

10 November 2016

**AUSCANN EXPANDS INTERNATIONALLY**  
**FORMS JOINT-VENTURE WITH LICENSED PRODUCER IN SOUTH AMERICA**  
**FIRST CROP PLANTED IN COMING WEEKS**

**Highlights**

- AusCann has entered into an agreement to form a joint-venture with Chilean group Fundación Daya – the only group to have held a medical cannabis production licence in Chile
- Provides immediate ability to commence grow operations with a strong local partner already holding necessary licences and permits
- Excellent base to service the enormous South American market
- Strong relationships with government, hospitals, patients and pharmaceutical manufacturers & distributors already in place
- Diversifies AusCann’s geographic base and provides investors with exposure to a significant market opportunity in Chile and surrounding countries with a first mover advantage
- All necessary infrastructure to grow and manufacture cannabis medicine already in place
- First crop to be planted later this month with first harvest in May 2017
- Complements AusCann’s focus to supply Australian patients with high quality, cost effective, clinically validated cannabis medicines with the ability to grow a range of cannabis strains
- Chilean regulatory system well regarded internationally

The Board of **AusCann Group Holdings Ltd (“AusCann”)** is pleased to announce it has entered into a binding agreement with Chilean-based medical cannabis group Fundación Daya (“Daya”).

Daya is a non-profit organisation based in Santiago, Chile. Its objective is research and promotion of alternative therapies aimed at relieving human suffering as well as advising on the design of public policies that promote the physical and spiritual well-being of people.

Daya are the only group to have ever held a licence to grow medical cannabis in Chile and was the first group in South America to receive such approvals in 2014 with subsequent licences being granted in 2015 and 2016. Daya has a strong social focus on educating clinicians and patients on the suitability and benefits of medical cannabis as a safe and effective medicine. Daya enjoys a very high profile in the region and has an extensive set of networks and relationships and is an excellent partner for AusCann.

AusCann and Daya will form a 50/50 joint-venture company “DayaCann” to focus on becoming South America’s leading medical cannabis group and a key player in the global supply chain operating from a very stable, progressive and low cost base. A number of groups have already expressed interest in accessing plant material for a range of uses providing a strong base from

which to grow future crop size and revenues. The key terms of the heads of agreement are set out in the annexure to this announcement.

Chile enjoys a stable government, strict bio-sanitary conditions, a well regarded health regulator and a relatively low-cost business base. There is significant two-way trade between Australia and Chile with strong bilateral relations and treaties in place.

Central Chile's mediterranean climate combined with proximity to high mountains provides ideal conditions for both *sativa* and *indica* varieties in outdoor conditions.

All necessary infrastructure is already in place from previous year's activities. Planting of the crop will commence immediately with harvesting expected in May 2017. This plant material will be sold to several groups conducting research, clinical trials and developing products where AusCann and Daya have long-standing relationships. More details on this aspect will be provided in due course.

These activities will complement AusCann's proposed activities in Australia and provide shareholders with diversified exposure to the rapidly growing global medical cannabis sector.

**AusCann Managing Director Elaine Darby stated:**

"We are very excited by this joint venture opportunity. We established AusCann in 2014 with the belief that patients have the right to high quality, cost effective, clinically validated cannabis medicines. We have spent considerable effort in building a strong set of global relationships with major players to enable us to supply such medicines. Combined with our link with Canada's largest medicinal cannabis group, Canopy Growth Corporation, and Europe's leading cannabis breeding company Phytplant, this initiative in Chile demonstrates that AusCann is well and truly a major player in the global sector. We have de-risked the company with the ability to proceed with growing activities immediately and diversified our geographic opportunities to now include major markets in South America including Chile, Argentina and Brazil."

**Fundación Daya Director Mr Nicolás Dormal stated:**

"We are very excited to be partnering with AusCann who we have found to have an excellent base of technical and business development expertise to complement our local operations. The ability to build a significant medical cannabis group based in Chile leveraging each group's global networks is a tremendous opportunity for our joint-venture company DayaCann."

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**About AusCann Group Holdings Ltd ([www.auscann.com.au](http://www.auscann.com.au))**

AusCann Group Holdings Ltd ("AusCann") is an Australian-owned company established in 2014 with the aim of becoming Australia's leading medicinal cannabis group. It is in the process of securing the necessary licences and permits to cultivate and process high quality medicinal cannabis products in Australia for the domestic market. AusCann has built extensive global relationships with key players in the medical cannabis ecosystem and is adopting world's best practice to its pending activities in Australia.

## Key Terms of the Heads of Agreement with Daya

The key terms of the heads of agreement with Daya are as follows:

- (a) AusCann and Daya are to hold a 50% stake each in DayaCann.
- (b) Upon being awarded the 2016 grow permit, Daya will either contract DayaCann or transfer the 2016 grow permit to DayaCann.
- (c) Daya founders own the land and existing infrastructure which DayaCann will access under an operating agreement and which eliminates the need to spend capital on land and related infrastructure.
- (d) AusCann has already provided an exclusive due diligence option fee of US\$30,000 (thirty thousand dollars) which gave AusCann exclusivity whilst it undertook its due diligence activities.
- (e) AusCann is to provide working capital to DayaCann for an amount up to US\$90,000 (ninety thousand dollars) for a period of up to three months. Payments to be made in three equal monthly instalments of US\$30,000.
- (f) Upon receipt of the transfer of rights to DayaCann, AusCann is to provide additional funding sufficient to cover operating costs and working capital for the grow as well as to pursue other international business development activities - initially in Latin America. This amount to total up to US\$880,000 over a 12-month period to be payable in monthly instalments.
- (g) DayaCann is to cultivate the crop, sell production to customers and pursue international expansion opportunities.
- (h) DayaCann is to apply for and hold future production licences directly.
- (i) The relationship is exclusive and neither party may enter into a similar arrangement with another party in Chile without the explicit written consent of the other party.
- (j) AusCann and Daya are to appoint two directors each and a mechanism to be put in place to deal with deadlock decisions.
- (k) The parties are now working in good faith to do all that is necessary to establish DayaCann, including to enter into a shareholders agreement in respect of DayaCann. If the terms of the shareholders agreement is not agreed by 31 January 2017 (or such later date as the parties agree, acting reasonably), the Daya HoA will terminate and DayaCann will not be established.