



ASX RELEASE (31 JANUARY 2020)

THC Global Quarterly Update & Appendix 4C

Significant revenue growth & further advancement of medicinal cannabis strategy

Key Points:

- First 'Canndeo' branded medicinal cannabis medicines produced at Southport Facility in Q4 2019 with product validation expected to be completed in Q1 2020
- Southport Facility fully licenced and permitted for pharmaceutical GMP production
- Importation of precursor crude extract for further processing at Southport Facility to allow for rapid scale-up of manufacturing at lower capex
- Chief Operating Officer of THC Pharma appointed to oversee scale up of production
- Unaudited trading revenue for 2019 of \$4.79 million – 81% YoY growth on 2018 audited revenue
- Continuing growth within Canadian hydroponics equipment business unit
- Strong balance sheet with unaudited net equity of \$22.6 million

THC Global Group Limited (**THC Global** or the **Company**) (ASX:THC) is pleased to provide an update on the Company's activities, as well as the Appendix 4C for the quarter ended 31 December 2019 (**Q4 2019**).

Commercial Scale Pharma GMP Manufacture of Medicinal Cannabis

In Q4 2019, THC Global commenced first production of medicinal cannabis extract from its Southport Facility – the largest pharmaceutical bio-floral extraction facility in the Southern Hemisphere. Stabilisation testing of this product is expected to complete by the end of Q1 2020 enabling supply to Australian patients to commence.

THC Global has also now received all federal and state licences and permits required to enable commercial scale pharmaceutical GMP manufacture of medicinal cannabis extracts from the Southport Facility. The Company is exploring export opportunities for its products into Europe and North America, in addition to supplying patients in Australia and New Zealand.

With the Australian Office of Drug Control providing guidance that importation of crude extracts by licenced and permitted Australian manufacturers – such as THC Global – the Company expects to take advantage of this to import crude from overseas markets for further extraction at the Southport Facility into a pharmaceutical GMP end product. This will accelerate the Company's timeline for commercial medicines manufacture at significant scale, and reduce the near term capital expenditure required for further cultivation facility establishment.

In Q4 2019, the Company appointed Angela Macquire as the Chief Operating Officer of THC Pharma, the Company's pharmaceutical manufacturing business unit. Angela has over 30 years' experience in the pharmaceutical industry, having held managerial positions at PCI Clinical Services, LEO Pharma, and IDT Australia as well as technical roles at GlaxoSmithKline and Pfizer. Angela has also been involved in the management of many medicinal cannabis formulation projects for global clients.

Unaudited Trading Revenue of \$4.79 million – 81% YoY Growth

THC Global's 2019 full year unaudited trading revenue was \$4.79 million representing an 81% improvement on 2018 full year audited revenue. Cash receipts in Q4 2019 totalled \$1.87 million representing 30% quarter-on-quarter growth and 189% growth against Q4 2018.



The Company's hydroponics equipment business, Crystal Mountain, was the main driver of revenue growth in 2019. Over the past few months, Crystal Mountain has been broadening its product offering, introducing new value-add service offerings to cannabis cultivator clients, and expanding across Canada from its current west coast base in Vancouver.

With unaudited trading revenue for Crystal Mountain in 2019 already nearing the \$5 million forward estimate the Company provided for Crystal Mountain's 2020 full year revenue, the Company now expects Crystal Mountain's 2020 full year revenue to exceed \$7 million on a conservative basis.

Medicinal Cannabis Sales

THC Global is currently an exclusive distributor of 'Endoca' cannabidiol (CBD) based medicines to patients in Australia and New Zealand. Sales of the Endoca medicines have been strong, particularly in New Zealand which has a less restrictive medicinal cannabis access scheme.

From late Q1 2020, THC Global will be supplying a full range of 'Canndeo' branded medicines in Australia and New Zealand, with product being sourced from the Company's own production facility as it scales up and initially supplemented by imported European product through a white labelling agreement with MGC Pharmaceuticals.

As production of medicinal cannabis from the Company's Southport Facility scales up through 2020, the Company will be able to offer price competitive pharmaceutical GMP medicines to Australian patients and the global export market.

Strong Balance Sheet

In addition to the \$3.55 million cash in bank at the end of Q4 2019, the Company received an additional \$661,000 from conversions of options – which have now lapsed. THC Global's balance sheet remains strong, with the Southport Facility on balance sheet at over \$16 million no debt across the group, and unaudited net equity for 2019 of \$22.6 million.

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ASX release authorised by THC Global's Management Committee – the Chairman, Deputy Chairman, and CEO.

THC Global Group Limited (ASX: THC) thc.global

THC Global is a diversified global cannabis company with primary operations in Australia and Canada. THC Global's cannabis business was built on a fully integrated end-to-end approach to research and development, cannabis cultivation, processing, and pharmaceutical grade GMP manufacturing. THC Global owns and operates the largest pharmaceutical bio-floral extraction facility in the Southern Hemisphere with one of the largest production capacities for pharmaceutical GMP medicines in the cannabis sector globally. THC Global's production facility is fully export ready, with licences and permits secured for export of internationally recognised GMP medicines. THC Global also owns and operates Crystal Mountain, an established hydroponics equipment and supplies wholesaler and retailer operating across Canada servicing the rapidly expanding cannabis sector in North America.

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 2019

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	1,869	4,727*
1.2 Payments for		
(a) research and development	(12)	(140)
(b) product manufacturing and operating costs	(1,724)	(4,280)*
(c) advertising and marketing	(27)	(232)
(d) facility operating and running costs	(227)	(734)
(e) staff costs	(798)	(2,625)
(f) administration and corporate costs	(1,423)	(4,765)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	20
1.5 Interest and other costs of finance paid	(92)	(144)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	278
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,433)	(7,895)

**YTD figures includes a reallocation to receipts from customers and payments for product manufacturing and operating costs in Q319 to correct misallocation of inventory trade credits impacted both line items by \$405,000 in Q319. There was no net difference in reported operating activities

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(138)	(475)
	(b) businesses (see item 10)	-	-
	(c) investments	-	(197)
	(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	(138)	(672)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	2,984
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	842	1,591
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(55)
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 repaid by other entities)	1,261	1,261
3.10	Net cash from / (used in) financing activities	2,103	5,781

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	4,028	6,334
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,433)	(7,895)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(138)	(672)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,103	5,781
4.5	Effect of movement in exchange rates on cash held	(5)	7
4.6	Cash and cash equivalents at end of quarter	3,555	3,555

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	3,555	4,028
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)	3,555	4,028

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	75
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	
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	120
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	30
9.3 Advertising and marketing	30
9.4 Facility operating and running costs	467
9.5 Staff costs	824
9.6 Administration and corporate costs	585
9.7 Other (development costs)	-
9.8 Total estimated cash outflows	1,936

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 2020

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.