

Quarterly Cash Flow Report and Market Update for September 2022 Quarter

31 October 2022 - AusCann Group Holdings Limited (ASX: AC8) ('AusCann' or 'the Company') is pleased to update the market for the September 2022 quarter and attaches its Appendix 4C Quarterly Cash Flow report for the period.

Operating outflows totalled \$0.784m for the quarter including \$0.360m related to research and development costs in respect of the Company's research activities.

The Company had \$1.2m cash at bank as at September 30, 2022, following the drawdown of a total of \$8.75m in loans to Eurocann Cannabis Corporation [**ASX:AC8 April 29, 2022 and September 9, 2022**].

Related party payments for the period totalled \$46k for Directors' fees paid from the pool of fees approved by shareholders.

Operational Update

Increase of Loan Facility with Eurocann

As announced previously, Auscann has entered into a secured loan facility for \$5m with European Cannabis Corporation Limited ('EuroCann') in connection with a strategic agreement between the companies to explore mutual opportunities in the European and Australian cannabis markets [**ASX:AC8 August 29, 2022**].

During the quarter, the Company agreed to increase the facility provided by the Company under the Secured Loan Agreement by an additional \$3.75 million [**ASX:AC8 September 9, 2022**].

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. Hapa 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 terms of the strategic agreement, the parties are exploring various strategic opportunities that are beneficial to AusCann and EuroCann, including the commercialisation of EU-GMP cannabis products into Germany following positive reform in adult use legalisation of cannabis in the Country.

Update on Wangara Property Sale

During the quarter the Company announced that it had entered into a conditional contract for the sale of the property held by AusCann Ops at 11 Excellence Drive, Wangara WA 6065 for a purchase price of \$7m with Yolena Pty Ltd ('Purchaser').

The conditional contract has now lapsed as a result of incomplete Due Diligence within the allocated timeline. However, the Company remains in ongoing discussions with the Purchaser, and other interested parties, and will update the market accordingly.

Resignation of Chief Executive Officer

The Company announced the resignation of its Chief Executive Officer, Mr Layton Mills, on 13 September 2022. Mr Mills, who has been with the Company for one and half years, will continue to support the Company during the remainder of his 6 month notice period, before pursuing other business interests.

Suspension from Quotation

During the period, the securities of the Company were suspended from quotation at the request of Auscann, pending the release of an announcement regarding a proposed material acquisition (**'Proposed Acquisition'**).

The ASX has exercised its discretion under Listing Rule 11.1.2 to require the Proposed Acquisition to be conditional on approval by the Company's ordinary security holders and under Listing Rule 11.1.3 to require AC8 to re-comply with Chapters 1 and 2 of the ASX Listing Rules.

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

Review of Development Programs

As announced in the June 2022 Quarterly Update, the Company is actively reviewing its research programs, including its animal health pipeline, with a view to undertake a transaction or a series of transactions which may involve strategic acquisitions and disposals.

As such, the Company has significantly slowed its research and development activities while focusing on re-compliance with Chapters 1 and 2 of the ASX Listing Rules in relation to the Company's Proposed Acquisition.

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 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 September 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	-	-
1.2 Payments for		
(a) research and development	(360)	(360)
(b) product manufacturing and operating costs	(67)	(67)
(c) advertising and marketing	(31)	(31)
(d) leased assets	(4)	(4)
(e) staff costs	(186)	(186)
(f) administration and corporate costs	(297)	(297)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
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	158	158
1.9 Net cash from / (used in) operating activities	(784)	(784)
2. Cash flows from investing activities		
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	(14)	(14)
(f) other non-current assets	-	-

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

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	(3,750)	(3,750)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(3,764)	(3,764)

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	-	-
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)	-	-
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	5,749	5,749
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(785)	(785)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(3,764)	(3,764)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

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	1,200	1,200

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	735	1,538
5.2	Call deposits	465	4,211
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)	1,200	5,749

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	46
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)	(784)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,200
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,200
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.53
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: Yes. The Company expects to receive the R and D rebate and also proceeds from the sale of its property.	
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: No capital raising required at this point.	
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: Yes it does as the core R and D programs expenditure has been significantly reduced as has operational costs.	
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: 31 October 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.