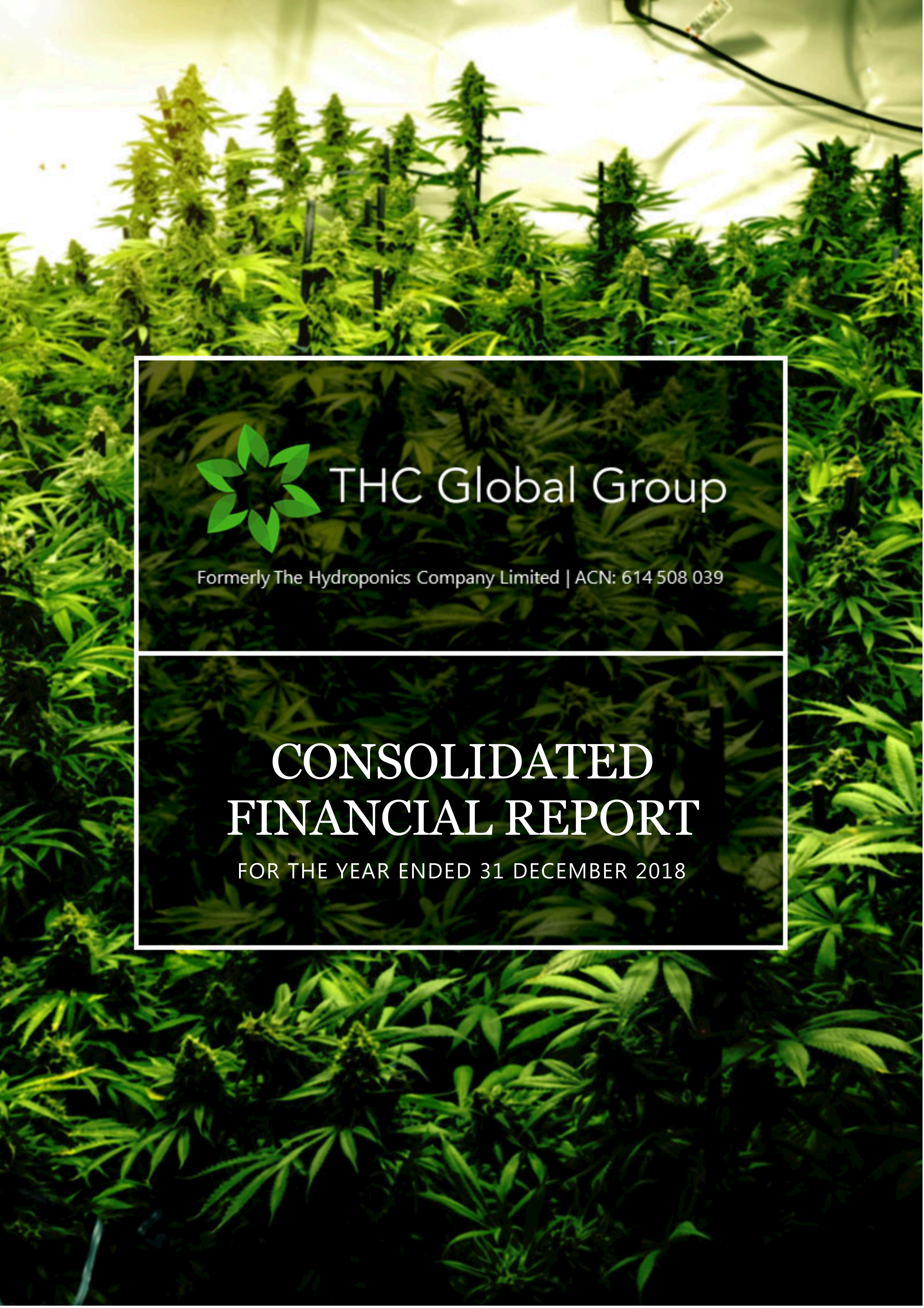

THC Global Group

Formerly The Hydroponics Company Limited | ACN: 614 508 039

CONSOLIDATED FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

2018 FINANCIAL REPORT

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CORPORATE INFORMATION

THC GLOBAL GROUP LIMITED (ASX: THC)

(formerly The Hydroponics Company Limited)

Directors

Steven Xiaobo Xu (Chairman)
Alan Preston Beasley (Deputy Chairman)
Lou Anthony Cattelan
Gary John Radcliff

Company Secretary

Henry Kinstlinger

Chief Executive Officer

Ken Charteris

Registered Office

Level 2
131 Macquarie Street
Sydney NSW 2000

Principal Place of Business

Level 2
131 Macquarie Street
Sydney NSW 2000

Website

thc.global

Telephone

+61 2 8088 4760

Corporate Accountant

Traverse Accountants
Suite 305, Level 3
35 Lime Street
Sydney NSW 2000

Auditor

KS Black & Co
Level 1, 251 Elizabeth Street
Sydney NSW 2000

Australian Legal Advisors

Piper Alderman
Level 23, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Baker McKenzie
Level 46, Tower One
International Towers Sydney
100 Barangaroo Avenue
Barangaroo NSW 2000

Canadian Legal Advisors

Borden Ladner Gervais
Centennial Place, East Tower,
1900, 520 – 3rd Ave S W,
Calgary, Alberta, Canada

CHAIRMAN'S LETTER

Dear Fellow Shareholders,

I am most pleased to present to you the 2018 Annual Report for THC Global Group Limited (THC Global or the Company).

The past year has seen significant developments within our Company as your Board sought to refocus the Company towards building a global, diversified vertically integrated cannabis business reflecting the new greater opportunities we identified in this sector. Our approach towards deployment of capital through strategic investment decisions, entering into key commercial partnerships and alliances, and securing experienced talent at all levels has been greatly successful and has laid the foundation for further growth of our Company in the many years to come.

As a Company we are now in a better position than ever to be a significant competitor within the cannabis sector globally – with your Company now engaged in many key global markets including Canada, New Zealand, and Australia and making strong headway into Europe and particularly the Asia Pacific.

Our key successes in the past year include:

- Acquiring a world class bio-pharmaceuticals extraction facility ready for the manufacture of high quality medicinal cannabis products for Australian patients and the global export market;
- Securing key cannabis cultivation sites to enable cultivation of our proprietary high-CBD cannabis strains;
- Developing stronger commercial partnerships with highly experienced cannabis businesses globally to drive our global reach;
- Delivering high quality imported product to Australian patients using existing medicinal access schemes;
- Expanding our global activities with supply to patients in New Zealand, and looking to enter the broader medicinal cannabis market in the Asia Pacific; and
- Shareholders approving our change of company name to THC Global Group Limited signifying an acceptance of our focus on building a diversified, vertically integrated cannabis business.

I believe that with your Board and Management team, we have the right skills and expertise combined with high value strategic assets globally, and a clear vision for the growth of this Company, THC Global, over the years to come.

On behalf of your Board and Management, I thank you for your continued support over the past year, and look forward to building a stronger Company over the years to come.

Yours faithfully,

Steven Xu
Chairman
29 March 2019

CEO'S REPORT

Dear Fellow Shareholders,

2018 has been a foundational year for THC Global Group Limited (THC Global or the Company) as we looked to secure key assets to drive the future growth of this Company.

In terms of operational capabilities, we have been able to achieve in the last twelve to eighteen months what has taken many of the global players in the Cannabis sector many, many years to do. With the acquisition of our bio-pharmaceuticals extraction facility to allow for the high-volume high-purity manufacture of medicinal cannabis products for the Australian and global markets, THC Global is positioned to lead the Asia-Pacific Cannabis sector in the coming years.

Whilst the Australian Cannabis licencing scheme has at times proved to be most frustrating and slow to navigate, it is important to keep in mind that this is an industry whose existence was legislated only two years ago.

Our rapid development within Australia through strategic investments and acquisitions of key infrastructure, expertise and hard assets places THC Global in position to lead the Australian and Asia Pacific markets as final licencing activities complete in the coming months.

Our team is confident that we will be able to execute our operational plan in the near term in order to have Australian produced high-quality pharmaceutical grade medicinal cannabis products in significant volumes for supply to Australian patients and for the global export market.

I look forward to delivering significant revenues from our medicinal cannabis operations within the next year, capitalising on our investments in research and development, putting our operational assets to full use, and taking advantage of our global reach through strategic commercial partnerships and acquisitions we have secured.

Yours Sincerely,

K. Charteris

Ken Charteris
Chief Executive Officer
29 March 2019

DIRECTORS' REPORT

Your directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as "THC" or the 'Group') consisting of THC Global Group Limited (formerly The Hydroponics Company Limited, referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the year ended 31 December 2018.

Directors

The following persons were directors of the Company during the financial year and up to the date of this report:

Steven Xiaobo Xu	Chairman, Non-Executive Director, appointed 12/01/2018
Alan Preston Beasley	Deputy Chairman, Non-Executive Director, appointed 29/08/2016
Lou Anthony Cattelan	Non-Executive Director, appointed 15/03/2018
Gary John Radcliff	Non-Executive Director, appointed 15/03/2018
Hamish MacDonald	Non-Executive Director, removed 15/03/2018
Ian Mutton	Non-Executive Director, removed 15/03/2018
Mary Verschuer	Non-Executive Director, removed 15/03/2018
Peter Wallace	Non-Executive Director, removed 15/03/2018

Chief Executive Officer

Ken Charteris, appointed 11 July 2018

David Radford, resigned 14 March 2018

Chief Financial Officer

Mark Fortugno, appointed 15 January 2019

Jarrod White, resigned 15 January 2019

Company Secretary

Henry Kinstlinger, appointed 12 April 2018

Jarrod White, resigned 30 August 2018

Information on Directors

Steven Xu
Chairman (Non-Executive)
Appointed 12 January 2018

Steven Xu is the Managing Director of Une-Innovation Consulting Australia Pty Ltd and Director of MY INP Venture Capital Fund. The Fund invests in companies specialised in Medical/Healthcare, AI, Fintech and Industrial technology across Australia, New Zealand, North America and Israel. He has strong international connections and 15 years' experience working at PricewaterhouseCoopers and listed companies in Australia and China.

He specialises in financing, IPO and M&A activities in a broad range of sectors. Steven completed a Bachelor of Management. He is a member of the Institute of Chartered Accountants (Australia and New Zealand) and the Australian Institute of Company Directors.

Special responsibilities	Chairman from 15 March 2018 Member Audit and Risk Committee (appointed 23 January 2018, Chairman to 15 March 2019)
Other current ASX directorships:	None
Former ASX directorships in last 3 years	None

Alan Beasley
Deputy Chairman (Non-Executive)
Appointed 29 August 2016

Alan Beasley has worked in the Investment Banking and Investment Management industries for over 30 years with Bankers Trust Australia, Goldman Sachs Asset Management, and BNP Paribas Asset Management Ltd. The last two positions as Managing Director and Australian Country Head. Alan is a director and former director of several listed and unlisted public and private companies including two public charities.

Alan has a passion for and experience in assisting to bring innovative and new technology companies to market, especially in the Health and Life Sciences sectors. Alan graduated with a Bachelor of Economics, (UNE) and completed an Advanced Management Program in International Investment Management from the Graduate Business School, Stanford University, USA.

Alan is a Certified Practising Accountant, (CPA) Fellow of the Governance Institute of Australia, (FGIA) and Fellow of the Australian Institute of Company Directors. (FAICD).

He is currently Managing Director of Hudson Investment Group Ltd (ASX.HGL), and Non-Executive Chairman of E3SIXTY Limited (ASX.E3S). He is a former Non-Executive Chairman of Admiralty Resources NL (ASX.ADY).

Special responsibilities	Deputy Chairman from 15 March 2018 Chairman from 29 August 2016 to 19 October 2017 Chairman of Audit and Risk Committee (Member to 15 March 2019)
Other current ASX directorships:	Hudson Investment Group Limited (ASX.HGL) E3SIXTY Limited (ASX.E3S) AFT Corporation Limited (ASX.AFT) Raffles Capital Limited (ASX.RAF)
Former ASX directorships in last 3 years	Admiralty Resources NL (ASX.ADY)

Lou Cattelan
Non-Executive Director
Appointed 15 March 2018

Lou is a specialist in the pharmaceutical, nutraceutical, complementary healthcare, and allied health industry sectors with over 30 years' experience across a broad range of operational and strategic areas including, quality assurance, supply chain management, new product development, TGA and FDA regulatory compliance, sales and marketing, business development, and special projects. Lou has sat on the Australian Self Medication Industry (ASMI, the peak industry body for the Australian Consumer Health Industry) Committee for Complementary Medicines as a key liaison between TGA and significant industry stakeholders.

Lou is currently the Head of Sales and Marketing of Contract Pharmaceutical Services of Australia (CPSA). In this role over the past 17 years, he has consulted with all major Pharma companies including Pfizer, MSD, Mylan and GSK to take innovative concepts through to compliant finished products. He has also worked in senior hands-on positions with Ella Bache, Milpharma, Sunspot Products, Bayer Pharma and Blackmores.

Lou is a member of the Australian Institute of Company Directors (MAICD) and has a Bachelor of Applied Science.

Special responsibilities	Member of Audit and Risk Committee
Other current ASX directorships:	None
Former ASX directorships in last 3 years	None

Gary Radcliff
Non-Executive Director
Appointed 15 March 2018

Mr Radcliff is a practicing Barrister, having been first called to the Bar in 1984 and is the President of the Gold Coast Bar Association. Mr Radcliff is also a specialist adjudicator in relation to Dispute Resolution recognised by the Office of the Commissioner for Body Corporate and Community Management (Queensland, Australia).

Mr Radcliff provides a wealth of experience in corporate governance and compliance matters both in Australia and overseas. In addition to practicing law, Mr Radcliff has significant experience in project management, corporate advisory and company directorship in a wide range of sectors, most notably, pharmaceuticals, financial services and technology.

Special responsibilities	None
Other current ASX directorships:	None
Former ASX directorships in last 3 years	None

Information on Key Management Personnel

Ken Charteris
Chief Executive Officer
Appointed 11 July 2018

Ken Charteris is a highly experienced strategic advisor, director, and executive with a focus on change management, execution of high-growth strategies and business development. Ken's experience at all levels of top management spans a wide range of industries across the globe including FMCGs, resources, manufacturing, bio-technology and pharmaceuticals. Ken's breadth of experience encompasses leading large organisations through periods of significant change, such as in strategy or operations, but has also led greenfield expansions of businesses into new territories and industries.

Having been involved in various senior levels within THC since prior to listing on the ASX, Ken has been instrumental in the execution of the Company's strategic plan, including the acquisition of THC's manufacturing facility and the securing of commercial partnerships with Ascent Industries (North America) and Endoca (Europe).

Mark Fortugno
Chief Financial Officer
Appointed 15 January 2019

Mark is a Chartered Accountant in Australia and Canada, in addition to being a Certified Public Accountant in the USA. Mark's experience spans over 15 years including Manager at KPMG (USA & Canada) in Cross Border Taxation, and as CFO for private-equity backed Cater Care (Aus), leading its growth in headcount by 720% and revenues by 474% (to $237 million) within 5 years of his appointment.

Mark is a Canadian national and has significant financial management experience in Canada which will particularly benefit the Company as it grows its Canadian asset portfolio.

Jason Colquhoun
Business Development
North America
Appointed 3 May 2017

Jason is a self-made entrepreneur, with a broad range of international experience. Honing his business skills with a small start-up based out of his garage, Jason has successfully grown his business acumen to become a multi-national, multi-million-dollar enterprise. Jason is an expert in his field and remains highly involved in every aspect of each of his businesses, including logistics, research and development, marketing, product design and customer relations. Jason first joined THC Global in 2017 when the Company acquired his North American hydroponics equipment and manufacturing business Crystal Mountain.

Meetings of Directors (incorporating Remuneration Committee subsequent to 15 March 2018)

	Meetings	
Director	**Attended**	**Eligible to Attend**
Steven Xu	22	22
Lou Cattelan	18	18
Gary Radcliff	18	18
Ian Mutton	4	4
Alan Beasley	22	22
Hamish MacDonald	4	4
Mary Verschuer	4	4
Peter Wallace	4	4

Audit and Risk Committee Meetings (incorporating Remuneration Committee to 15 March 2018)

	Meetings	
Director	**Attended**	**Eligible to Attend**
Steven Xu	3	3
Mary Verschuer	3	3
Peter Wallace	3	3

Review of Operations and Financial Results

The net loss after tax for the year was $8,611,270 (2017 loss: $2,558,525).

Principal Activities and Strategy

THC Global operates under a 'Farm to Pharma' pharmaceutical model and is currently delivering high quality medicinal cannabis products to Australian patients through existing access schemes. Having secured both a significant growing capacity over multiple proprietary cultivation sites, and an industry-leading pharmaceuticals biomanufacturing facility with attached testing and product development laboratory, THC Global is in prime position to service both domestic patients and the export market. THC Global's commercial partners operate across four continents, supporting future international growth.

In addition to its core medicinal cannabis business, THC Global owns two Canadian companies, being Crystal Mountain Products and Vertical Canna Inc. Crystal Mountain Products operates a revenue generating global hydroponics retailer and distributor of equipment, material, and nutrients to cannabis growers and producers. Vertical Canna Inc is an investment vehicle through which THC Global intends to build, through acquisitions and strategic partnerships, a vertically integrated Canadian cannabis producer and retailer.

Recent Highlights

- Change of Company name to THC Global Group Limited in November 2018 reflecting the Company's activities as a global, diversified cannabis group of companies
- Entering the Canadian cannabis cultivation market through acquisition of a company with applications in place to become a licenced cultivator
- Entering the New Zealand CBD market through sale of imported Endoca CBD product – THC Global secured exclusive distribution agreement for Endoca product in Australia and New Zealand
- Cannabis permits received for first cannabis facility in late December 2018 – site to allow for cultivation, processing, and manufacturing for product validation and small-scale research trials
- Receipt of permits for first site indicate that THC Global has been deemed suitable to be a cannabis cultivator and manufacturer in Australia signalling remaining licences and permits to be received in due course with limited further regulatory restraints
- THC Global acquired a bio-pharmaceutical manufacturing facility on 1 May 2018 for $2.55 million. The acquisition secures an industry-leading asset for THC Global allowing it to move towards the sale and export of locally produced medicinal cannabis products
- Mark Fortugno, a cross-border taxation and high-growth strategy specialist, appointed Group Chief Financial Officer in January 2019

Significant Changes in State of Affairs

Executive and Senior Management – Senior Appointments

Ken Charteris was appointed as the Group Chief Executive Officer on 11 July 2018. There have been a number of further key strategic appointments as the Groip sought to secure high quality specialised talent in its senior management across its global diversified cannabis operation and within its hydroponics equipment business.

Within the medicinal cannabis team Katy Williams-Day, a pharmaceuticals regulations specialist was appointed as Product & Regulatory Affairs Manager, and Dr Michael Harrison, an expert in Active Pharmaceutical Ingredient (API) extraction technologies as the manager of the Group's bio-pharmaceutical manufacturing facility. Particularly within the Group's medicinal cannabis team, strategic technical appointments have been made to ensure that the Group has the requisite experience and expertise to deliver high-quality pharmaceuticals to patients within Australia and abroad.

Hydroponic Equipment Business – Expansion to New Markets

THC Global's hydroponics equipment retail, wholesale, and manufacturing business has been focused on taking advantage of changes in Canadian legislation which has increased significantly the amount of legal cannabis cultivators seeking hydroponic equipment and growing supplies in Canada. Further, strategic agreements with BioFloral and other parties have increased the Group's commercial each across Canada and more recently into the European markets with distribution agreements and alliances executed.

THC Global sees significant value in this business, particularly in the newly launched retail market, as well as its ongoing wholesale activities, now across Canada and into Europe. THC Global will look to further expand and develop this business as part of its broader diversified strategy globally.

Increased Medicinal Cannabis Growing and R&D Capabilities

THC Global also expanded its growing capability significantly in the period, having secured an additional growing site in Northern NSW which it expects to develop to be able to cultivate up to 600,000 plants per year. The large-scale capacity will allow the Company to grow plants using both its proprietary strain IP and imported strains from commercial partners.

The Company continues to be engaged with the relevant Australian Government authorities to pursue the Company's licencing and permitting program for its medicinal cannabis operations.

Cannabis Permits Granted to THC Global

Through its wholly owned subsidiary, Canndeo Limited has received two Cannabis Permits from the Office of Drug Control (ODC) allowing the cultivation and production of the Company's proprietary high CBD strains at its Queensland growing and R&D facility.

The granting of these permits represents the next step in THC Global's farm-to-pharma medicinal cannabis strategy as the Company builds up cannabis plant supply for processing into cannabis oils and other medicinal cannabis products at THC Global's Australian manufacturing facility. Further, the data gained through the research under the permits will assist in optimising yields and quality as the Company pursues full-scale cultivation at its Australian growing facilities.

In addition to the permits granted by the ODC, THC Global has two separate manufacturing licence applications under review over two sites being the now ODC permitted growing and R&D facility, and the Company's large scale manufacturing facility. The successful granting of the permits provides security that THC Global's operations, personnel, and procedures are acceptable to the ODC for a cannabis producing entity.

Pharma-grade Bio-manufacturing facility enabling full scale pharma production

THC Global acquired a bio-pharmaceutical manufacturing facility on 1 May 2018 for $2.55 million. Following a revaluation of the facility by AON Valuation Services, the asset now sits on the Company's statement of financial position at over $16 million. The acquisition secures an industry-leading asset for the Company allowing it to move towards the sale and export of locally produced medicinal cannabis products. The acquisition places the Company far ahead of other medicinal cannabis companies who lack any significant means of moving to full-scale commercial pharma-grade production of medicinal cannabis products in the near term.

No other significant changes in the Group's state of affairs occurred during the financial period.

Matters Subsequent to Balance Date

Since the balance date the Group:

- Commenced transitioning to full-scale domestic operations upon finalisation of licencing and permitting
- Commenced cultivation following permitting for research and product validation at THC Global's manufacturing and cultivation site in Queensland

- Appoointed a new Group CFO – specialist in cross border and high-growth strategies
- First Asia-Pacific expansion into New Zealand in December now being followed up with further strategic positions in the Asia-Pacific region– product export and medical engagement
- Signed hydroponics equipment distribution agreements for its proprietary trademarked products into the European Union secured with commencement in Q1 2019
- Received patient enquiries received for epilepsy, autism, pain (neurological and chronic)
- Acquired a production site in Nova Scotia, Canada and engaged an experienced project management and cannabis licencing expert on a full-time basis in Canada

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect:

a. The Group's operations in future financial years; or

b. The results of those operations in future financial years; or

c. The Group's state of affairs in future financial years

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in these financial statements because the directors believe it could potentially result in unreasonable prejudice to the Group.

Environmental regulation

The Group's operations are not subject to any significant environmental regulation under either Commonwealth or State legislation. The Board considers that adequate systems are in place to manage the Group's obligations and is not aware of any breach of environmental requirements as they relate to the Group.

Dividends

No dividends were paid to members during the financial year (2017: $Nil).

Indemnification of officers

During the financial year the Group paid premiums in respect of a contract insuring Directors and Executives against liabilities incurred in the ordinary course of business.

Proceedings on behalf of the Group

No person has applied to the Court for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group.

Auditor's independence declaration

A copy of the auditor's independence declaration is set out on page 22.

REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of the Group.

Remuneration philosophy

The performance of the Group depends upon the quality of its directors and executives, and the ability of the Group to attract, motivate and retain highly skilled directors and executives.

Remuneration committee

The Remuneration Committee of Directors is responsible for determining and reviewing compensation arrangements for the Directors, the Chief Executive Officer and the executive team. Up until 15 March 2018 the members of the Audit & Risk committee undertook the role of the Remuneration Committee. Subsequent to that date the role of the Remuneration Committee was undertaken by the full board of Directors.

The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

Objective

The Board of Directors recognises that the success of the Group will depend on the quality of its directors and its senior management. For this reason, the Remuneration Committee reviews the remuneration arrangements for all senior employees to ensure that it attracts and keeps motivated, highly skilled and appropriately qualified Directors and executives.

Structure

The Company's Constitution and the ASX listing rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting of shareholders. An amount not exceeding the amount determined by shareholders in general meeting is then available to be split between the Directors as agreed between them. This determination will be put to shareholders at the next Annual General Meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned between directors will be reviewed annually. The Board takes into account the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Company. The Chairman receives a higher fee in recognition of the additional time commitment required of a Chairman.

Non-executive directors are encouraged by the Board to hold shares in the Company (purchased by the directors on market). It is considered good governance for directors to have a stake in the company on whose board they sit.

Non-executive directors' remuneration is not linked to the performance of the Company.

The remuneration of non-executive directors for the year ending 31 December 2018 is detailed in Table 3 of this report. There is currently a maximum director payment pool of $300,000.

Senior manager and executive director remuneration

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Remuneration Committee reviews market conditions and the circumstances of the Company to ensure that the remuneration offered is sufficient to attract executives of the highest calibre.

Fixed remuneration

The fixed remuneration of all employees is reviewed by the Remuneration Committee as is considered necessary.

Equity Based Remuneration

The equity based remuneration of all employees is reviewed by the Remuneration Committee as is considered necessary.

Table 1: Shareholdings of key management personnel

2018	Opening balance	Granted as compensation	Acquired	Balance 31/12/2018
Ian Mutton	254,786	-	-	254,786[1]
Hamish MacDonald	4,009,572	-	-	4,009,572[1]*
Alan Beasley	500,000	-	-	500,000
Mary Verschuer	250,000	-	-	250,000[1]
Peter Wallace	273,810	-	-	273,810[1]
Steven Xu	8,587,302[2]	190,000	-	8,777,302
Lou Cattelan	5,000[3]	95,000	88,495	188,495
Gary Radcliff	-[3]	95,000	52,616	147,616
Ken Charteris	-[4]	500,000	-	500,000
David Radford	-	-	-	-
Jarrod White	68,286	50,000	-	118,286
Jason Colquhoun	9,700,000	500,000	-	10,200,000*
Henry Kinstlinger	3,500,000[5]	350,000	-	3,850,000
Total	**27,148,756**	**1,780,000**	**141,111**	**29,069,867**

*Note these holdings do not include holdings of performance shares that have a separate class of equity

[1] Share holdings at time of removal – 15/03/2018
[2] Share holdings at time of appointment – 12/01/2018. Note that the opening shareholdings (8,587,302) of Mr Xu, are the total holdings of associated entities that Mr Xu represents, being UNE-Innovation Consulting Australia Pty Ltd and MY INP Venture Capital Fund. They are not Mr Xu's personal holdings.
[3] Share holdings at time of appointment – 15/03/2018
[4] Share holdings at time of appointment – 11/07/2018
[5] Share holdings at time of appointment – 12/04/2018

2017	Opening balance	Granted as compensation	Acquired	Balance 31/12/2017
Ian Mutton	-	-	254,786	254,786
Hamish MacDonald	-	-	4,009,572*	4,009,572
Alan Beasley	-	-	500,000	500,000
Mary Verschuer	-	-	250,000	250,000
Peter Wallace	-	-	273,810	273,810
John Hall	-	-	800,000	800,000
Steven Xu	-	-	-	-
David Radford	-	-	-	-
Jarrod White	-	-	68,286	68,286
Jason Colquhoun	-	-	9,700,000*	9,700,000
Henry Kinstlinger	-	-	3,500,000	3,500,000
Total	**-**	**-**	**19,356,454**	**19,356,454**

*Note these holdings do not include holdings of performance shares that have a separate class of equity

Table 2: Option holdings of key management personnel

2018	Opening balance	Acquired	Vested During Period Number	Vested During Period %	Balance 31/12/2018
Ian Mutton	125,000	-	-	-	125,000[1]
Hamish MacDonald	500,000	-	-	-	500,000[1]
Alan Beasley	250,000	-	-	-	250,000
Mary Verschuer	125,000	-	-	-	125,000[1]
Peter Wallace	125,000	-	-	-	125,000[1]
Steven Xu	562,500[2]	1,437,500	-	-	2,000,000
Lou Cattelan	-[3]	-	-	-	-
Gary Radcliff	-[3]	-	-	-	-
Ken Charteris	-[4]	4,000,000	-	-	4,000,000
David Radford[5]	3,120,000	-	(3,120,000)	-	-
Debbie Ormsby[5]	1,000,000	-	(1,000,000)	-	-
Jarrod White	-	-	-	-	-
Jason Colquhoun	4,850,000	3,500,000	(1,500,000)	-	6,850,000
Henry Kinstlinger	-[6]				
Total	10,657,500	8,937,500	5,620,000	-	13,975,000

[1] Option holdings at time of removal – 15/03/2018
[2] Option holdings at time of appointment – 12/01/2018 Note that the option holdings (2,000,000) of Mr Xu, are the total holdings of associated entities that Mr Xu represents, being MY INP Venture Capital Fund and are not beneficially held by Mr Xu.
[3] Option holdings at time of appointment – 15/03/2018
[4] Option holdings at time of appointment – 11/07/2018
[5] Options were not approved by shareholders. The Company accrued for these options only.
[6] Option holdings at time of appointment – 12/04/2018

2017	Opening balance	Acquired	Vested During Period Number	Vested During Period %	Balance 31/12/2017
Ian Mutton	-	125,000	-	-	125,000
Hamish MacDonald	-	500,000	-	-	500,000
Alan Beasley	-	250,000	-	-	250,000
Mary Verschuer	-	125,000	-	-	125,000
Peter Wallace	-	125,000	-	-	125,000
John Hall	-	400,000	-	-	400,000
Steven Xu	-	-	-	-	-
David Radford	-	3,120,000^	780,000^	25%	3,120,000
Debbie Ormsby		1,000,000^	250,000^	25%	1,000,000
Jarrod White	-	-	-	-	-
Jason Colquhoun	-	4,850,000	-	-	4,850,000
Total	**-**	**10,495,000**	**1,030,000**	**25%**	**10,495,000**

^Employee options
The Company established an Employee Option Plan (EOP) plan that was approved by shareholders at the Extraordinary General Meeting held on 15 November 2018. The EOP is designed to provide long term incentives to senior executives to deliver long-term shareholder returns. Under the plan, employees are granted options which vest if certain criteria are met.

Table 3: Details of remuneration

2018	Salary and fees	Other fees	Post-employment benefits	Share based payments	Total
Name	**$**	**$**	**$**	**$**	**$**
Executive Directors					
Hamish MacDonald	6,331	-	-	-	6,331
Non-Executive Directors					
Ian Mutton	10,653	-	-	-	10,653
Alan Beasley	48,958	-	-	-	48,958
Mary Verschuer	9,167	-	-	-	9,167
Peter Wallace	11,000	-	-	-	11,000
Steven Xu	77,581	-	-	99,997	177,578
Lou Cattelan	33,086	-	3,143	49,999	86,228
Gary Radcliff	36,229	-	-	49,999	86,228
Subtotal – Non-Executive Directors	233,005	-	3,143	199,995	436,143

Key Management Personnel					
David Radford	198,414	-	13,026	-	211,440
Ken Charteris - CEO	151,083[7]	-	-	372,095	523,178
Debbie Ormsby	139,756	-	8,945	-	148,701
Jarrod White	-	190,454[3]	-	25,145	215,599
Jason Colquhoun	126,384	-	2,827	765,575	894,786
Henry Kinstlinger	-	358,125[4]	-	176,015	534,140
Subtotal – Key Management Personnel	**615,637**	**548,579**	**24,798**	**1,338,830**	**2,572,844**
Total	**848,642**	**548,579**	**27,941**	**1,538,825**	**2,963,987**

2017	**Salary and fees**	**Other fees**	**Post-employment benefits**	**Share based payments**	**Total**
Name	**$**	**$**	**$**	**$**	**$**
Executive Directors					
Hamish MacDonald	147,000	-	-	-	147,000
Non-Executive Directors					
Ian Mutton - Chairman	26,839	2,360[1]	-	-	29,199
Alan Beasley	58,028	20,550[2]	-	-	78,578
Mary Verschuer	30,250	-	-	-	30,250
Peter Wallace	36,667	-	-	-	36,667
John Hall	84,961[6]	-	-	-	84,961
Scott Pigott	5,833	-	-	-	5,833
Steven Xu	-	-	-	-	-
Subtotal – Non-Executive Directors	**389,578**	**22,910**	**-**	**-**	**412,488**
Key Management Personnel					
David Radford - CEO	115,417	-	4,035	156,793	276,245
Debbie Ormsby	30,661	-	2,364	215,785	248,810
Jarrod White	-	109,524[3]	-	-	109,524
Jason Colquhoun	125,636	-	-	-	125,636
Andrew Beehag	76,000[5]	-	7,220	-	83,220
Henry Kinstlinger	-	190,000[4]	-	-	190,000
Subtotal – Key Management Personnel	**347,714**	**299,524**	**13,619**	**372,578**	**1,033,435**
Total	**737,292**	**322,434**	**13,619**	**372,578***	**1,445,923**

Notes:
1. Legal fees paid to Crafers Law Pty Ltd, an entity related to Mr Mutton;
2. Advisory fees paid to Hudson Corporate Ltd and Hudson Pacific Group Limited, entities related to Mr Beasley;
3. CFO and Company Secretarial specific fees paid to Jarrod White and Traverse Accountants Pty Ltd, an entity related to Mr White;

4. Advisory fees paid to MMR Corporate Services Pty Ltd and Henry Kinstlinger & Associates, entities related to Mr Kinstlinger;
5. Service fees were paid throughout the year to Agri Fibre Industries Pty Ltd. These amounts are not included in the above fees however it is noted that Messrs Hall and Beehag are shareholders of Agri Fibre Industries, and that Agri Fibre Industries Pty Ltd is a shareholder of THC and the holder of performance shares as noted in the prospectus;
6. Rental payments were made from Canndeo Limited to Crop Management Australia Pty Ltd and Hall Super Fund that are related parties of Mr Hall. These are not included in his remuneration;
7. Consultancy agreement payments to North Trade Associates Pty Ltd for Chief Executive Officer services of which Mr Charteris is a related party.

All payments to related parties are on arms' length terms and at rates comparable to the market rate or average for these contracts. All contracts have received Board approval and to the extent they were material and subject to the Prospectus, were noted as material contracts in the Prospectus.

Performance of the company and shareholder returns

The application of the Group's executive reward framework has regard to shareholder return indices. No comparative data has been provided in the current financial year given this was the first year that the Company implemented formal equity based executive remuneration incentives.

*Refer to Note 16 Share based payments for details of the valuation of these payments.

Loans provided to key management personnel

Table 4: Loans to Related Parties of the Company

Details of loans made to directors and other key management personnel (and/or their related entities) of the Group are set out below.

	Opening balance	Additions	Total Balance 31/12/2018
Jason Colquhoun^	1,010,975	573,020	1,583,995
Mike Sigur*	150,460	6,790	157,250
Total	**1,161,435**	**579,810**	**1,741,245**

^ Loan made to 0971224 B.C. Ltd, an entity controlled by Mr Jason Colquhoun. 0971224 B.C. Ltd is also a significant shareholder of the Company.
*Loan to other employee

Key terms of the loans are as follows:

- Agreement completed 30 April 2017;
- Maturity date is 30 June 2019;
- Interest is accruable on the loan at 3% per annum;
- Under the documented terms of those loan arrangements the loans are required to be repaid on the second anniversary of their draw down based on specific share price triggers:
    - Full repayment at 100% where the Company share price is greater than A$0.35;
    - Partial repayment at 75% where the Company share price is greater than A$0.25 but less than A$0.35;
    - Partial repayment at 30% where the Company share price is greater than A$0.15 but less than A$0.25;
    - No repayment required where the Company share price is less than A$0.15;
- The loans are non-recourse loans; and
- Except for the loan to Mike Sigur, the loan to Jason Colquhoun (0971224 B.C. Ltd) is secured by shares that are in escrow.

Key contracts

Ken Charteris – Chief Executive Officer

- Consultancy commenced 11 July 2018;
- Contract fee of $280,000 ex. GST per annum, less applicable deductions required by law;
- Sign-on bonus of 500,000 THC shares;
- 1,500,000 3 year options, vesting on achievement of a $0.75 milestone share price over a two week trading VWAP within 2 years from date of issue, with their being an exercise price of $0.75; and
- 2,500,000 3 year options, vesting on achievement of a $1.20 milestone share price over a two week trading VWAP within 2 years from date of issue, with their being an exercise price of $1.20.

Mark Fortugno – Chief Financial Officer

- 225,000 per annum (ex GST) base fee
- Performance Options under the Company's Employee Option Plan:
    - 750,000 Performance Options expiring 11 July 2021 exercisable at $0.75 each, vesting upon THC achieving a two-week VWAP of $0.75 per share on or before 11 July 2020; and
    - 1,250,000 Performance Options expiring 11 July 2021 exercisable at $1.20 each, vesting upon THC achieving a two-week VWAP of $1.20 per share on or before 11 July 2020
- Short Term Incentives of up to $50,000 in cash and 250,000 Shares payable at the discretion of the Company for targets achieved in 2019 as determined by the Board.

Jason Colquhoun – Business Development – North America

- Employment commenced 30 April 2017;
- Base salary of $145,000 per annum, less applicable deductions required by law; and
- Discretionary bonus of not more than 25% of the base salary.

Henry Kinstlinger and MMR Corporate Services

- Engagement commenced from date of admission to the ASX;
- During time as Company Secretary a fee for $3,500 per month as Company Secretary;
- A fee for corporate advisory work of $15,000 per month;
- A fee for providing investor and media relations of $5,000 per month;
- A fee of 1% of funds raised by the Company through the issue of new equity;
- A fee payable in the event of any acquisition of a relevant interest in at least 50% of the issued voting shares in the Company:
    - An additional fee of $25,000 per month to assist with any and each takeover offer;
    - A fee of 3% of the Enterprise Value of the Company based on the final offer share price.

On behalf of the Directors,

Alan Beasley
Deputy Chairman &
Chairman of Audit & Risk Committee

29 March 2019

CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, THC Global Group Limited ('the Company') has adopted the Third Edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The Company's Corporate Governance Statement for the financial year ending 31 December 2018 is dated as at 31 December 2018 and was approved by the Board on 27 March 2019. The Corporate Governance Statement is available on the Company's website at http://www.thc.global/corporate-governance.

AUDITOR'S INDEPENDENCE DECLARATION

Level 6
350 Kent Street
SYDNEY NSW 2000

75 Lyons Road
DRUMMOYNE NSW 2047

K.S. Black & Co.
ABN 49 117 620 556

20 Grose Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

Lead Auditors' Independence Declaration under Section 307C of the Corporations Act 2001

To the Members of THC Global Group Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2018 there has been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

The entities are in respect of THC Global Group Limited and the entities it controlled during the period.

KS Black & Co
Chartered Accountants

Scott Bennison
Partner

Dated in Sydney on this 27th day of March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 Dec 2018 $	Year ended 31 Dec 2017 $
Revenue from continuing operations	3	2,664,094	1,843,991
Cost of goods sold		(1,904,336)	(1,065,903)
Gross profit		**759,758**	**778,088**
Other income		254,637	58,923
Freight and other selling expenses		(206,861)	(93,775)
Professional expenses		(1,053,108)	(346,347)
Corporate and consulting expenses	4	(1,155,721)	(875,882)
Plant and facility costs		(313,954)	-
Research and development expenses		(41,629)	-
License and registration fees		(80,434)	-
Employee benefits expense		(1,580,518)	(771,708)
Advertising and promotion expenses		(189,128)	(26,613)
Insurance expenses		(304,875)	(46,552)
Bad debts expense		(22,853)	(240,835)
Depreciation and amortisation expense	11	(115,135)	(23,622)
Impairment expense	5	(1,200,000)	(50,000)
Finance expenses		(84,052)	(10,811)
Office and occupancy expenses		(372,637)	(127,582)
Administration expenses		(963,616)	(422,131)
Share based payments	19	(1,941,144)	(359,678)
Loss before income tax		**(8,611,270)**	**(2,558,525)**
Income tax expense	7	-	-
Loss for the year		**(8,611,270)**	**(2,558,525)**
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss when specific conditions are met:			
Exchange differences on translating foreign operations, net of tax		71,458	(6,639)
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of land and buildings, net of tax		10,246,426	-
Total comprehensive income/(loss) for the year		**1,706,614**	**(2,565,164)**
Earnings per share			
- Basic/diluted losses per share (Cents)	23	**(6.93)**	**(3.09)**

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	As at 31 December 2018 $	As at 31 December 2017 $
Assets			
Current Assets			
Cash and cash equivalents	8	6,333,540	11,037,689
Trade and other receivables	9	866,623	1,287,060
Inventory	10	1,310,071	1,156,969
Total Current Assets		**8,510,234**	**13,481,718**
Non-Current Assets			
Trade and other receivables	9	1,758,963	1,169,035
Property, plant and equipment	11	17,727,498	638,832
Leased assets	12	384,577	-
Intangible assets	13	1,050,000	1,350,000
Goodwill	6	3,315,140	5,307,140
Total Non-Current Assets		**24,236,178**	**8,465,007**
Total Assets		32,746,412	21,946,725
Liabilities			
Current Liabilities			
Trade and other payables	14	363,770	588,825
Total Current Liabilities		**363,770**	**588,825**
Non-Current Liabilities			
Deferred tax liability		3,886,575	-
Finance leases		408,118	-
Total Non-Current Liabilities		**4,294,693**	**-**
Total Liabilities		4,658,463	588,825
Net Assets		**28,087,949**	**21,357,900**
Equity			
Contributed equity	16(a)	23,004,812	17,517,047
Other contributed equity	16(b)	2,650,000	3,742,000
Reserves	17	13,431,615	2,845,739
Accumulated losses		(10,998,478)	(2,746,886)
Equity		**28,087,949**	**21,357,900**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Contributed equity $	Other contributed equity $	Accumulated losses $	Reserves $	Total $
At 1 January 2017		**1,069,932**	**-**	**(212,886)**	**102,188**	**959,234**
Loss for the year		**-**	**-**	**(2,558,525)**	**-**	**(2,558,525)**
Other comprehensive income		-	-	-	(6,639)	(6,639)
Total comprehensive loss		**-**	**-**	**(2,558,525)**	**(6,639)**	**(2,565,164)**
Shares issued in the period	16(a)	21,794,000	-	-	-	21,794,000
Costs of capital raising		(5,346,885)	-	-	-	(5,346,885)
Performance shares issued		-	3,742,000	-	-	3,742,000
Options issued		-	-	-	2,774,715	2,774,715
Options expired/cancelled		-	-	24,525	(24,525)	-
Total transactions with owners		**16,447,115**	**3,742,000**	**24,525**	**2,750,190**	**22,963,830**
At 31 December 2017		**17,517,047**	**3,742,000**	**(2,746,886)**	**2,845,739**	**21,357,900**
At 1 January 2018		**17,517,047**	**3,742,000**	**(2,746,886)**	**2,845,739**	**21,357,900**
Loss for the year		**-**	**-**	**(8,611,270)**	**-**	**(8,611,270)**
Other comprehensive income		-	-	-	10,317,884	10,317,884
Total comprehensive loss		**-**	**-**	**(8,611,270)**	**10,317,884**	**1,706,614**
Shares issued in the period	16(a)	3,000,001	-	-	-	3,000,001
Costs of capital raising		(72,500)	-	-	-	(72,500)
Performance shares issued		-	(1,092,000)	-	-	(1,092,000)
Options issued		1,246,790	-	-	-	1,246,790
Options expired/cancelled		-	-	359,678	(359,678)	-
Equity based payments		1,313,474	-	-	627,670	1,941,144
Total transactions with owners		**5,487,765**	**(1,092,000)**	**359,678**	**267,992**	**5,023,435**
At 31 December 2018		**23,004,812**	**2,650,000**	**(10,998,478)**	**13,431,615**	**28,087,949**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Year ended 31 December 2018 $	Year ended 31 December 2017 $
Cash flows from operating activities			
Receipts from customers		2,588,466	1,611,879
Payments to suppliers and employees		(8,466,763)	(3,529,267)
Interest received		128,340	50,280
Finance costs		(100,148)	(10,811)
Net cash outflow from operating activities	**20**	**(5,850,105)**	**(1,877,919)**
Cash flows from investing activities			
Payments for plant and equipment		(763,197)	(357,916)
Payments for land and buildings		(2,268,179)	-
Investment in subsidiary		(27,168)	-
Payments for intangible assets		-	(300,000)
Payments for investments		-	(296,962)
Cash acquired on acquisition of subsidiary		-	195,765
Net cash outflow from investing activities		**(3,058,544)**	**(759,113)**
Cash flows from financing activities			
Proceeds from shares issued net of costs		4,204,291	14,480,838
Loans to related parties		-	(1,671,949)
Net cash inflow from financing activities		**4,204,291**	**12,808,889**
Net (decrease)/increase in cash and cash equivalents		**(4,704,358)**	**10,171,857**
Cash and cash equivalents at the beginning of the financial period		11,037,689	885,370
Foreign exchange adjustment to cash balance		209	(19,538)
Cash and cash equivalents at end of the year	**8**	**6,333,540**	**11,037,689**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2018

1. Summary of significant accounting policies

These consolidated financial statements and notes represent those of the consolidated entity (referred to hereafter as the 'Group') consisting of THC Global Group Limited (referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the year ended 31 December 2018.

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are reported below. They have been consistently applied unless stated otherwise. All applicable new accounting standards have been adopted for the year ended 31 December 2018 unless otherwise stated and their adoption did not have a significant impact on the financial performance or position of the consolidated entity.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting policies

a. Principles of Consolidation

A controlled entity is any entity THC Global Group Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

As at the reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year ended.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Company.

Where controlled entities have entered or left the Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Group, are shown separately within the Equity section of the Consolidated Statement of Financial Position and in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

b. Business Combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets.

If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

c. Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

The Group incurred a loss after tax of $8,611,270 (2017: loss of $2,558,525) and had net cash outflows from operating activities of $5,850,105 for the year ended 31 December 2018 (2017: $1,877,919). As at that date the Group had net current assets of $8,146,464 (2017: $12,892,893), total assets of $32,746,412 (2017: $21,946,725) as well as cash and cash equivalents of $6,333,540 as at 31 December 2018 (2017: $11,037,689).

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- The Group has cash and cash equivalents of $6,333,540 as at 31 December 2018. As at that date the Group had net current assets of $8,146,464 and total assets of $32,746,412;
- If required, the Group has the ability to continue to raise additional funds on a timely basis; and
- The Group has the ability to scale back a significant portion of its development activities if required.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

d. Foreign currency translation

i. Functional currency

Items included in the financial statements of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency').

The functional currency of the Company is Australia dollars (AU$).

The functional currency of CMDV is Canadian dollars (C$).

The functional currency of the Canndeo Limited is Australian dollars (AU$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

ii. Presentation currency

The financial statements are presented in Australian dollars, which is the Company's presentation currency.

Functional currency balances are translated into the presentation currency using the exchange rates at the balance sheet date. Value differences arising from movements in the exchange rates are recognised in the Foreign Currency Translation Reserve.

e. Revenue recognition

The Company has adopted AASB 15 Revenue for the first time in the 2018 financial year.

Under AASB 15, revenue is recognised when the goods are delivered and have been accepted by customers at their premises.

For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of paper, size, finish etc. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.

The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables and the right to recover returned goods is included in inventory. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

Interest income is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rates which is the rate that exactly discounts the estimated future cash receipts over the expected future life of the financial asset.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

f. Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or are recognised directly in equity or in other comprehensive income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

g. Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows. There is provision made in the Statement of Cash Flows to disclose the applicable GST refunds/payments that have been remitted to the ATO to accurately show the cash position of THC Global Group Limited.

h. Leases

The Group has early adopted AASB 16 Leases for the first time in the 2018 financial year.

Under AASB 16, all leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- Amounts expected to be payable under any residual value guarantee;
- The exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;
- Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
- Initial direct costs incurred; and
- The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

i. Impairment of assets

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, the recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash generating unit to which the asset belongs.

j. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

k. Trade and other receivables

Trade and other receivables are stated at their cost less an allowance for impairment of receivables.

l. Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Other receivables are generally due for settlement within 30 days.

Collectability of other receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance made for doubtful debts is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidence of impairment includes financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue).

The amount of the impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as 'impairment expenses.' When a trade or other receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Profit or Loss and Other Comprehensive Income.

m. Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and are usually payable within 30 days of recognition.

n. Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

o. Employee benefits

i. Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the end of the reporting period are recognised in other payables in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

ii. Retirement benefit obligations

The Group does not maintain a superannuation plan. The Group makes fixed percentage contributions for all Australian resident employees to complying third party superannuation funds and for Canadian resident employees to complying pension funds. The Group's legal or constructive obligation is limited to these contributions.

Contributions to complying third party superannuation funds and pension plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

p. Contributed equity

Costs directly attributable to the issue of new shares are shown as a deduction from the equity as a deduction proceeds net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

q. Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by management to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use.

Depreciation is calculated over the estimated useful life of the assets as follows:

Plant and equipment – 1 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised immediately in profit or loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

r. Intangible assets

Patents

Patents have a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of 15 years.

s. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

t. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the results attributable to the owners the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

u. Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

v. Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.

- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum, an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

w. Research and Development

During the year, Canndeo Ltd, subsidiary of the Group, received a Medicinal Cannabis Licence. The licence provides authorisation for Canndeo to perform research and development of cannabis for medicinal purposes. During the year, Canndeo began the process of building the facilities for research and development of cannabis for the prescribed purposes. At the time of this report, no research and development expenses had been incurred.

x. Comparative information

Comparative information presented is for the Group for the year ended 31 December 2018.

y. New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The Group has adopted AASB 16 Leases early for the 2018 financial year. In implementing AASB 16, leased assets of $424,211 and net finance lease liabilities of $408,118 being recognised at 31 December 2018. After amortisation the balance of leased assets totalled $384,577 as at balance date. No adjustment was required from comparative information as all operating leases in the prior financial year were less than 12 months.

AASB 15 Revenue from Contracts with Customers was early adopted in FY18. The early adoption of AASB 15 has had an immaterial impact to the Company. There were no adjustments to the prior period required as a result of the new standard being applied.

Notwithstanding the above, any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

z. New Accounting Standards and Interpretations not yet mandatory or early adopted

At the date of authorisation of the financial statements the following new standards and interpretations have not been early adopted. The below are a list of the standards and the likely impact.

Standard/ Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending	Likely impact on initial application
AASB 2017-6 Amendments to Australian Accounting Standards - Prepayment Features with Negative Compensation	1 January 2019	31 December 2019	When these amendments are first adopted for the year ending 31 December 2019, there will be no material impact on the financial statements.
AASB 2017-7 Amendments to Australian Accounting Standards - Long-Term Interests in Associates and Joint Ventures	1 January 2019	31 December 2019	When these amendments are first adopted for the year ending 31 December 2019, there will be no material impact on the financial statements.
AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle	1 January 2019	31 December 2019	When these amendments are first adopted for the year ending 31 December 2019, there will be no material impact on the financial statements.
AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement	1 January 2019	31 December 2019	When these amendments are first adopted for the year ending 31 December 2019, there will be no material impact on the financial statements.
AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements	1 January 2019	31 December 2019	When these amendments are first adopted for the year ending 31 December 2019, there will be no material impact on the financial statements.
Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2019	31 December 2019	When these amendments are first adopted for the year ending 31 December 2019, there will be no material impact on the financial statements.
IFRS 17 Insurance Contracts	1 January 2021	31 December 2022	The entity is yet to undertake a detailed assessment of the impact of IFRS 17. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2022.
IFRIC 23 Uncertainty Over Income Tax Treatments	1 January 2019	31 December 2019	The entity has not yet assessed the full impact of this Interpretation.

2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The Group remained in a development phase during the period and consequently there is some uncertainty surrounding the availability of future taxable amounts to utilise tax losses. Management considers it prudent not to raise any deferred tax assets at this point in time.

Share based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Recovery of loans to related parties

The Group has reviewed the balance of loans to related parties being $1,741,245. Under the documented terms of those loan arrangements the loans are required to be repaid on the second anniversary of their draw down based on specific share price triggers, the highest being $0.35. As at the date of this report the share price is well in excess of this trigger meaning that the entire balance is expected to be recoverable. The Group further notes that the underlying shares issued to the borrower of this arrangement are escrowed and provide sufficient certainty of the ability of the borrower to make those repayments under the documented agreement.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of property, plant and equipment and land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity.

To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings. Refer to Note 24 for assumptions of fair value of assets.

3. Revenue and other income

Revenue from continuing operations

	For the Year Ending 31 December 2018	For the Year Ending 31 December 2017
	$	$
Sale of goods	2,664,094	1,843,991
	2,664,094	**1,843,991**

4. Corporate and consulting expenses

Consulting fees	752,596	815,949
Corporate services fees	403,125	59,933
	1,155,721	**875,882**

5. Impairment expense

During the year, the Company reviewed the vesting probabilities of Performance Shares issued as part consideration for asset purchases made, in conjunction with the Company's IPO in May 2017.

The evaluation for impairment has been made as an evaluation of the proportion of vesting time past for those Performance Shares when compared to their total vesting period and conditions. As result the following classes of Performance Shares have been impaired and more detail around the evaluation of their vesting probability is disclosed at Note 16(b):

Class B Performance Shares	900,000	-
Class D Performance Shares	300,000	-
	1,200,000	**-**

Impairment expense was raised in the 2017 financial year for the impairment of intellectual property.

Impairment of intangible assets	-	50,000
	-	**50,000**

6. Business combinations

Controlled entities

	Country of Incorporation	Percentage Owned
Crystal Mountain Products Ltd	Canada	100%
Dragon Vision Limited	Hong Kong	100%
0970203 B.C. Ltd	Canada	100%

Accounting subsidiaries	Country of Incorporation	Percentage Owned
Canndeo Limited	Australia	100%
Canna Clinics Pty Ltd	Australia	100%
THC Plant Science Pty Ltd	Australia	100%
THC Pharma Pty Ltd	Australia	100%
THC Pharma (NZ) Limited	New Zealand	100%
Vertical Canna Inc.	Canada	100%

7. Income tax expense

a. The components of tax expense comprise:

	For the Year Ending 31 December 2018	For the Year Ending 31 December 2017
	$	$
Current tax	-	-
Deferred tax	-	-
	-	**-**

b. Numerical reconciliation of income tax expense to prima facie tax payable

Loss from continuing operations before income tax expense	(8,611,270)	(2,558,525)
Tax at the Australian tax rate of 27.5% (2017 – 27.5%)	**(2,368,099)**	**(703,594)**
Add tax effect of:		
- Other non-allowable items	1,175,229	187,913
Less tax effect of:		
- Other non-assessable items	(37,795)	(39,893)
- Other deductible items	(423,755)	(1,485)
Carried forward tax benefit not recognized in the current year	1,654,420	557,059
Total income tax expense	**-**	**-**

The Group has carried forward tax losses of approximately $8,041,741 (2017: $2,025,669). The benefit of these losses will only be recognised where it is probable that future taxable income will be available against which the benefits of the deferred tax asset can be utilised.

8. Cash and cash equivalents

Cash at bank and in hand	6,333,540	11,037,689
	6,333,540	**11,037,689**

9. Trade and other receivables

	For the Year Ending 31 December 2018	For the Year Ending 31 December 2017
	$	$
Current		
Trade receivables	698,442	656,691
Provision for bad debts	(228,782)	(304,352)
Prepayments	257,083	231,265
Deposits paid	-	531,209[1]
Trade credit receivable	74,030	118,375
Other receivables	65,850	53,872
	866,623	**1,287,060**
Non-current		
Other receivables	17,718	-
Loans to related parties[2]	1,741,245	1,169,035
	1,758,963	**1,169,035**
	2,625,586	**2,456,095**

10. Inventory

Finished goods	1,310,071	1,156,969
	1,310,071	**1,156,969**

11. Property, plant and equipment

Website development – at cost	370,000	370,000
Accumulated depreciation – website development	(55,151)	(21,189)
	314,849	**348,811**
Plant and equipment – at cost	14,958,686	200,526
Accumulated depreciation – plant and equipment	(45,794)	(11,300)
	14,912,892	**189,226**
Land, buildings and improvements – at cost	2,507,012	100,795
Accumulated depreciation – buildings and improvements	(7,255)	-
	2,499,757	**100,795**
Closing balance	**17,727,498**	**638,832**

At 31 December 2018, the Group had $14,912,892 and $2,499,757 of plant and equipment and building and improvements, respectively (2017: $189,226 and $100,795), that were owned but not yet ready for use. The Group had not commenced depreciation of these assets at year end.

[1] This amount represents cash in the Escrow Agent's bank account pursuant to Escrow Deed and payable to 0971224 B.C. Ltd on 15 January 2018.
[2] Terms of the loans to related parties are disclosed in the Remuneration Report at Table 4.

	Website development	Plant and equipment	Building and improvements	Total
	$	$	$	$
Balance at 1 January 2017	-	-	-	-
Acquisitions in the year	70,000	181,973	100,795	352,768
Acquisition of subsidiary, net of accumulated amortisation	300,000	9,686	-	309,686
Depreciation expense	(21,189)	(2,433)	-	(23,622)
Balance at 31 December 2017	**348,811**	**189,226**	**100,795**	**638,832**
Acquisitions in the year	-	4,511,735	2,406,217	6,917,952
Revaluation[1]	-	10,246,425	-	10,246,425
Depreciation expense	(33,962)	(34,284)	(7,255)	(75,501)
Foreign exchange adjustment	-	(210)	-	(210)
Balance at 31 December 2018	**314,849**	**14,912,892**	**2,499,757**	**17,727,498**

12. Leases

Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation or and in others to be reset periodically to market rental rates. In some jurisdictions property leases the periodic rent is fixed over the lease term.

The percentages in the table below reflect the current proportions of lease payments that are either fixed or variable. The sensitivity reflects the impact on the carrying amount of lease liabilities and right-of-use assets if there was an uplift of 5% on the balance sheet date to lease payments that are variable.

	Lease Contracts	Fixed Payments	Variable Payments	Sensitivity
	Number	**%**	**%**	**$**
Property leases with payments linked to inflation	4	-	100%	+/- 21,211
Property leases with periodic uplifts to market rentals	-	-	-	-
Property leases with fixed payments	-	-	-	-

	For the Year Ending 31 December 2018	For the Year Ending 31 December 2017
Right-of-Use Assets	$	$
Land and buildings		
Balance at beginning of the year	-	-
Additions	424,211	-
Amortisation	(39,634)	-

[1] The key assumptions used to determine the fair value of assets are provided in Note 24.

	For the Year Ending 31 December 2018	For the Year Ending 31 December 2017
Balance at end of the year	**384,577**	**-**
Lease Liabilities		
Land and buildings		
Balance at beginning of the year	-	-
Additions	424,212	-
Interest expense	58,906	-
Lease payments	(75,000)	-
Balance at end of the year	**408,118**	**-**
Short term lease expense	207,553	-
Low value lease expense	-	-
Expense relating to variable lease payments not included in the measurement of lease liabilities	23,500	-

13. Intangible assets

Intangible assets purchased	1,400,000	1,400,000
Accumulated impairment	(350,000)	(50,000)
Closing balance	**1,050,000**	**1,350,000**
Balance at beginning of the year	1,350,000	-
Additions	-	1,400,000
Impairment expense	(300,000)	(50,000)
Balance at end of the year	**1,050,000**	**1,350,000**

14. Trade and other payable

Current		
Trade payables	120,890	512,785
Payroll liabilities	105,666	55,303
Accrued expenses	88,866	17,958
Other payables	48,348	2,779
	363,770	**588,825**

15. Commitments

The Group leases an office under an operating lease. The future minimum lease payments are as follows:

	Minimum Lease Payments Due			
	Within 1 Year	1-5 Years	After 5 Years	Total
	AUD	AUD	AUD	AUD
31 December 2018	95,833	438,396	300,475	834,705
31 December 2017	35,648	21,445	-	57,093

16. Contributed equity

a. Share capital

	As at 31 December 2018		As at 31 December 2017	
	No. of Shares	$	No. of Shares	$
At the beginning of the period	116,808,414	17,517,047	35,400,000	1,069,932
Issue of shares pursuant to public offer	-	-	40,000,000	8,000,000
Issue of shares to acquire CMDV	-	-	9,700,000	1,940,000
Issue of shares to acquire Canndeo Limited	-	-	5,000,000	1,000,000
Issue of shares to acquire intellectual property	-	-	2,750,000	600,000
Shares issued to advisors and promoters	-	-	11,250,000	2,250,000
Share placement	4,762,182	3,000,001	12,698,414	8,000,000
Options converted	3,116,976	1,246,790	10,000	4,000
Shares issued to directors and employees	2,580,000	1,313,474	-	-
Share issue expenses	-	(72,500)	-	(5,346,885)
	127,267,572	**23,004,812**	**116,808,414**	**17,517,047**

Ordinary shares

Each ordinary shareholder maintains, when present in person or by proxy or by attorney at any general meeting of the Company, the right to cast one vote for each ordinary share held.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

b. Performance shares

Performance shares issued and authorised are summarised as follows:

	No. of Shares	$	Class	Probability
Performance shares				
Performance shares issued to acquire Canndeo	12,000,000	1,800,000	B	38%
Performance shares issued to acquire IP from Pegasus Agriculture	2,500,000	250,000	C	50%
Performance shares issued to acquire IP from Pegasus Agriculture	6,000,000	600,000	D	25%
Balance at end of the period	**20,500,000**	**2,650,000**		

The fair value of performance shares is based upon the price of THC at issue date, adjusted for the probability of their performance milestones being achieved. The value of the performance shares, together with the probability of milestones being achieved, is assessed by the directors at least annually.

17. Reserves

	As at 31 December 2018	As at 31 December 2017
	$	$
Options reserve	3,120,370	2,852,378
Foreign currency translation reserve	64,820	(6,639)
Asset revaluation reserve	10,246,425	-
	13,431,615	**2,845,739**

a. Options reserve

	As at 31 December 2018		As at 31 December 2017	
	No. of Options	$	No. of Options	$
At the beginning of the year	64,410,000	2,852,378	3,125,000	102,188
Options issued during the year	-	-	34,200,000	-
Issue of options to Vendors	-	-	7,100,000	475,700
Options issued to advisors in promoters	-	-	12,875,000	969,812
Options issued to broker of share placement	-	-	3,000,000	945,000
Options issued to employees and directors	7,500,000	627,670	-	-
Share based payments accrued for but not issued	-	-	4,120,000	359,678
Options cancelled	(4,120,000)	(359,678)	-	-
Options converted	(3,116,976)	-	(10,000)	-
	64,673,024	**3,120,370**	**64,410,000**	**2,852,378**

b. Foreign currency translation reserve

	As at 31 December 2018	As at 31 December 2017
	$	$
Balance beginning of financial year	(6,639)	-
Movement in the financial year	71,459	(6,639)
Balance at end of the financial year	**64,820**	**(6,639)**

c. Asset revaluation reserve

Balance beginning of financial year	-	-
Movement in the financial year	10,246,425	-
Balance at end of the financial year	**10,246,425**	**-**

18. Segment information

Management identifies its operating segments based on the Group's service lines, which represent the main products and services provided by the Group. The Group's two (2) main operating segments are:

a. manufacture and distribution of hydroponics equipment, materials and nutrients; and

b. development and delivery of medicinal cannabis.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

The main source of revenue for these operating segments in the year to 31 December 2018 is from distribution of hydroponics equipment, materials and nutrients. The revenues and profit generated by each of the Group's operating segments and segment assets are summarised as follows:

Segment performance

	31 December 2018			
	Hydroponics Equipment, Materials and Nutrients	Medicinal Cannabis	Unallocated	Total
	$	$	$	$
Revenue				
External sales	2,663,279	815	-	2,664,094
Other	-	-	-	-
Total segment revenue	**2,663,279**	**815**	**-**	**2,664,094**
Segment operating result	(230,721)	(498,269)	-	(728,990)
Segment assets	**2,443,541**	**7,654,960**	**-**	**10,098,501**

	31 December 2017			
	Hydroponics Equipment, Materials and Nutrients	Medicinal Cannabis	Unallocated	Total
	$	$	$	$
Revenue				
External sales	1,843,991	-	-	1,843,991
Other	-	-	-	-
Total segment revenue	**1,843,991**	**-**	**-**	**1,843,991**
Segment operating result	137,898	(554,256)	-	(416,358)
Segment assets	**1,982,811**	**243,079**	**-**	**2,225,890**

The Group's segment operating profit reconciles to the Group's profit before tax as presented in its financial statements as follows:

	For the Year Ending 31 December 2018	For the Year Ending 31 December 2017
	$	$
Total reporting segment operating profit	(728,990)	(416,358)
Share-based payment expenses	(1,941,144)	(359,678)
Employee benefit expenses	(1,580,518)	(486,320)
Other income not allocated	152,938	44,710
Other expenses not allocated	(4,513,556)	(1,340,879)
Group operating profit	**(8,611,270)**	**(2,558,525)**

19. Share based payments

The Group made the below share-based payments in the financial year:

Date	Description	Shares $	Options $	Performance Shares $	Total $
06/07/18	500,000 shares to Jason Colquhoun	255,000	-	-	255,000
06/07/18	1,500,000 options to Jason Colquhoun	-	221,198	-	221,198
11/07/18	500,000 shares to Ken Charteris	255,000	-	-	255,000
11/07/18	1,500,000 Class A options to Ken Charteris	-	56,118	-	56,118
11/07/18	2,500,000 Class B options to Ken Charteris	-	60,977	-	60,977
13/09/18	1,200,000 shares to employees	603,480	-	-	603,480
28/11/18	380,000 FPO shares to directors	199,994	-	-	199,994
28/11/18	2,000,000 options to Jason Colquhoun	-	289,377	-	289,377
		1,313,474	**627,670**	**-**	**1,941,144**

Employee options

The Company established an Employee Option Plan (EOP) plan that was approved by shareholders at the Extraordinary General Meeting held on 15 November 2018. The EOP is designed to provide long term incentives to senior executives to deliver long-term shareholder returns. Under the plan, employees are granted options which vest if certain criteria are met.

Set out below are summaries of options granted under the proposed plan thus far:

	31 December 2018		31 December 2017	
	Average exercise price per option	No. of Options	Average exercise price per option	No. of Options
At the beginning of the year	0.30	4,120,000	-	-
Granted during the year	0.95	7,500,000	0.30	4,120,000
Balance at end of the year	**0.72**	**11,620,000**	**0.30**	**4,120,000**
Vested and exercisable	0.62	9,620,000	0.30	1,030,000

For options granted during the current financial period, the Black-Scholes valuation model inputs used to determine the fair value at the grant date are as follows:

Grant Date	Expiry Date	Share Price at Grant Date*	Exercise Price	Expected Volatility	Dividend Yield	Risk-free Interest Rate	Fair Value per Option
6/07/18	31/12/19	$0.5150	$0.4000	49.07%	-	2.03%	$0.1475
11/07/18	11/07/21	$0.5800	$0.7500	70.00%	-	2.09%	$0.1581
11/07/18	11/07/21	$0.5800	$1.2000	70.00%	-	2.09%	$0.1031
28/11/18	31/12/20	$0.5150	$0.4000	49.07%	-	2.12%	$0.2194

* Share price at date employee became entitled to options.

20. Reconciliation of loss after income tax to net cash outflow from operating activities

	For the Year Ending 31 December 2018	For the Year Ending 31 December 2017
	$	$
Loss for the year	(8,611,270)	(2,558,525)
Depreciation expense	115,135	23,622
Impairment expense	1,200,000	50,000
Share-based payments	1,941,144	359,678
Effects of foreign exchange	71,458	-
Change in operating assets and liabilities		
Increase in trade and other receivables	(169,491)	(8,733)
(Decrease)/increase in trade and other payables	(243,979)	854,813
Increase in inventories and trade credit	(153,102)	(598,774)
Net cash outflow from operating activities	**(5,850,105)**	**(1,877,919)**

21. Financial risk management

a. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and inter-entity loans.

The directors' overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The receivable balances are monitored on an ongoing basis. The group's exposure to bad debts is not significant.

There is considerable concentration of credit risk within the Group as it only has a limited number of customers at this stage of its development.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises form default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised third parties, there is no requirement for collateral security.

The maximum exposure to credit risk at balance date is as follows:

	As at 31 December 2018	As at 31 December 2017
	$	$
Cash and cash equivalents	6,333,540	11,037,689
Trade and other receivables	866,623	1,287,060

Liquidity risk

The Group's policy is to maintain a comfortable level of liquidity through the continual monitoring of cash reserves and the raising of additional capital as required.

Market risk

Foreign exchange risk

Most of the Group's transactions occur in Canada and are predominantly denominated in CAD and USD. Cash and cash equivalents used to fund working capital are mainly held in Canadian and US bank accounts.

The Group is exposed to foreign exchange risk when capital is raised in AUD and then transferred to the Canadian subsidiary. The Group closely monitors foreign currency movements at such times but does not use hedging instruments to manage such risk.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into $AUD at the closing rate:

	Short Term Exposure	Long Term Exposure
	$	$
31 December 2018		
Financial assets	581,819	1,690,128
Financial liabilities	363,770	-
31 December 2017		
Financial assets	1,001,923	1,169,035
Financial liabilities	570,867	-

The following table illustrates the sensitivity of profit or loss and equity in regards to the Group's financial assets and financial liabilities and the CAD/AUD and HKD/AUD exchange rate 'all other things being equal'. It assumes a +/- 10% change of the CAD/AUD and HKD/AUD exchange rate for the year. This percentage has been determined based on the average market volatility in exchange rate in the previous twelve (12) months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

If the AUD had strengthened/weakened against the CAD and HKD by 10% then this would have had the following impact:

	Loss for the Year		Equity	
	+ 10%	**-10%**	**+ 10%**	**-10%**
31 December 2018	(3,083)	3,777	(36,222)	44,271
31 December 2017	(3,072)	3,754	(156,171)	190,875

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to currency risk.

b. Financial instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity as well as management's expectations of the settlement period of all other financial instruments. As such, the amounts may not reconcile to the Statement of Financial Position.

	Weighted average interest rate	Non-interest bearing	Floating interest rate	Fixed interest rate maturing within 1 year	Total
2018	**%**	**$**	**$**	**$**	**$**
Financial Assets					
Cash and cash equivalents	0.52%	-	6,333,540	-	6,333,540
Trade and other receivables	-	2,625,586	-	-	2,628,586
Total financial assets		**2,625,586**	**6,333,540**	**-**	**8,959,126**
Financial Liabilities					
Trade and other payables	-	363,770	-	-	363,770
Total financial liabilities		**363,770**	**-**	**-**	**363,770**

2017	Weighted average interest rate %	Non-interest bearing $	Floating interest rate $	Fixed interest rate maturing within 1 year $	Total $
Financial Assets					
Cash and cash equivalents	0.50%	-	11,037,689	-	11,037,689
Trade and other receivables	-	2,170,958	-	-	2,170,958
Total financial assets		**2,170,958**	**11,037,689**	**-**	**13,208,647**
Financial Liabilities					
Trade and other payables	-	570,867	-	-	570,867
Total financial liabilities		**570,867**	**-**	**-**	**570,867**

2018	Carrying amount $	Contractual cash flow due 1 to 3 months $	Contractual cash flow due 3 months to 1 year $	Contractual cash flow due 1 to 5 years $
Financial Assets				
Trade and other receivables	2,340,782	581,819	-	1,758,963
Total financial assets	**2,340,782**	**581,819**	**-**	**1,758,963**
Financial Liabilities				
Trade and other payables	363,770	363,770	-	-
Total financial liabilities	**363,770**	**363,770**	**-**	**-**

2017	Carrying amount $	Contractual cash flow due 1 to 3 months $	Contractual cash flow due 3 months to 1 year $	Contractual cash flow due 1 to 5 years $
Financial Assets				
Trade and other receivables	2,170,958	1,001,923	-	1,169,035
Total financial assets	**2,170,958**	**1,001,923**	**-**	**1,169,035**
Financial Liabilities				
Trade and other payables	570,867	-	-	-
Total financial liabilities	**570,867**	**-**	**-**	**-**

c. Net fair values

The net fair value of assets and liabilities approximates their carrying value. No financial assets and liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and notes to the financial statements.

d. Sensitivity Analysis

The Company has performed a sensitivity analysis relating to its exposure to foreign currency risk at balance date. The effect on profit or loss and equity as a result of changes in the value of the Australian Dollar to the US Dollar and Canadian Dollar with all other variables remaining constant, is not expected to be significant.

22. Auditor's remuneration

	For the Year Ending 31 December 2018	For the Year Ending 31 December 2017
	$	$
KS Black & Co		
- Audit and review services	55,655	57,181
- Other services	-	-

23. Earnings per share

	For the Year Ending 31 December 2018	For the Year Ending 31 December 2017
	Cents	Cents
Basic earnings per share	(6.93)	(3.09)
Diluted earnings per share	(6.93)	(3.09)
Weighted average number of shares used for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows:		
- Basic earnings per share	124,304,499	82,779,348
- Diluted earnings per share	124,304,499	82,779,348

The loss used to calculate earnings per share was $8,611,270 (2017: loss of $2,558,525).

24. Fair Value Measurement

The Group measures and recognises specialised plant and equipment assets at fair value on a recurring basis after initial recognition.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

a. Fair value hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorized into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation Techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transaction for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risk. When selecting a valuation technique, the Group gives priority to those techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data are not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the Group's assets and liabilities measured and recognized on a recurring basis after initial recognition and their categorization within the fair value hierarchy.

Recurring fair value measurements

	31 December 2018			
	Level 1 $	Level 2 $	Level 3 $	Total $
Total non-financial assets recognized at fair value on a recurring basis	-	-	14,912,892	14,912,892
Total non-financial assets recognised at fair value	**-**	**-**	**14,912,892**	**14,912,892**

a. Valuation techniques and inputs used to measure Level 3 fair values

Description Non-financial assets	Fair value ($) at 31 Dec 2018	Valuation technique	Inputs used
		Income approach using net present value.	Independent sales price, margin on cost of goods sold from previous supplier and fixed overhead. Expected sales volumes are based on independent market estimate of size of Proprietary Product market.
	14,912,892		
	14,912,892		

25. Related party transactions

a. Key management personnel

Disclosures relating to key management personnel are set out in the Remuneration Report.

b. Transactions with other related parties

There were no related party transactions aside from those listed in the Remuneration Report.

26. Contingent assets and liabilities

The Group did not have any contingent assets or liabilities at 31 December 2018 (31 December 2017: Nil).

27. Events occurring after the balance sheet date

Since the balance date.the Group:

- Commenced transitioning to full-scale domestic operations upon finalisation of licencing and permitting
- Commenced cultivation following permitting for research and product validation at THC Global's manufacturing and cultivation site in Queensland
- Appoointed a new Group CFO – specialist in cross border and high-growth strategies
- First Asia-Pacific expansion into New Zealand in December now being followed up with further strategic positions in the Asia-Pacific region– product export and medical engagement
- Signed hydroponics equipment distribution agreements for its proprietary trademarked products into the European Union secured with commencement in Q1 2019
- Received patient enquiries received for epilepsy, autism, pain (neurological and chronic)
- Acquired a production site in Nova Scotia, Canada and engaged an experienced project management and cannabis licencing expert on a full-time basis in Canada

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect:

a. The Group's operations in future financial years; or

b. The results of those operations in future financial years; or

c. The Group's state of affairs in future financial years.

28. Parent entity disclosures

	For the Year Ending 31 December 2018	For the Year Ending 31 December 2017
	$	$
THC Global Group Limited		
Financial position		
Assets		
Total current assets	6,384,524	11,346,017
Total non-current assets	14,122,891	10,596,859
Total assets	**20,507,415**	**21,942,876**
Liabilities		
Total current liabilities	336,506	161,772
Total liabilities	**336,506**	**161,772**
Equity		
Contributed equity	23,004,812	17,517,047
Other contributed equity	2,650,000	3,742,000
Reserves	3,120,370	2,852,378
Accumulated losses	(8,604,273)	(2,330,321)
Total equity	**20,170,909**	**21,781,104**
Financial performance		
Loss for the year	(6,633,818)	(2,141,772)
Other comprehensive income	-	-
Total comprehensive loss	**(6,633,818)**	**(2,141,772)**

DECLARATION BY DIRECTORS

The directors of the Company declare that, in the opinion of the directors:

a. the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including

   i. giving a true and fair view of the financial position and performance of the Company and the Group; and

   ii. complying with Australian Accounting Standards, including the Interpretations, and the Corporations Regulations 2001;

b. the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1; and

c. the directors have been given the declarations required by s.295A of the Corporations Act 2001.

d. there are reasonable grounds to believe that the Company and the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s295(5) of the Corporations Act 2001.

On behalf of the Directors:

Alan Beasley
Deputy Chairman &
Chairman of Audit & Risk Committee

29 March 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

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INDEPENDENT AUDITOR'S REPORT

To the Members of the THC Global Group Limited

Opinion
We have audited the financial report of THC Global Group Limited (the company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year then ended; and
ii) complying with Australian Accounting Standards and *the Corporations Regulations 2001.*

Basis of opinion
We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those Standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Cash and cash equivalents (going concern) Refer to note 8 (Cash and cash equivalents) At 31 December 2018, the Group has cash and cash equivalents of $6.3mil which represent a decrease of $4.7 from the previous financial year. The Statements of Cash Flows shows an operating deficiency of $5.8mil and capital expenditure of $3mil that that has been supported by capital raising of $4.2mil. Continued depletion of cash reserves at similar levels disclosed in the financial statements would place reliance upon external capital raising and/or additional revenues. The amount of cash reserves and the extent of cash outflows should be brought to the attention by way of a key audit matter.	**Our procedures included, amongst others:** • Confirmation of year end balances by reviewing year end bank reconciliations, bank statements and bank audit certificates; • Subsequent receipt and payment testing; • Reviewed Management's Cash Flow forecast projection to December 2021 and in particular the next projected 12 month total expenditure; • Enquired about future capital raising activities; and • Confirmation from management regarding accuracy of projected cash flow levels (management representation letter).
Trade and Other Receivables (related parties) Refer to note 9 (Trade and other receivables) Included in Trade and other receivables as at 31 December are loans to related parties. As there is no materiality associated with related party transactions all transactions require adequate disclosure. We believe therefore, that the disclosure of related party loans should be brought to the attention by way of a key audit matter.	**Our procedures included, amongst others:** • Review of trade and other receivables to subsidiary ledgers; • Review of all loan agreements and associated documentation to ensure conditions have been met and loan agreements are current and signed; • Review of the recoverability of all trade and other receivables, by means of subsequent receipt testing and ensuring all terms of loan agreements have been met; • We examined the veracity of management's cash flow forecasts in regards to future repayments of debts; • Assessing whether appropriate disclosure regarding significant areas of uncertainty has been made in the financial report; and

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	• Confirmations from management regarding no recovery action or Director Penalty Notices issued (management representation letter).
Inventory Refer to note 10 At 31 December 2018, the Group has inventory of $1.31 mil. Notwithstanding that inventory is not material pursuant to AASB1031 4.1.6(a), we believe that this should be brought to the attention by way of a key audit matter for the following reasons: • finished goods are located in foreign jurisdictions; and • finished goods will impact on future profits of the company.	**Our procedures included, amongst others:** • Obtained confirmation of stock count from Manning Elliott and by using alternative audit procedures (roll back) verified the existence of approximately 60% of total inventory; • Reviewed invoices during the year to confirm purchase cut-off and valuation; • Reviewed the general ledger to ensure that the correct value was transferred to cost of goods sold; and • Confirmations from management regarding existence, security, data integrity and ownership of inventory.
Contributed equity Refer to note 16(a)(b) At 31 December 2018, the Group has total contributed equity of $25.6mil. During the financial year $4.2mil was raised through the issue of shares. The issue included shares issued to directors and employees. The issue of shares to directors and employees should be brought to the attention by way of a key audit matter.	**Our procedures included, amongst others:** • Reviewed bank statements to ensure accuracy of capital raised; • Reviewed ASIC website to ensure all capital raising and listing requirements met; • Reviewed minutes and ASIC documentation in regards to capital raising; • We confirm that appropriate disclosure has been met in relation to share and option placements for key management personnel; • We confirmed directors/ employees entitlements to any shares issued; and • Confirmations from management regarding capital raising (management representation letter).
Intangibles Refer to note 5 At 31 December 2018, the Group has acquired a number of subsidiaries in foreign jurisdictions that resulted in	**Our procedures included, amongst others:** • Reviewed the documentation in regards to the cost of acquisition and goodwill on purchase of CMDV and Canndeo; • Reviewed the current valuation of the Intellectual Patents (IP);

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goodwill being booked into the accounts. Due to the amount of goodwill the acquisitions should be brought to the attention by way of a key audit matter.	• Considered impairment and assessed recoverability of Goodwill and IP by reference to the current market capitalisation of the company. • We examined the veracity of management's cash flow forecasts in regards to future repayments of debts and profitability of the businesses; • Assessing whether appropriate disclosure regarding significant areas of uncertainty has been made in the financial report; • Confirmations from management regarding the carrying value of the goodwill and IP (Management representation letter); and • We also assessed the appropriateness of the financial statement disclosures concerning key assumptions.
Plant and Equipment Refer to note 11 At 31 December 2018, the Group has purchased land and buildings at 18 Circuit Road Southport QLD including plant and equipment for $2.4mil. The Group has revalued the plant and equipment by $10.2mil pursuant to AASB 13 *'Fair Value'*. Due to the revaluation being material and the impact on the operating result of the Group, this item should be brought to the attention by way of a key audit matter.	**Our procedures included, amongst others:** • We have considered audit evidence having regard to AASB 13(27) 'highest and best use' & AASB 13(28) ensuring that the asset is physically possible, legally permissible and financially feasible. • We physically inspected the plant and equipment and were able to confirm the physical condition and operational status of the plant and equipment. • Management provided an independent valuation report that was prepared on the basis of 'fair value' AASB 13. The valuation amount in the report was conditional on the equipment being in operation and licenced to produce medical cannabis. The plant was not licenced or commissioned to produce medical cannabis and therefore this report could not be relied upon. • We confirmed that the Group was licenced to produce proprietary extract and obtained evidence relating to the total production capacity of the plant and historic production volumes. • We reviewed the discounted cash flow (DCF) for the production of proprietary extract, its inputs and calculations and were able to establish that the present value of cash flows exceeded the carrying amount. • We obtained confirmation of orders for proprietary extract and compared that to projected revenues in the discounted cash flow.

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- We ensured that all necessary disclosures relating to the revaluation of plant performed have been adequately disclosed in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the presentation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement individually or in the aggregate, that could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our representation of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/Home.aspx. This description forms part of our auditor's report.

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Report on the Remuneration Report
Opinion on the Remuneration Report

We have audited the Remuneration Report include in pages 14 to 20 of the directors' report for the year ended 31 December 2018.

In our opinion, the Remuneration Report for the year ended 31 December 2018 complies with section 300A of the Corporation Act 2001.

Responsibilities
The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

KS Black & Co
Chartered Accountants

Scott Bennison
Partner
Dated: 29 March 2019
Sydney

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SHAREHOLDER INFORMATION

ASX additional information

Additional information required by the Australian Stock Exchange and not shown elsewhere in this report is as follows. The information is current as at 25 March 2019.

a. Spread of Shareholders

At 25 March 2019, there were 6,196 holders of Shares. The shareholders were entitled to one vote for each Share held.

Spread of Holdings	No. of Holders	No. of Units	% Issued Capital
1 – 1000	1,485	1,085,747	0.85
1,001 – 5,000	2,588	6,726,746	5.29
5,001 - 10,000	893	7,064,897	5.55
10,001 - 100,000	1,071	30,091,303	23.64
100,001 and over	159	82,308,879	64.67
Total	**6,196**	**127,277,572**	**100.00**

There were 932 shareholders holding less than a marketable parcel of less than 918 shares as at 25 March 2019 ($0.5450).

b. Top 20 Shareholders

	Holder Name	Share Holding	% Issued Capital
1	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	9,801,091	7.70
2	0971224 B.C. LTD	9,700,000	7.62
3	AGRI FIBRE INDUSTRIES PTY LTD	4,000,000	3.14
4	MMR CORPORATE SERVICES PTY LTD	2,500,000	1.96
5	PEGASUS AGRICULTURE PTY LTD	2,500,000	1.96
6	MRS KATJA GORDON	1,898,366	1.49
7	UNE-INNOVATION CONSULTING AUSTRALIA PTY LTD	1,587,302	1.25
8	CITICORP NOMINEES PTY LIMITED	1,578,865	1.24
9	PEARS DAISLEY PTY LTD <DAISLEY PEARS A/C>	1,500,000	1.18
10	NICHOLAS CHARLES DEVERELL POWNALL	1,375,000	1.08
11	MR SID BAINY + MRS SAMIA BAINY	1,200,000	0.94
12	RUCHNIUS PTY LTD	1,090,000	0.86
13	MADONNA ANDREWS <ANDREWS FAMILY A/C>	1,023,810	0.80
14	MR GEORGE DAABOUL	1,000,000	0.79
15	GANJA CAPITAL PTY LTD	1,000,000	0.79
16	HAMSAR PTY LTD <THE HAMSAR A/C>	1,000,000	0.79
17	MISHTALEM PTY LTD	1,000,000	0.79
18	MR NICHOLAS CHARLES DEVERELL POWNALL	997,476	0.78
19	BLACKIES SUPER HOLDINGS PTY LIMITED <AMANDAS SUPER FUND A/C>	900,000	0.71
20	SAWFAM PTY LTD <SAWYER SUPER FUND A/C>	800,000	0.63
	Total	**46,451,910**	**36.50**

c. Substantial Shareholders

The Company's register of substantial shareholders recorded the information as at 29 March 2019.

Holder Name	Share Holding	% Issued Capital
Une-Innovation Consulting Australia Pty Ltd; and MY Capital Management Corp <MY INP Venture Cap Fund A/C>	8,587,302	6.75
0971224 B.C. LTD	9,700,000	7.62

d. Voting Rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

e. Statement of Restricted Securities

The Company notes the following securities are restricted securities:

Class of Securities	Escrow Release Date	Number of Securities
Fully Paid Ordinary Shares	4 May 2019	37,514,450
Options expiring 31 December 2019 exercisable at $0.40 (ASX.THCO)	4 May 2019	24,132,225
Performance Shares	4 May 2019	24,500,000

f. Utilisation of Cash for Business Objectives

The Company confirms that it has used cash and cash equivalents held at the time of listing in a way consistent with stated business objectives.

THC Global Group