



ASX RELEASE (30 APRIL 2020)

## THC Global Quarterly Update & Appendix 4C

THC Global Group Limited (**THC Global** or the **Company**) (ASX:THC) is pleased to report on its activities and provide its Appendix 4C for the quarter ended 31 March 2020 (**Q1 2020**).

### Key Points

- ✦ 100% Australian produced TGA GMP medicines available for prescription from May 2020
- ✦ THC Global's Australian produced medicines are both TGA GMP and EU GMP enabling export
- ✦ Q1 2020 cash receipts of over \$1.2 million – over 44% year on year growth
- ✦ Australian and Canadian business activities continuing without significant interruption from COVID-19
- ✦ Funded through 2020 with \$4 million funding facility secured without dilution to shareholders
- ✦ Southport Manufacturing Facility expanded with long term lease of adjacent property – to be used for in-house commercial scale medicines packaging and distribution
- ✦ Redirecting expenditure from proposed cultivation projects into increased medicines production output

### GMP Medicines Production and Patient Availability

THC Global's 100% Australian produced TGA GMP medicinal cannabis medicines will be available for prescription to Australian patients within the next month. This is a significant milestone for the Company, confirming that it has completed stability testing and TGA validation of its first Australian produced medicines and now enabling the scale up of production volumes.

THC Global remains committed to supplying medicinal cannabis medicines for at least 6,000 Australian patients through 2020, with the roll out of the Company's 100% Australian produced TGA GMP medicines complementing its other medicines range being progressively made available for prescription to Australian patients in the coming months. The expanded range includes imported white-labelled medicines, and medicines produced by the Company using imported crude cannabis extract. All of the medicines offered by the Company under its Canndeo brand will be low patient cost, high quality medicines made accessible to Australian patients in need and priced competitively for the global export market.

Additionally, with international mutual recognition of TGA GMP licences, the Company's medicines are also recognised as EU GMP medicines that can be exported into markets including Germany, enabling the Company to export into other cannabis markets globally where demand for these medicines is strong.

### Cash Receipts Growth of 44% YoY

In Q1 2020, THC Global's cash receipts exceeded A\$1.2 million, representing a 44% year on year growth driven primarily by the Company's hydroponics equipment business. Revenue from the supply of medicinal cannabis medicines to Australian patients is expected to increase significantly during Q2 and Q3 2020 given the new products being made available for prescription from the end of May 2020, in addition to other products being launched by the Company through the year.



### Operations Continue Through COVID-19

The Company's Australian operations have not been affected by COVID-19, with activities at the Company's production facilities at Southport and Bundaberg continuing to operate, albeit with additional workplace safety precautions in compliance with the Australian Government's guidance and recommendations.

In Canada, the Company's hydroponics equipment business has been deemed an essential service as part of the cannabis supply chain, and accordingly not subject to the business restrictions currently in force in Vancouver. However, the Company is experiencing a temporary difficulty in sourcing and transporting of merchandise from major Asian manufacturing hubs which has reduced availability of certain product lines sold by the Company. As a result, the Company has not been able to fulfil some customer orders, resulting in a near term fall in realised revenue. The Company expects this to be a short term issue, with those sales being delayed rather than lost as the Company will be able to fulfil those orders and meet the growing demand for its products as supply and transportation returns to normal in the coming months. Given this near term uncertainty, the Company is taking the prudent action of withdrawing its revenue expectation of \$7 million for 2020 for this business unit. However, the Company remains confident that revenue will not be negatively affected on a longer time-scale, as improving conditions will allow this revenue to be realised at a later point.

### Funded Through 2020

Taking advantage of the Company's strong balance sheet, THC Global has completed a \$4 million debt facility, announced on 30 April 2020. This additional funding provides sufficient cash for the Company's operations until at least the end of 2020 without accounting for expected increases in revenue over the coming year, and was completed without any dilution to the Company's shareholders during challenging market conditions.

The debt facility is secured against the Company's Southport Facility by way of mortgage and by general security agreements from the Company, and two of its Australian medicinal cannabis operating companies, THC Pharma Pty Ltd and Canndeo Limited. The terms of the facility allow for draw down of the \$4 million immediately, with repayment on or before 31 October 2021 and attracts an interest rate of 1.25% per month on drawn funds paid monthly. Securing this funding enables the Company to continue its activities towards production of high quality price competitive TGA and EU GMP medicines for Australian patients and the global export market.

### Southport Manufacturing Facility Expansion

THC Global's Southport Manufacturing Facility is one of the world's largest cannabis extraction facilities, however space on the existing property to facilitate large scale medicines packaging and distribution is limited. To alleviate this, the Company has secured a long term lease (five years with three option periods of five years) for the property immediately adjacent to the Southport Facility, at \$120,000 per annum subject to annual CPI-linked review. This property can be connected internally to the Manufacturing Facility and, subject to regulatory approval, will provide additional space to scale up the Company's medicines finishing and distribution activities.

The Southport Facility is capable of processing both plant 'biomass' and various forms of crude extracts into high quality extracts, including on-site formulation and validation capabilities now in place. With these additions, THC Global is well placed to provide manufacturing services to other global cannabis companies looking for a high volume price competitive TGA and EU GMP medicines producer. Given the scale of the Southport Facility, providing formulation, processing, and validation services to third parties could be a significant source of revenue without impacting the Company's production of its own medicines.

### Cultivation Projects Update

The Company currently has access to cannabis plant material for processing at its Southport Facility through a number of domestic and international sources including its own cultivation facility in Bundaberg, other Australian cultivators, and from imports of crude cannabis extract. Given current market conditions and the present availability of cannabis plant material, the Company has elected to defer capital investment in new cultivation projects for the foreseeable future including the Eden Farms and Ballina projects. This will bring a significant saving in capital expenditure previously planned for 2020 without affecting the Company's ability to meet its medicines production targets. The Company will continue to progress the licence applications for both projects in readiness for a potential later recommencement should circumstances change.

The Company's 100% Australian produced TGA GMP medicines being made available to patients from May 2020 are being produced using plant material from the Company's Bundaberg facility. In March 2020, the Company received an expanded cultivation permit for Bundaberg, increasing its cultivation capacity. Capital expenditure to expand existing operations at Bundaberg are minimal compared to a new project given that Bundaberg is already fully licenced and permitted under the Australian regulatory scheme.

### 2020 Outlook

THC Global Chief Executive Officer, Ken Charteris commented "With prescriptions of our 100% Australian produced medicinal cannabis medicines to commence by the end of May, and our Southport Facility being expanded to support additional production, we're well positioned to reach our targeted 6,000 Australian patients.

"Further, securing additional funding given current market conditions on favourable terms and without dilution to shareholders is a great outcome for us and ensures we can execute on our plan through 2020 and beyond".

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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](http://thc.global)**

THC Global is a diversified global cannabis company with primary operations in Australia and Canada. THC Global is the first ASX listed entity to fully own and operate commercial medicinal cannabis production facilities under Australia's cannabis regulations. THC Global's Southport Facility is one of the largest pharmaceutical GMP cannabis manufacturing facilities in the world. THC Global also owns and operates Crystal Mountain, a profitable, fast growing hydroponics equipment and supplies wholesaler and retailer servicing the rapidly expanding cannabis sector in North America, and Europe.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

THC Global Group Limited

**ABN**

33 614 508 039

**Quarter ended ("current quarter")**

31 March 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,219	1,219
1.2 Payments for		
(a) research and development	(38)	(38)
(b) product manufacturing and operating costs	(1,055)	(1,055)
(c) advertising and marketing	(100)	(100)
(d) leased assets	(103)	(103)
(e) staff costs	(977)	(977)
(f) administration and corporate costs	(838)	(838)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(6)	(6)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	193	193
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,703)</b>	<b>(1,703)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(235)	(235)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(235)</b>	<b>(235)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	642	642
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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 (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>642</b>	<b>642</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,552	3,552
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,703)	(1,703)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(235)	(235)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	642	642
4.5	Effect of movement in exchange rates on cash held	4	4
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,260</b>	<b>2,260</b>

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	2,260	3,552
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,260</b>	<b>3,552</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
319
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Additional Information: The \$319,000 in related party payments relates solely to directors fees and expenses for the quarter.

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**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	-	-
7.2	-	-
7.3	-	-
7.4	-	-

**7.5 Unused financing facilities available at quarter end**

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- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

On 30 April 2020, the Company advised that it had entered into a \$4,000,000 secured debt facility which is able to be immediately drawn down in full at the Company's election. The facility is repayable any time on or before 31 October 2021 and attracts interest at 1.25% per calendar month on drawn capital or 0.42% per month on undrawn capital. Further disclosure is provided in the ASX Announcement dated 30 April 2020 disclosing the facility, and in the Quarterly Update accompanying this Appendix 4C.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,703)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,260
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	2,260
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>1</b>

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: The Company expects to continue to have negative net operating cash flows for the time being. However, the Company refers to the Quarterly Update accompanying this Appendix 4C which provides disclosure on the Company's progress towards realising increased revenues from its Australian medicinal cannabis operations through the year.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Yes. Taking into account the \$4m debt facility detailed at Item 7.6 above, and assuming a Net Cash Used in Operating Activities consistent with the March 2020 quarter, the Company would expect to have funding available for at least three future quarters without considering additional capital raising activities. This estimation excludes revenue increases expected across the Group as referred to above and further explained in the Quarterly Update accompanying this Appendix 4C.

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3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes. the Company has sufficient funding for its committed business and continuing operations to at least 31 December 2020 without accounting for increases in revenue expected through 2020 or additional funding.

### 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.

Date: 30 April 2020

Authorised by: THC Global Management Committee  
(Chairman, Deputy Chairman, and Chief Executive Officer)

(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.