company was pleased to have successfully produced its first engineering batch as part of a technical transfer of the Company's self-emulsifying drug delivery technology ('SEDDS') at a new manufacturing location.

AusCann launched its own Neuvis® hard-shell capsules using its 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, the Company 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 **[ASX:AC8 April 29, 2022]**.

During the period, the Company was pleased to have successfully manufactured its first engineering batch, following the install of processing equipment and receipt of the Company's NSW Ministry of Health permit to hold controlled substances for the purposes of research and development.

Product characteristics for the produced powder were excellent, giving the Company confidence to proceed with a validation program, ahead of a TGA submission to allow the production of commercially available material at the Company's new manufacturing location.

The validation program is expected to be completed in Q4 2022, which would enable AusCann the ability to resupply local and export markets with consistent, cost effective, and differentiated medicinal cannabis powders and capsules using its patented SEDDS technology.

Review of Development Programs

While the Company has been progressing with its core research and development activities, the Global Cannabis Stock Index has continued to fall significantly in the previous 12 months and this, along with challenging market conditions, has resulted in an internal review of the Company's strategic initiatives.

The Company is actively exploring market opportunities and is considering a review of its portfolio, including its animal health pipeline, with a view to potentially undertaking a transaction or a series of transactions which may involve strategic acquisitions and disposals.

In light of the changing market conditions, it is the position of the Company that significant shareholder value can be added by pursuing opportunities that are closer to generating revenue than the Company's current development activities, which are presently being explored by the Board

The Company has also engaged JLL Australia to commence preparations for a marketing campaign to sell the Company's R&D facility in Wangara, Perth. The Company will be selling the facility through a public tender process, with the campaign to commence in the coming weeks.

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

72 008 095 207

Quarter ended

30 June 2022

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	-	9	
1.2 Payments for			
(a) research and development	(540)	(2,784)	
(b) product manufacturing and operating costs	(93)	(340)	
(c) advertising and marketing	(5)	(121)	
(d) leased assets	(4)	(14)	
(e) staff costs	(69)	(424)	
(f) administration and corporate costs	(229)	(818)	
1.3 Dividends received (see note 3)	-	-	
1.4 Interest received	4	29	
1.5 Interest and other costs of finance paid	-	-	
1.6 Income taxes paid	-	-	
1.7 Government grants and tax incentives	1,484	1,484	
1.8 Property Rental and outgoings income	156	446	
1.9 Net cash from / (used in) operating activities	704	(2,533)	
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities (net of cash acquired)	-	(88)	
(b) businesses	-	-	
(c) property, plant and equipment	(4)	(121)	
(d) investments	-	-	
(e) intellectual property	(66)	(188)	
(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	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	(5,000)	(5,000)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(5,070)	(5,397)

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	10,115	13,679
4.2	Net cash from / (used in) operating activities (item 1.9 above)	704	(2,533)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5,070)	(5,397)

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)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,749	5,749

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	1,538	907
5.2	Call deposits	4,211	9,208
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)	5,749	10,115

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	51
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 <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>	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)	780
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,749
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,749
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	7
	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 July 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.