



17 September 2019

Companies Announcement Office
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
Sydney, NSW 2000

BPH Energy Ltd (ASX: BPH) Medicinal Cannabis investment market update

Dear Sir/Madam

BPH is pleased to provide market update in relation to developments for its Medicinal Cannabis investment Patagonia Genetics

Patagonia Genetics purchases first 1,300ltrs of Wonderland Agronutrients products to send samples to major licensed producers and grow shops internationally

BACKGROUND

Patagonia Genetics has secured the exclusive worldwide distribution rights (excluding Chile & Argentina) to Chile's leading cannabis fertilizer and biostimulant range, Wonderland Agronutrients. The range includes a 'Home Grow' and an 'Algae based Biostimulant' products.

In less than 3 years Wonderland Agronutrients has become one of the leading Chilean brand of cannabis oriented fertilisers in this highly competitive market, surpassed only by the largest international brands, such as Advanced Nutrients, Bio Biz, Grotek, Atami and Hessi, all of which have been in the market for around a decade.

Wonderland has penetrated over 90% of specialized retail outlets in Chile (over 1,500 outlets) and continues to grow its share of market with its complete array of products for all needs and stages of the plant.

HOME GROW RANGE

The **Wonderland 'Home Grow'** range is targeted towards the home cultivation markets and supports all stages of the plant life cycle, comprising of:-

Tripack - A three stage biostimulating fertilizer composed of:

- **Big Vegeta** - Stimulates development & growth during vegetative stage;
- **Sweet Angel** - Promotes metabolism during pre-flowering stage when plants demand most energy.
- **K-Bloom** - Stimulates flowering favouring absorption of water and nutrients improving size and quality of buds.

Fungi - Copper based fertilizing product that prevents and attacks all type of fungi & bacteria.

Outpest - Organic pesticide that eliminates most common pests including greenflies, whiteflies, thrips and the devastating spider mites.

Raizer - Root stimulant that also improves physical, chemical and biological properties of soil.

ALGAE BASED BIOMSTIMULANT

The **Wonderland 'Algae based Biostimulants'** range is formulated specially for Patagonia Genetics.

This is a three stage treatment that caters to the specific needs of three basic stages of the plants: rooting, vegetative and flowering.

All are concentrated marine algae (*Ascophyllum nodosum*) based extracts that stimulate the metabolism and favour the fitoregulation of the plants.

Naturally wild growing algae is sourced from Southern coastlines and harvested by craftsmen using traditional/ environmentally friendly methods.

Whilst the algae based product is considered relatively new and experimental, it has been having extremely encouraging results, with some recently shared on Wonderland's social media.
<https://www.instagram.com/wonderlandagronutrients/>

INITIAL ORDERS PLACED WITH WONDERLAND AGRONUTRIENTS

Patagonia Genetics has recently made purchases of both of the Wonderland product ranges, being the 'Home Grow' and the 'Algae based Biostimulants' exceeding 1,300ltrs in order to send samples to major licensed producers and grow shops internationally who have shown interest.

Initial modelling completed by Patagonia Genetics shows potential for margins of between 60-80% on the Wonderland Agronutrients distribution deal. The financial impact of this development is not material. Further information on sales progress will be provided in due course.

Yours sincerely,



David Breeze
Executive Director

Patagonia Genetics

Patagonia Genetics is a craft cannabis company based in Patagonia, Chile boasting a genetic collection of over 260 unique cannabis and hemp strains, carefully collected from industrial hemp cultivations of the late 1980's whose germination rates were verified in late 2016 with knowledge of the Livestock & Agriculture Service (SAG). A large proportion of these are unhybridized landraces not seen in domestic markets in over 30 years, hence their genetic value.

Patagonia Genetics believes the future of cannabis is in high quality craft cannabis, outdoor and field grown. 10 Latin American (LATAM) countries have legalised cannabis for Medicinal usage and 3 have decriminalised for adult use. There are over 40 Licensed Producers operating in the region, a region that boasts some of the most prime real estate and growing conditions in the world.

The region boasts exceptional climatic conditions, with lots of sunshine and good rainfall. This coupled with acres and acres of arable land, could make the LATAM region the global leaders in cannabis production.

In addition to the above, the price of labour is exceptionally cheap when compared to its European and North American counterparts.

A key component to successful cannabis growing is providing the plant quality nutrients, pest prevention and natural products all life stages that do not leave residue. For this reason, Patagonia Genetics has sought to vertically align itself by securing the world wide offtake rights to the Wonderland Agronutrients brand, Chile's #1 cannabis fertilizer.

With 11 applications currently under review with the Livestock & Agriculture Service (SAG), the company anticipates to be cultivating medicinal cannabis, conducting R&D on its genetic collection and cultivating stabilized seeds locally before the end of FY 2020.

GENETIC COLLECTION

A Chilean gene pool that has remained greatly isolated from international markets up to recently, hence its uniqueness. Archived over the past 30 years, a physical collection of over 30,000 seeds, the 260+ strain collection consists of carefully stored landraces from industrial hemp cultivations of the late 1980's whose germination rates were verified in late 2016 with knowledge of SAG.

Patagonia Genetics believes it to be the only seed bank in the world to hold the rarest F1 Colombian Red, a strain that was deemed to be lost, along with other notable strains such as the 'Black Black', with genetics that produces an almost pure black cannabis plant.

The collection contains a variety of hemp and cannabis strains that have been selected for their exceptional terpene profile, production yield, pest resistance, uniqueness, CBD/THC content and medicinal properties.

In Chile the sale of cannabis seeds is permitted if sold as 'collector's items'. The top selling brands are currently Barney Farm's and Sensi Seeds, whereby individual seeds can achieve as high as AU\$17-20.

LAND USE

Patagonia Genetics SpA has signed land use agreements on 2 farms for total 20Ha of land in

Patagonia, near the major shipping port of Puerto Montt, Chile.

Farm 1

The property is the location of the first legal cultivation of cannabis and hemp seeds for the purpose of genetic preservation. Spanning 18ha, the property has 2 pristine glacial waterfalls running through it available for use, as well as a greenhouse that remains from prior grows. It is intended the property will be used to operate as an "Experimental Seed Bank" for R&D purposes, upon receiving the appropriate licenses. The property has water rights of 30 ltrs per second.

Farm 2

The property is perfect for cultivation, considered premium farmland it is large, open and flat spanning 10Ha, with additional land available. Upon receiving the necessary approval to cultivate cannabis, greenhouses and an extraction facility will be erected on site. The property is in close enough proximity to Farm 1 that water can be piped. It is intended that 10Ha of outdoor, high grade CBD will be cultivated to provide near term cash flow.

CANNABIS FERTILIZER OFFTAKE

Patagonia Genetics SpA has secured the exclusive worldwide offtake rights (excluding Chile & Argentina) to Chile's #1 cannabis fertilizer Wonderland Agronutrients .

WONDERLAND AGRONUTRIENTS HOME GROW KITS

In less than 3 years Wonderland Agronutrients has become the leading Chilean brand of cannabis oriented fertilisers in this highly competitive market, remaining surpassed only by the largest international brands, such as Advanced Nutrients, Bio Biz, Grotek, Atami and Hessi, all of which have been in the market for around a decade.

Wonderland has penetrated over 90% of specialized retail outlets and continues to grow its share of market with its complete array of products for all needs and stages of the plant.

PATAGONIA ALGAE BASED FERTILISER / BIOSTIMULANT

The product is formulated specially for Patagonia Genetics SpA, to which it retains the exclusive world wide offtake rights (excluding Chile). This is a two stage treatment that caters to the specific needs of two basic stages of the plants: **vegetative** and **flowering**. Both are concentrated marine algae (*Ascophyllum nodosum*) based extracts that stimulate the metabolism and favour the fitoregulation of the plants. Naturally wild growing algae is sourced from Southern coastlines and harvested by craftsmen using traditional/ environmentally friendly methods.

LICENCE APPLICATIONS

Patagonia Genetics presented a total of 11 requests to for permit/ license to cultivate at the Livestock & Agriculture Service (SAG).

- i. Application to export seeds to be analysed in labs;
 - ii. Application to export seeds to be cultivated;
 - iii. Application to export seeds to be saved as collector item;
 - iv. Application to produce certified seeds using local genetics for export;
 - v. Application to produce certified seeds using local genetics for local market;
 - vi. Application to produce certified seeds using imported genetics for export;
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- vii. Application to produce regular seeds using local genetics for export;
- viii. Application to produce seeds for research focused on medical use;
- ix. Application to produce buds for export using local genetics;
- x. Application to produce buds for export using imported genetics; and
- xi. Application to produce fibre.

BUSINESS DETAILS

Summary of Patagonia Genetics Pty Ltd (ACN 632 142 333), 100% owner of Patagonia Genetics SpA (RUT 76.923.997-9).

Patagonia Genetics Pty Ltd Website: www.Patagoniagenetics.com

Email: info@patagoniagenetics.com

Patagonia Genetics SpA Address: Av. Vitacura 2771, Oficina 503, Las Condes, Santiago.

DIRECTORS

Miguel Serrano

In-country manager / Director / Chile

Miguel has 33 years' experience in growing, experimenting and cross breeding cannabis strains. He has led a successful career as advertising planner working for large agencies in USA and Chile such as Y&R, and J. Walter Thompson. As Director of Planning he obtained two Gold awards in ARF's Ogilvy's (Bank of America in 2008 and Walmart in 2009), and he designed the campaign strategy that led Chile's current President to victory in the 2017 election.

Miguel was the first person to legally grow cannabis in Chile for purpose of genetic preservation.

Matthew Critchley

Managing Director / Australia

Matthew has 12 years' experience in Accounting, Corporate Finance and Equity Markets. Having previously worked at PKF Chartered Accountants in Bankruptcy and Insolvency, Matthew then left to manage a Small Cap Investment Fund, before managing his own corporate consulting firm. Matthew now runs his own personal investment fund and acts as Corporate Adviser to several Australian and South American entities.

Andres Meersohn

Chief Agronomist / Chile

Andres is a highly skilled Agronomist from Universidad de Chile, with 35 years' experience growing oversized cannabis plants. While he has become a notably successful businessman in the real estate industry and is owner of Chile's prime chain of Aparthotels, his passion lies with cannabis genetics.

Together with being a minority stakeholder in the company he has accepted the position as Chief Agronomist in charge of supervising operations and specifically the experimental seed station where our exclusive strains are identified, developed and stabilised for certification.
