

## **AusCann accelerates commercialisation path with capsules released for clinical evaluation in December Quarter**

### **Highlights**

- Completed development of hard-shell capsule ready for the next phase of clinical evaluation and commercialisation.
- Completed construction of AusCann's product development facility.
- Board renewal process finalised.

**30 January 2020** –Medicinal cannabis pharmaceutical 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 December 2019.

AusCann had a cash balance at the end of the quarter of circa \$26m. Net cash outflows for the quarter were \$6.405m due primarily to construction costs of \$3.426m in respect to the product development facility, and operational costs of \$2.871m including R&D costs of \$0.979m. AusCann expects cash outflows next quarter of approximately \$4.678m.

The Company remains well funded to reach its key milestones and will focus its capital on its core R&D program including clinical evaluation, product manufacturing and commercialisation

### **Hard Shell Capsules Released for Clinical Evaluation**

AusCann reached a major milestone during the quarter announcing on 18 December 2019 finalising the successful development, manufacturing and testing of its proprietary cannabinoid-based hard-shell capsules.

Testing of the capsules was completed according to standardised validated tests used across the pharmaceutical industry to ensure product quality, dose reliability and consistent performance through the shelf life of the product.

The Company is working to develop a commercially focused, short clinical evaluation. AusCann's solid fill capsule formulation is a unique presentation for cannabinoid medicines, and the clinical evaluation goal is to provide key exposure information to inform dose selection, bioavailability and safety.

AusCann is targeting to have the hard-shell capsules commercially available for physicians to prescribe in Australia through the Therapeutic Good Administration (TGA) special access scheme and authorised prescriber scheme during the first half of CY 2020.

The capsule is manufactured by PCI Pharma and a three-year agreement was executed with TGA licensed Aspen Pharmacare Australia (Aspen) to provide cost-efficient packaging of the capsules in consumer-ready packs at its Australian facility.

### **Product Development Site**

During the quarter AusCann completed the construction stage of its facility based in Perth, Western Australia. The site construction was completed on time and on budget with \$4.5m spent to date and additional capital spend to be deployed for R&D equipment within the original \$6m budget the company announced on 25 January. The site will provide AusCann with a state of the art R&D facility that will assist in the development of innovative cannabinoid-based medicines pipeline.

The Company has recently moved its administration headquarters to the new facility.

### **Change in Substantial Shareholder**

During the quarter long term investor Merchant Funds Management Pty Ltd acquired a 13.2% interest in AusCann from Canopy Growth Corporation. Merchant is a financial services firm with extensive experience in the medical cannabis sector.

### **Board Renewal Process Completed**

The Board renewal process was completed in December with the appointment of Mr Max Johnston as a Non-Executive Director of AusCann on 19 December 2019 and Chairman of the Company effective 19 January 2020.

Ms Krista Bates was appointed as a Non-Executive on 20 December 2019 and brings over 18 years of legal expertise to the Board, and Mr Chris Mews was appointed as Merchants Board nominee on 1 December 2019.

**AusCann CEO, Mr Ido Kanyon** said the last few months were pivotal for AusCann with the completion of preclinical product development, commercial manufacturing and release of the Company's hard-shell capsules for clinical evaluation.

"The team at AusCann had been working relentlessly towards this milestone with manufacturing and testing successfully completed and meeting the strictest pharmaceutical quality and conformance standards. Finding the right packaging partner was also of critical importance. AusCann has signed a three-year agreement with leading global pharmaceutical packaging company Aspen.

"There is a lack of quality clinical evidence for medicinal cannabis pharmaceuticals in the industry and that is why we are generating the evidence to demonstrate the uniqueness and consistency of our capsules while building medical acceptance with Australian-based physicians.

"This is an exciting time for AusCann as we establish the Company as a trusted pharmaceutical player with a reliable, stable and standardised product. We are committed to making our capsules commercially available for prescription to patients in Australia during the first half of 2020."

**ENDS**

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

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

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### **ABOUT AUSCANN**

**AusCann Group Holdings Limited** (ASX:AC8) is an Australian-based pharmaceutical company focused on the development, production, and distribution of cannabinoid-based medicines within Australia and internationally. AusCann transforms the way Medicinal Cannabis is dispensed today by making standardised dose-controlled cannabinoid-based pharmaceutical products and clinical evidence accessible to patients, physicians and healthcare providers. AusCann enables physicians to treat their patients with a reliable, stable and standardised cannabinoid-based pharmaceutical product, monitor treatment results and adjust treatment algorithms using a portfolio of products and formulations.

## 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 December 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
Receipts from Grants	-	-
1.2 Payments for		
(a) research and development	(979)	(1,830)
(b) product manufacturing and operating costs	(746)	(746)
(c) advertising and marketing	-	-
(d) leased assets	(29)	(66)
(e) staff costs	(696)	(1,280)
(f) administration and corporate costs	(555)	(1,293)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	133	283
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)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,871)</b>	<b>(4,932)</b>

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3,426)	(4,147)
(b) businesses (see item 10)	-	-
(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	(108)	(161)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(3,534)</b>	<b>(4,308)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	11
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>11</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	32,483	35,307
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,871)	(4,932)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(3,534)	(4,308)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	11
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>26,078</b>	<b>26,078</b>

<b>5. 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	6,078	4,346
5.2 Call deposits	20,000	28,138
5.3 Bank overdrafts		
5.4 Other (provide details)		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>26,078</b>	<b>32,484</b>

**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

<b>Current quarter \$A'000</b>
61
-

Payment of Directors' fees and expenses.

7. <b>Payments to related entities of the entity and their associates</b>	Current quarter \$A'000
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	

8. <b>Financing facilities available</b> <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.		

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(1,435)
9.2 Product manufacturing and operating costs	(1,011)
9.3 Advertising and marketing	(231)
9.4 Leased assets	(11)
9.5 Staff costs	(632)
9.6 Administration and corporate costs	(644)
9.7 Other – planned capital expenditure for the quarter	(724)
<b>9.8 Total estimated cash outflows</b>	<b>(4,678)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	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:  .....

(Director/Company secretary)

Date: 30 January 2020

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.