



ASX RELEASE (31 JANUARY 2019)

THC Global Corporate Update – January 2019 & Appendix 4C

Key Points:

- **THC Global to transition 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**
- **Appointment of new CFO – specialist in cross border and high-growth strategies**
- **Acquisition of Nova Scotia cultivation site to complete imminently with appointments of experienced management team for Vertical Canna Inc**
- **Expansion into New Zealand in December to be followed by strategic positions in the Asian markets – product export and medical engagement**
- **Hydroponics equipment distribution agreements for its proprietary trademarked products into the European Union secured with commencement in Q12019**
- **Patient enquiries received for epilepsy, autism, pain (neurological and chronic)**
- **Strong balance sheet – unaudited net equity \$28.3 million**

THC Global Group Limited (THC Global or the Company) (ASX:THC) is pleased to provide an update on the Company's activities as it transitions into full-scale domestic operations having secured almost all licencing and permitting required for its vertically integrated, Farm to Pharma business model.

The Company has commenced cultivation activities having received permits for the cultivation and R&D site owned by THC Global subsidiary Canndeo. A Manufacturing licence for this site is expected shortly which will allow product validation and study trial production additionally to the full-scale manufacturing that THC Pharma will undertake at its other manufacturing facility.

In addition to the expansion into New Zealand in December, where THC Global is providing imported CBD products to patients in New Zealand under exclusive distribution agreements, THC Global is also exploring strategic opportunities to the broader Asian region. The Company expects to announce further details of these negotiations and early-stage partnerships as they develop towards commercial outcomes in the coming months.

The Company's expansion into Canada with its wholly owned subsidiary Vertical Canna Inc has also been successful – with Vertical Canna focussing on acquiring assets with short revenue generation runways such as the Nova Scotia cultivation site, which is being positioned to not only be a cultivation site but also allow for retail and wholesale cannabis supply. The site is fully scalable, with the Company to expand growing capacity as it secures off-take agreements to underpin revenue targets.

In order to support the Company's expanded activities globally, the Company appointed Mark Fortugno as Group Chief Financial Officer. Mark's expertise will support the Company's cross border acquisition activities and progression into full-scale production.



The Company's balance sheet is stronger than ever, with an unaudited net equity of \$28.3 million expected to be reported in the 2018 Annual Report to be released in the coming months.

THC Global's hydroponics equipment division, Crystal Mountain, expects to grow significantly as the Company enters the retail market to supply to micro-cultivators and other new markets. The Crystal Mountain CEO, Jason Colquhoun has secured a number of new distribution agreements which will see distribution of Crystal Mountain's trademarked products such as Spinpro to be distributed across the European Union commencing Q1 2019.

Revenue generation from the sale of imported cannabis products under the exclusive Endoca distribution agreement for Australia and New Zealand will also be more prominent in upcoming quarters as the Company continues prescriber, pharmacy, and patient engagement programs for the products sold by THC Pharma and THC Pharma (NZ). Patient enquiries have been primarily for epilepsy, autism, neurological pain and chronic pain.

Chief Executive Officer, Ken Charteris commented:

"Q4 2018 has been a pivotal quarter for the Company focussing on developing a vertically integrated global cannabis business and marking the Company's transition into production mode as its domestic facilities receive final licencing and permitting required.

"We are pleased to see first plants on site at our manufacturing and cultivation site, and look forward to commencing the first stage of our manufacturing activities to support the domestic market with a view to our larger facility being used to pursue export opportunities."

For further information, please contact:



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THC Global Group Limited (ASX: THC)

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 two grow 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.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

THC GLOBAL GROUP LIMITED

ABN

33 614 508 039

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	647	2,588
1.2 Payments for		
(a) research and development	(42)	(42)
(b) product manufacturing and operating costs	(464)	(2,145)
(c) advertising and marketing	(82)	(189)
(d) Facility operating and running costs	(86)	(345)
(e) staff costs	(409)	(1,827)
(f) administration and corporate costs	(732)	(3,918)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	59	128
1.5 Interest and other costs of finance paid	(100)	(100)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,209)	(5,850)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(10)	(3,031)
	(b) businesses (see item 10)	-	-
	(c) investments	(27)	(27)
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(37)	(3,058)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	3,000
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	1,247
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(43)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (loans to other entities)	-	-
3.10	Net cash from / (used in) financing activities	-	4,204

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	7,590	11,038
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,209)	(5,877)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(37)	(3,058)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	4,204
4.5	Effect of movement in exchange rates on cash held	(10)	-
4.6	Cash and cash equivalents at end of quarter	6,334	6,334

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6,334	7,590
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,334	7,590

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

65

-

N/A

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	39
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		


N/A

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	638
9.3 Advertising and marketing	30
9.4 Facility operating and running costs	155
9.5 Staff costs	454
9.6 Administration and corporate costs	731
9.7 Other (Acquisitions)	208
9.8 Total estimated cash outflows	2,216

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 

Company Secretary

Date: 31 January 2019

Print name: Henry Kinstlinger

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.