

Quarterly Cash Flow Report and Operations Update for March 2024 Quarter

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

Financial Update

The Company had \$2.586 million cash at bank as at 31 March 2024, with \$1.5m 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 \$51k (December 2023 \$63k) 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.

However, during the past 18 month there were significant delays to the proposed medical cannabis 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.

German legislation has finally come into effect from 1 April 2024, and this now enables AusCann to proceed with a transaction with certainty over the legislative environment and enable due diligence to be completed. It is the intention of AusCann to move quickly on a transaction and apply to the ASX for re-listing as soon as possible.

Loan Agreements Signed with European Cannabis Corporation

AusCann announced 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. ECC have made repayments of \$2 million since the inception of the loan which is in excess of the current repayment requirement of \$1 million.

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Following the end of the March quarter a further \$500,000 has been forward to ECC for working capital purposes which is expected to be the final amount under the current loan agreements, with ECC currently working to secure a material financing transaction with strategic European industry partners.

The terms of the ECC loans were set out in the December 2023 Half Year Accounts lodged on 3 April 2024. The interest rate for the loan facility is 7.5% per annum and the Company extended the loan agreement repayment date to 30 June 2025, as consideration for the extension of the repayment date ECC must repay €1m by no later than 30 September 2024. The redemption date for the convertible notes with ECC has been extended to 15 December 2024.

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

Outlook 2024

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. 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.

CannPal Animal Therapeutics Limited

AusCann is pleased to provide an update on the activities of CannPal during the quarter. AusCann divested 58% of AusCann to remove the cost burden from AusCann while retaining a significant interest in CannPal as it progressed through its R and D activities and potentially to commercialisation. We believe that this strategy has reduced costs to AusCann but also allowed CannPal to progress discussions with potential partners in a commercial manner.

DermaCann

During the quarter the application for MPI registration as a veterinary medicine successfully passed its pre-screen and has now been accepted for review and appraisal for registration as an ACVM in New Zealand.

Launch of Dermaforce

In response to the delay in registration of DermaCann, CannPal has developed a lower purity version of the product as an END (exempt nutritional drug) for launch in pet specialty distribution channels in 2024. During the quarter, the Company commenced a pilot batch for the revised formulation, which will be used for initial commercialization and the commencement of an observational study in H2 2024.

CPAT-01 Update

CannPal is in the late stages of negotiation for a co-development and commercialization agreement with a major animal health Company following the completion of a 12-month due diligence and review process.

ENDS

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

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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 March 2024

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	(7)	(71)
(b) product manufacturing and operating costs	(33)	(35)
(c) advertising and marketing	-	(5)
(d) leased assets	-	-
(e) staff costs	(95)	(259)
(f) administration and corporate costs	(200)	(494)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	95	320
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	-	-
1.9 Net cash from / (used in) operating activities	(240)	(544)
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	-	-
(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	-	(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)	(896)	(2,946)
2.6	Net cash from / (used in) investing activities	(896)	(3,191)

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)	978	978
3.10	Net cash from / (used in) financing activities	978	978

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,744	6,513
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(240)	(544)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(896)	(3,191)

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)	978	978
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,586	3,756

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	1,086	1,080
5.2	Call deposits	1,500	2,676
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)	2,586	3,756

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	51
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		

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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 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)	(240)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,586
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,586
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	10.77
<i>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</i>	
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 April 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.