

AusCann to Expand into European Cannabis Market

Key Highlights

- AusCann has entered into a binding term sheet with European Cannabis Corporation Ltd ('Eurocann') to exploit mutual opportunities in the European and Australian cannabis markets
- AusCann has also entered into a secured loan facility with Eurocann to provide capital expenditure to scale up its European cannabis cultivation and extraction capabilities to support the collaboration
- Under the term sheet, HAPA Pharm GmbH ('HAPA') an entity within the Eurocann group will exclusively manufacture and supply EU-GMP medicinal cannabis products to AusCann, for commercialisation in Australia and New Zealand
- The Companies will also focus on expanding AusCann's self-emulsifying drug delivery ("SEDDS") technology, for the development of standardised dosage form cannabis products for Germany and other markets
- AusCann has entered into a research agreement with the Monash University to optimise its SEDDS platform technology to enhance production capabilities for the local and European market

29 April 2022 - AusCann Group Holdings Limited (ASX: AC8) ('AusCann' or 'the Company') is pleased to announce that it has entered into a binding term sheet with European Cannabis Corporation Ltd ('Eurocann') to exploit mutual opportunities in the European and Australian cannabis markets.

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, 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 term sheet, the parties will establish a joint steering committee to focus on AusCann's self-emulsifying drug delivery technology ("SEDDS"), for the development of standardised dosage form cannabis products for commercialisation in Germany as well as exploring other strategic opportunities that are beneficial to AusCann and Eurocann.

The parties will also collaborate on the import of EU-GMP cannabis products into Australia, ahead of recently announced changes to the Therapeutic Goods Order 93 ('TGO93'). Specifically HAPA, will exclusively manufacture and supply certain EU-GMP medicinal cannabis products to AusCann, for commercialisation in Australia and New Zealand.

Changes to TGO93 are expected to prevent some of the current international manufacturers, that had not previously been required to comply with TGO93 or equivalent GMP codes, from supplying the Australian market with finished cannabis products. This presents an attractive opportunity for the Companies to supply low-cost EU-GMP cannabis products into Australia.

Loan Facility with European Cannabis Corporation ('Eurocann')

AusCann is also pleased to announce that it has entered into a secured commercial loan facility with Eurocann to advance up to \$5 million to supply capital expenditure to Eurocann for the construction of additional greenhouses, expansion of manufacturing capabilities, and exclusivity for the commercialisation of medicinal cannabis products for the Australian and New Zealand markets ('Approved Purpose'). This will expand the Company's EU-GMP medicinal cannabis cultivation and manufacturing capabilities to support the strategic collaboration.

The loan facility is to be secured against the assets of Eurocann including the shares it holds in HAPA Pharm B.V.

Other key terms of the loan facility include:

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- \$5 million loan limit;
- Interest rate on drawn funds of 7.5% per annum;
- interest to be paid annually;
- Default rate of 9.5% per annum; and
- A repayment of \$1,000,000 on each of the first anniversary and the second anniversary of the date of drawdown, with the balance of the amount owing to be paid on the third anniversary of the date of drawdown.

Drawdown under the loan is subject to and conditional on:

- (Finance Documents) the execution and delivery of originals of the loan agreement and any security or collateral security duly stamped and in registrable form together with all executed documents and other actions necessary to register them and perfect any security interest created under these documents;
- (Term Sheet) an original of the term sheet duly executed by the parties;
- (Event of Default) evidence that no event of default is subsisting under the loan;
- (Due diligence) AusCann having satisfactorily completed its due diligence in respect of Eurocann;
- (Approved Purpose) evidence that the proceeds of the loan will be used for the Approved Purpose, including copies of invoices and any other documents or information requested by AusCann; and
- (Additional Information) any other documents or information as may be requested by AusCann in writing (acting reasonably).

The loan agreement also contains standard terms for a transaction of this nature including conditions for repayment, cancellation and termination of the facility, indemnity provisions, representations and warranties made by each party, information undertakings, and events of default such as non-payment, insolvency and breach of the term sheet and loan agreement.

AusCann notes that, the Company's Chair, Mr Tod McGrouther is also a director of Eurocann and also holds an indirect shareholding in Eurocann. Additionally Mr Chris Mews, another of the Company's directors is an employee and officer of the investment manager for Eurocann's major shareholder.

Notwithstanding the above, the Board (excluding Mr Tod McGrouther and Mr Chris Mews who have not been involved in the negotiations from AusCann's side given their material personal interest) consider the loan to be on commercial arm's length terms and in the best interests of the Company as a whole.

Research Agreement with MMIC and Market Update

The Company is also pleased to advise that it has entered into a research agreement with the Monash University's Medicines Manufacturing Innovation Centre ('MMIC') to optimise its self-emulsifying drug delivery technology ('SEDDS') to enhance production capabilities for the local and European market.

The research project aims to optimise its SEDDS technology to enable the ability to supply bulk THC and CBD powders as single active ingredients, as well as manufacture its standardised pharmaceutical capsules in differing ratios, to complement the Company's Neuvis® 1:1 Oral THC:CBD capsules.

SEDDS technology is a proprietary mixture of oils, surfactants and solvents, which can be used for the design of novel formulations in order to improve the characteristics of highly lipophilic drug compounds.

AusCann launched its Neuvis® hard-shell capsules using its own patented SEDDS formulation under the Special Access Pathway (SAS-B), and was extremely pleased with the initial endorsement of the product by healthcare practitioners and patients, with repeat prescriptions accounting for up to 75% of ongoing sales.

However, as announced in July 2021, the Company does not expect its revenue to be material while it focuses on improving its SEDDS manufacturing processes and reducing production costs for the platform technology **[ASX:AC8 July 30, 2021]**.

As such, the Company has temporarily paused the production of its 1:1 Oral capsules to focus on the completion of its process development activities which are intended to significantly reduce manufacturing costs, while improving consistency of supply and enabling a better variety of product formats for local and export markets.

AusCann will also temporarily pause the commencement of its exploratory clinical study into Spinal Cord Injury ('SCI') while it completes its process development activities. The Company had announced that it had commenced the design phase for a clinical discovery trial to evaluate cannabinoids in people suffering from symptoms associated with SCI **[ASX:AC8 November 12, 2021]**.

The Company will temporarily pause the commencement of the program to conserve resources while it focuses on the completion of its manufacturing optimisation program at Ausphex and the expanded research project with the MMIC. This will also enable the Company to evaluate broader strategic opportunities through its collaboration with Eurocann.

ENDS

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

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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.