

### Quarterly Cash Flow Report and Operations Update for December 2023 Quarter

**30 January 2024 - AusCann Group Holdings Limited** (ASX: AC8) ('AusCann' or 'the Company') is pleased to update the market on its progress in the December 2023 quarter and attaches its Appendix 4C Quarterly Cash Flow report for the period.

#### **Financial Update**

Operating inflows totalled \$151k for the quarter.

The Company had \$3.756 million cash at bank as at 31 December 2023, with \$3.165 million of this amount held in high interest bearing call accounts.

The Company has reduced operating costs due to the partial divestment of the animal health assets and associated reduction in staffing and office costs.

Related party payments for the period were for Directors' fees of \$63k (September 2023 \$59k) paid from the pool of fees approved by shareholders.

#### **Operational Update**

##### *Proposed Transaction and Trading Suspension*

The fully paid ordinary shares ('Shares') of AusCann were suspended from quotation at the request of ASX on 31 August 2022, pending the release of an announcement of a proposed transaction under Listing Rule 11.1 (**'Proposed Transaction'**).

The ASX has exercised its discretion under Listing Rule 11.1.2 to require the Proposed Transaction to be conditional on approval by AusCann's ordinary security holders and under Listing Rule 11.1.3 to require AusCann to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

It is expected that AusCann's Shares will remain suspended until AusCann has recompiled with Chapters 1 and 2 of the Listing Rules.

The Proposed Transaction relates to a potential material acquisition that would enable AusCann to benefit from regulatory changes to the European and Australian cannabis markets. Specifically, as of 1 July 2023, imported finished cannabis products must be manufactured in a facility that meets an 'equivalent' GMP code accredited by the national authority of origin.

Changes to TGO93 are expected to restrict a number of current international manufacturers and exporters, that had not previously been required to comply with TGO93 or equivalent GMP codes, from supplying the Australian market with finished cannabis products. The proposed transaction would give AusCann significant access to EU-GMP certified medicinal cannabis products for the Australian market.

In addition, the Proposed Transaction is also intended to enable AusCann to benefit from changes in the European market, with a focus on Germany. Specifically, discussions commenced in relation to the Proposed Transaction following the commencement of expert hearings at the Federal Ministry of Health to prepare for Germany's introduction of adult use legalisation for cannabis.

However, since discussions commenced, there have been changes to the proposed legislation in Germany, which has resulted in slower than expected timeframe to complete the due diligence in respect to a transaction. AusCann remains active in the due diligence process and will provide the market with further updates in relation to the Proposed Transaction in due course.

### *New Secured Loan Agreements Signed with European Cannabis Corporation*

In October 2023, the Company announced it had entered a new Secured Loan Agreement (SLA) with European Cannabis Corporation Limited (ECC) that superseded the previous loan agreement and statutory accounts, and that it now includes security as collateral for the \$8,050,000 secured loan facility. It was also announced AusCann has subscribed for \$1,250,000 of convertible notes pursuant to a new secured convertible note deed and provided ECC with a total of \$1,250,000 through this arrangement.

Subsequent to the end of the quarter, AusCann advised the ASX on 23 January 2024 that it had provided a further \$1,600,000 (€1m) in working capital to ECC under the SLA. The funding has been used for capital expenditure and general working capital of the ECC and HAPA group of companies towards the commercialisation of medicinal cannabis products specifically for the German and European medical cannabis markets, and to supply into global markets on the right commercial terms.

AusCann holds security as collateral for the expanded \$9,650,000 secured loan facility. ECC have made repayments of \$2 million since the inception of the loan which is in excess of the current repayment requirement of \$1million.

*Developments at HAPA Pharm BV (100% Owned by European Cannabis Corporation Limited (ECC))*

#### **Robust Sales in Germany**

A major highlight was their successful sale of 420kg of medical cannabis in the German market during 2023. This achievement underscores their strong market presence and the high demand for our quality medical cannabis products.

#### **Membership in EUMCA**

Joining the European Medical Cannabis Association (EUMCA) was a strategic move, aligning HAPA with leading industry standards and practices, and bolstering our reputation in the European cannabis sector.

#### **Global Outreach**

HAPA's active participation in international events, including the ICBC in Barcelona and Berlin, and the Baader Investment Conference, has expanded their global network and opened up new collaborative opportunities.

#### **Expansion to Australia**

2023 was also marked by HAPA's strategic expansion into Australia through a partnership with AusCann. This collaboration allows HAPA to bring their EU-GMP-certified cannabis products to the Australian market. This expansion represents a significant step in our global strategy and opens doors to new opportunities in a market eager for high-quality medical cannabis products. HAPA products, meeting the highest quality standards, are ideally suited to support AusCann's vision for medical cannabis.

#### **Outlook 2024**

##### **Market Entry of HAPA 2.0 Products**

Early in 2024, HAPA pharm will proudly introduce their HAPA 2.0 product line to the market. This line includes innovative forms such as teas, tablets, and prefilled joints, marking a significant advancement in our product offerings. The launch of these products, alongside the release of their second batch of high-quality medical cannabis, will cater to a broader spectrum of patient needs. HAPA is dedicated to establishing diverse patient groups, enhancing our ability to cater to specific needs and preferences across different patient demographics. This move signifies our ongoing dedication to innovation and meeting the evolving demands of our customers in the medical cannabis sector.

##### **New Medical Cannabis Law in Germany**

Mid-2024 is set to be a landmark period with the expected change in Germany's Narcotic Drugs Act (BTMG). This anticipated legislative change could dramatically reshape the medical cannabis landscape in Germany, offering new opportunities and challenges. In preparation for this, HAPA pharm is developing a new strain of medical cannabis, tailored to thrive under the new regulatory framework.

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This strategic development aims to reinforce our strong market presence and capitalize on the evolving market dynamics, ensuring that HAPA remains at the forefront of the industry.

### **Expansion to Poland**

The latter part of 2024 will see HAPA pharm extending its reach to Poland, a move that highlights their ongoing commitment to European expansion. By entering the Polish market, they aim to bring their high-quality medical cannabis products to a new audience, demonstrating our commitment to making these products accessible in emerging markets. This expansion is not just a geographical growth, but a strategic step in reinforcing HAPA pharm's position as a leader in the European medical cannabis industry. HAPA believes that their entry into Poland will not only benefit patients in need of high-quality medical cannabis but also strengthen their position as an innovative and trusted provider in the European market.

### ***Appointment of New Chairman, Company Secretary and Auditor***

On 1 December 2023 AusCann announced the appointment of Mr Andrew Chapman as Chairman and the resignation of Tod McGrouther as Chairman.

Mr Chapman is a founder and director of Merchant Group Pty Ltd, a Perth based private wealth and fund manager. Post a 15-year career in stockbroking, Merchant Group Pty Ltd and Merchant Funds Management Pty Ltd was established by Mr Chapman in November 2011 and currently manages over \$250m in assets. Merchant Funds Management Pty Ltd is a substantial shareholder of the Company.

Mr Chapman has been involved in the founding, financing and management of both private and publicly listed companies, including the first Australian listed medical cannabis company. Mr Chapman is a Non-executive Director of European Cannabis Corporation Limited (Eurocann). Eurocann is an Australian, unlisted public company which owns 100% of HAPA Pharm in Germany. Eurocann, through HAPA Pharm, has been an early mover in the European Cannabis market with EU-GMP certification for the cultivation, extraction, and manufacture of medicinal cannabis products.

Subsequent to the end of the quarter, the Company also announced the change of Company Secretary from Susan Park to Rachel Kerr along with the appointment of Hall Chadwick WA Audit Pty Ltd as auditor of the Company.

### ***Share Purchase Plan***

Subsequent to the end of the quarter, AusCann announced to the ASX on that it was seeking to raise up to \$1 million under a Share Purchase Plan for ongoing operating costs, costs incurred in seeking to achieve re-compliance with ASX's admission and quotation requirements under Listing Rule 11.1.3 (including costs incurred in negotiating acquisitions) and working capital purposes.

## **ENDS**

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

### **For more information, please contact:**

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## 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 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(15)	(64)
(b) product manufacturing and operating costs	(1)	(2)
(c) advertising and marketing	-	(5)
(d) leased assets	-	-
(e) staff costs	(60)	(164)
(f) administration and corporate costs	(196)	(294)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	151	225
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	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(121)</b>	<b>(304)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities (net of cash acquired)	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(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	251	(245)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	(1,250)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	(750)	(2,050)
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(499)</b>	<b>(3,055)</b>

<b>3.</b>	<b>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 & acquisition cost	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,376	7,115
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(121)	(304)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(499)	(3,055)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
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>3,756</b>	<b>3,756</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	1,080	1,211
5.2	Call deposits	2,676	3,165
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>3,756</b>	<b>3,376</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	63
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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</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>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Overdraft (refer below)	-	-
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.		

<b>8. 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 Government grants and tax incentives)	(121)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,756
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,756
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>31.04</b>
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:	
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:	
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:	
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 January 2024

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.