

## **Quarterly Cash Flow Report and Market Update for December 2022 Quarter**

**31<sup>st</sup> January 2023 - AusCann Group Holdings Limited** (ASX: AC8) ('AusCann' or 'the Company') is pleased to update the market on its progress in the December 2022 quarter and attaches its Appendix 4C Quarterly Cash Flow report for the period.

Operating outflows totalled \$551k for the quarter, with \$270k related to research and development costs in respect of the Company's core research programs.

The Company had \$629k cash at bank as at 31 December, 2022, following the drawdown of \$8.5m in loans to EuroCann Cannabis Corporation [**ASX:AC8 9 September, 2022**].

During the quarter, the Company lodged its AusIndustry Research and Development tax refund and is expecting a rebate of \$1.2m in February, 2023.

There were no related party payments for the period except for Directors' fees of \$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 Company continues to progress due diligence in relation to the proposed transaction and AusCann will provide the market with further updates in relation to the Proposed Transaction in due course.

#### *Review of Development Programs*

As announced previously, the Company is actively reviewing its development 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 [**ASX:AC8 29 July, 2022**].

As such, the Company continues to reduce its research and development activities while focusing efforts and resources on the Company's Proposed Transaction.

#### *Wangara Facility Sale*

In September 2022, the Company announced its wholly-owned subsidiary, AusCann Operations Pty Ltd ('AusCann Ops') had entered into a conditional contract for the sale of the property held by AusCann Ops at 11 Excellence Drive, Wangara, Western Australia.

However, as announced in the September 2022 quarterly update, the conditional contract lapsed as a result of incomplete due diligence within the allocated timeline. The Company remains in ongoing discussions with this purchaser, and other interested parties, and will continue to update the market in relation to the sale of the facility [**ASX:AC8 29 September, 2022**].

*Resignation of Director*

Post the quarter, the Company announced that Mrs Krista Bates had resigned from her position as Non-executive Director of the Company to pursue other corporate interests, following the completion of a 3-year term with AusCann.

Mrs Bates is an experienced and highly credentialed non-executive and executive director of listed companies (Australian Stock Exchange and London Stock Exchange) and played an active role in helping navigate the restructuring of the business as both a director and as interim Chairwoman of AusCann since her appointment in December, 2019.

The Board and Management would like to thank Krista for her contribution and support of the Company and wishes her well in her other business endeavours.

**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**

31 December 2022

<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	(273)	(633)
(b) product manufacturing and operating costs	(91)	(158)
(c) advertising and marketing	-	(31)
(d) leased assets	-	(4)
(e) staff costs	(186)	(372)
(f) administration and corporate costs	(142)	(439)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	4
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	140	298
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(551)</b>	<b>(1,335)</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	(20)	(34)
(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)
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>(20)</b>	<b>(3,784)</b>

<b>3. 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 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	1,200	5,748
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(551)	(1,335)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(20)	(3,784)

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

<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>629</b>	<b>629</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	164	735
5.2	Call deposits	465	465
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>629</b>	<b>1,200</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	59
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

7. <b>Financing facilities</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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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.		

8. <b>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)	(551)
8.2 Cash and cash equivalents at quarter end (item 4.6)	629
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	629
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>1.14</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: No, the Company has taken steps to reduce its expenditure, including headcount and research and development. Employment and R&D costs are expected to be further reduced as of March 2023.	
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: The Company has commenced the process to sell its Wangara Research and Development facility. It is expected that an acceptable offer will be agreed in the current financial year.	
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. During the quarter, the Company lodged its AusIndustry Research and Development tax refund and is expecting a rebate of \$1.2m in February. The Company is also expecting a \$1m repayment in April in relation to its loan facility with EuroCann Cannabis Company.

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 January 2023

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.