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AusCann
ASX RELEASE

AusCann Enters into Lease Agreement for R&D Facility

Key Highlights

- AusCann has entered into an agreement to lease the Company's R&D facility to Source Certain International ('SCI'), for an initial term of 5 years with the option to extend;
- SCI is a leading Australian scientific technology company that provides forensic provenance, analytical, research and development services to industries including food, agriculture, law enforcement, regulators and medical cannabis;
- The lease agreement provides AusCann with an immediate reduction in its cost base and a rental income of $475,000 p.a. ex GST (subject to CPI increases and rent reviews);
- Leasing the R&D facility is part of a revised growth strategy to reduce the Company's operating expenses, maximise the value of its assets, and more clearly focus its resources on core projects which are expected to provide the greatest return on investment.

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17 June 2021 - **AusCann Group Holdings Limited** (ASX:AC8) ('AusCann' or 'the Company') is pleased to announce that it has entered into an agreement to lease the Company's R&D facility in Western Australia to Source Certain International ('SCI'), an Australian scientific technology Company that is recognised internationally for pioneering and commercialising forensic provenance technology. SCI provides services to the food and agriculture, mining and production, law enforcement, regulatory agencies and pharmaceutical (including medical cannabis) industries.

Leasing the R&D facility is part of a revised growth strategy for AusCann to reduce the Company's operating expenses, maximise the value of its assets, and more clearly focus its resources on core R&D and commercialisation opportunities which are expected to provide the greatest return on investment.

Key terms of the agreement:

- Term of lease: 5 years plus two extension options of 5 years and 5 years;
- Permitted use: Laboratory, chemistry, development, manufacture, supply and cultivation;
- Rent: $475,000 p.a. ex GST (subject to CPI increases and rent reviews);
- Incentive: First 6 months' rent free;
- Outgoings: SCI responsible for operating expenses related to the facility;
- Right of First refusal: SCI has first right to purchase the facility if AusCann proposes to sell; and
- Service agreement: AusCann has the right to negotiate a service level agreement allowing for SCI to provide AusCann with research and analytical services in the R&D facility.

Mr Layton Mills, CEO of AusCann: "Given AusCann's current supply chain and R&D strategy, the Company has agreed to lease the R&D facility to SCI, an aligned partner operating in the field of research and analytics. This will further reduce our non-R&D related cash outflow, allowing the Company to focus resources on expanding our research pipeline, and commercialising our lead products in development."

Mr Cameron Scadding, Managing Director of SCI, commented: "SCI is in an exponential growth phase of its business and the R&D facility developed by AusCann presents the business with a great opportunity to accelerate this growth. We look forward to servicing our global clients from this new facility and to potentially working with Layton and the AusCann team on their future research or development requirements."

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. Further information is available at www.auscann.com.au.

ABOUT SOURCE CERTAIN INTERNATIONAL

Source Certain International is an Australian, Perth-based private company focused on provenance science, based on its proprietary verification technology TSW Trace®. The company is a leading provider of product authenticity, supply chain integrity and anti-counterfeit services, working with industry bodies, companies, and producers to deliver integrity in labelling claims, trust for consumers and value for producers. The scientific technology allows clients to robustly verify the authenticity of a vast suite of products at any point in the supply chain, independently of labelling or tracking data. Source Certain works with clients all around the globe. This has included international cannabis based engagements with governments, corporates and industry bodies. Further information is available at www.sourcecertain.com.