

AusCann continues its transition to a pharmaceutical manufacturing and sales company during the March Quarter

Highlights

- Appointment of Mr. Ido Kanyon as new CEO of AusCann
- Resin supply agreement with MediPharm Labs to strengthen the Company's raw material supply chain
- Acquisition of Research & Development facility – key point of differentiation to further develop cannabinoid pharmaceutical product pipeline
- Progress in Latin America with first cultivation activity between DayaCann and Khiron Life Sciences
- Successful manufacturing of AusCann's first Engineering batch of capsules from PCI Pharma – post period end
- AusCann on track for the production and release of its hard shell cannabinoid capsules for use in clinical trials during 2019

30 April 2019 – Leading medical cannabis company **AusCann Group Holdings Limited** (ASX:AC8) (AusCann or 'the Company') is pleased to provide an overview of its activities for the three months ended 31 March 2019.

Corporate

Appointment of new CEO

AusCann finalised its leadership transition process with the appointment of global pharmaceutical executive Mr. Ido Kanyon as its new Chief Executive Officer (CEO). The process is consistent with the Company's transition to a pharmaceutical manufacturing and sales business.

The Board conducted a thorough executive search that considered a range of qualified candidates in Australia and internationally. Mr. Ido Kanyon stood out as having the right combination of skills, expertise, and commercial acumen with more than 15 years' senior executive experience in the pharmaceutical industry. He brings an in-depth understanding of product development and commercialisation following his executive leadership role at Teva Pharmaceutical Industries, the world's largest generic pharma company with FY17 revenue of over US\$22 billion.

Mr. Kanyon will commence with the business on 22nd May 2019.

Operational

Resin supply purchase agreement with MediPharm Labs

The supply of pharmaceutical grade cannabis resin is a critical component for AusCann's pharmaceutical manufacturing process. The Company has therefore continued to broaden its range of strategic partners to diversify the supply of raw materials.

In this regard, AusCann signed an agreement to purchase cannabis resin from MediPharm Labs, Canada's largest supplier of purified, pharmaceutical grade cannabis extracts. The agreement ensures the Company receives a reliable source of pharmaceutical grade resin, with regular shipments expected to be delivered in coming months. The resin will be primarily used in the development and production of AusCann's first line of hard shell capsules: designed to address the need for stability and consistency of dose in cannabinoid medicines. AusCann's capsules are also one of the first final dose form capsules that are compliant with international quality standards.

The Company remains on track to release its hard shell capsules to the market for clinical trials during 2019.

Acquisition of R&D facility site

New product development is a key pillar of AusCann's growth, and the Company has invested in its own product development capabilities with the purchase of a dedicated 7,300m² Research & Development (R&D) facility located in Perth, Western Australia. The site was acquired for a price of \$5.25 million, and was fully funded from existing cash reserves (approx. \$40 million prior to the acquisition).

The existing buildings on the site will be upgraded with the construction of an integrated state of the art R&D facility to advance AusCann's next generation of products. Site preparations are ahead of schedule and construction is expected to be commenced in May, lasting several months.

The facility is expected to be completed during calendar year 2019.

Continued progress under the DayaCann Joint Venture

AusCann's Joint Venture DayaCann (50:50 with Chilean partner Fundación Daya) continued its advancements in Chile with the commencement of first cannabis cultivation activities with Canadian listed medical cannabis company Khiron Life Sciences ("Khiron") anticipated later this year.

The Joint Venture is now preparing for cultivation of cannabis plant material to be ultimately used for patients and clinical trials. The agreement will result in staged payments by Khiron to DayaCann of A\$1.67 million.

The Joint Venture is the only entity licensed for cannabis cultivation in the country and will continue to focus on pursuing export licenses from Chile.

Product development and manufacturing: PCI Pharma successfully manufactures first R&D batch of AusCann's hard shell capsules

Post period end, TGA licensed PCI Pharma manufactured the first Engineering batch of AusCann's medical cannabis hard shell capsules for the treatment of chronic pain.

This is a key step in AusCann's manufacturing process and brings the Company one step closer to the release of its medicinal cannabis product line for clinical trials and Special Access Scheme for patients later this year.

AusCann Executive Director and interim CEO, Dr Paul MacLeman, commented:

"AusCann is well advanced in delivering its strategy to develop and produce cannabinoid pharmaceuticals, and the advancements during the March quarter reflect this. These have broadly been across four key areas.

"The first is leadership, with the appointment of Ido to align the Company's leadership to the skills required in AusCann's manufacturing and sales growth phase. The Board and I are confident in Ido's ability to lead the Company's next stage of growth and look forward to him commencing with the business next month.

"Secondly, we have broadened and strengthened our raw material supply chain, with the addition of MediPharm Labs. The reliable supply of raw resin will support the development of safe and consistent quality cannabinoid medicines with our capsules. Thirdly, the advancements with our Joint Venture DayaCann have also progressed steadily with the commencement of first cultivation activities with Khiron.

"Finally, we have been investing in our product development capabilities with a dedicated new R&D facility in Western Australia. Having our own in-house facility is a key point of difference, enhancing our positioning and building our product pipeline. We will continue to progress with our new R&D facility in the coming months while being focused on disciplined capital management.

"We remain on track to release our hard shell capsules to the market for clinical trials during 2019. We are excited by the prospects ahead, led by Ido, and we look forward to bringing our high quality, cost-effective cannabinoid medicines to market to address the unmet medical needs of doctors and their patients."

ENDS

For more information, please contact:

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ABOUT AUSCANN

AusCann Group Holdings Limited (ASX:AC8) is an Australian-based pharmaceutical company that aims to produce high quality, economical, and clinically validated cannabinoid medicines. AusCann is bringing together leading expertise and operations across all aspects of the medical cannabis value chain, beginning with cultivation and production, through to manufacture and distribution of products. Through partnerships with industry experts, existing leading market participants and doctors, AusCann is building operations and educating the medical community about the benefits of cannabinoid medicines. Incorporated in 2014, AusCann holds the full set of necessary licences to grow and manufacture cannabinoid medicines in Australia. The company is initially targeting medications for neuropathic and chronic pain in Australia and Chile, whilst exploring global export opportunities.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

AusCann Group Holdings Limited

ABN

72 008 095 207

Quarter ended ("current quarter")

31 March 2019

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	-	-
1.2 Payments for		
(a) research and development	(835)	(1,940)
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(35)	(128)
(d) leased assets	(72)	(168)
(e) staff costs	(257)	(1,115)
(f) administration and corporate costs	(1,134)	(2,681)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	185	836
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,148)	(5,196)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(5,363)	(6,616)
(b) businesses (see item 10)	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	(476)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(5,563)	(7,092)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	35,347
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(1,726)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	33,621

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	41,722	12,878
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,148)	(5,196)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(5,363)	(7,092)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	33,621

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	34,211	34,211

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	6,135	23,677
5.2	Call deposits	28,076	18,055
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)	34,211	41,722

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
89
-

Payment of Directors' fees and expenses.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		


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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(1,647)
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	(37)
9.4 Leased assets	(25)
9.5 Staff costs	(546)
9.6 Administration and corporate costs	(1,002)
9.7 Other – planned capital expenditure for the quarter	(1,104)
9.8 Total estimated cash outflows	(4,361)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration	N/A	N/A
10.3 Consideration for acquisition or disposal	N/A	N/A
10.4 Total net assets	N/A	N/A
10.5 Nature of business	N/A	N/A

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.

Sign here:  Date: 30/4/19
(Company secretary)

Print name: Quentin Megson

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position.
2. This quarterly 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. This quarterly 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.