

ASX RELEASE (31 JULY 2020)

## THC Global Quarterly Update & Appendix 4C

### Highlights:

- First Canndeo medicines made available for prescription with additional medicines launching
- Initial export order confirmed to New Zealand of \$260,000 with further orders expected
- THC Global now a cannabis medicines manufacturer for multiple brands including Canndeo, Cannatrek, and Medleaf Therapeutics
- Tetra Health clinic network acquired – a key asset in strategy to bridge the affordability gap for cannabis medicines in Australia - patient enquiries increased by over 30% in June alone
- \$8.1 million capital raising completed to secure funding for accelerated medicines production and revenue growth

THC Global Group Limited (**THC Global** or the **Company**) (ASX:THC) reports on its activities and provides its Appendix 4C for the quarter ended 30 June 2020 (**Q2 2020**).

In Q2 2020, THC Global supplied its first Australian patient with Canndeo branded medicinal cannabis medicines produced at the Company's Southport Facility. The roll out of the full suite of the Canndeo medicines range is continuing through Q3 2020 and will see the launch of eight new medicine formulations for Australian patients. Additionally, THC Global is preparing for its maiden export of Canndeo branded medicines to both Europe and Canada with supply expected to commence in Q3 2020 for Canada and Q4 2020 for Europe.

In addition to medicinal cannabis sales under the Canndeo brand, THC Global is now a manufacturer for both Cannatrek and Medleaf Therapeutics. Under the agreements with Cannatrek and Medleaf, THC Global will produce and white-label cannabis medicines under those respective brands for sale in the Australian and New Zealand market. The initial export order to New Zealand, expected to be delivered by the Company in October, was for \$260,000.

The Company's newly acquired clinic network, Tetra Health, has seen significant growth since acquisition with an increase of over 30% in patient enquiries in June alone. Tetra Health is a key strategic asset for the Company in seeking to bridge the affordability gap for cannabis medicines in Australia by providing low cost of access for new patients and product-independent guidance on medicines.

As announced in early July, the Company's hydroponics equipment and cultivation solutions provider achieved its maiden \$3 million unaudited half year trading revenue milestone in June 2020, with total 1H 2020 unaudited revenue reaching \$3.2 million, being a ~50% increase over the prior period. The launch of new product and service offerings targeted at the micro-cultivator and home-cultivator sectors through the year is expected to drive further revenue growth.

In addressing the current COVID-19 pandemic, the Company confirms it has implemented and continues to enforce enhanced health and safety practices across all of its global business units. The Company's cannabis operations continue to operate normally, with limited pandemic related disruption. Difficulties in sourcing and transporting of merchandise from major Asian manufacturing hubs experienced by the Company's equipment and cultivation solutions business in Q1 2020 appear to have partially subsided over Q2 2020. As the Company noted in its Q1 2020 Quarterly Update, these delays have affected the timing of cash receipts from customers but is unlikely to significantly affect revenue over a longer time scale given pending customer orders are fulfilled as stock is landed in Canada.



Additionally, in the quarter, the Company completed an institutional placement to raise \$6.6 million and a subsequent Share Purchase Plan which raised a further \$1.5 million, taking the total capital raised to \$8.1 million at \$0.30 per share. Funds raised will be primarily applied towards enhancing the Company's working capital position as medicines production volume increase as well as funding growth projects including new pharmacy and prescriber interface technology for Tetra Health and Canndeo, as well as additional finished goods production capabilities at the Southport Facility.

The Company recorded cash receipts in Q2 2020 of \$1.9 million, primarily from the Company's Canadian hydroponics equipment and cultivation solutions business. Product manufacturing and operating costs increased significantly in Q2 2020 over Q1 2020, which was primarily attributable to an increase in production volumes at the Southport Facility requiring the purchase of additional raw materials. Revenue from this increased production is expected to be realised in Q3 2020.

The Company has also recorded \$6.6 million in cash receipts from the issues of equity securities in Q2 2020, being from the institutional placement, however this does not include the additional \$1.5 million raised in the Share Purchase Plan which closed in mid July 2020.

Payments to related parties and their associates in the quarter were all related to remuneration for services under existing services agreements, with no non-remuneration payments made in the quarter to those parties.

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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 end to end commercial medicinal cannabis production facilities under Australia's cannabis regulations. THC Global's Southport Facility in Southport, Australia is one of the largest pharmaceutical GMP cannabis manufacturing facilities in the world. THC Global also owns and operates a fast growing turnkey cultivation solutions provider, including a hydroponics equipment and supplies wholesaler and retailer servicing the rapidly expanding cannabis sectors in North America and Europe.

For prospective patients or healthcare professionals seeking more information on medicinal cannabis, please visit: [canndeo.com](http://canndeo.com) and [tetrahealth.com.au](http://tetrahealth.com.au).

## 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")**

30 June 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,949	3,168
1.2 Payments for		
(a) research and development	(179)	(217)
(b) product manufacturing and operating costs	(2,335)	(3,390)
(c) advertising and marketing	(52)	(152)
(d) leased assets	(112)	(215)
(e) staff costs	(1,136)	(2,113)
(f) administration and corporate costs	(985)	(1,823)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	(68)	(74)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	144	337
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,773)</b>	<b>(4,476)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities (net of cash acquired)	(247)	(247)
(b) businesses	-	-
(c) property, plant and equipment	(158)	(393)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(405)</b>	<b>(640)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,601	6,601
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	642
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(398)	(398)
3.5	Proceeds from borrowings	3,850	3,850
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(90)	(90)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>9,963</b>	<b>10,605</b>

Section 3.5: Proceeds of \$4,000,000 loan is net of 3 months prepaid interest

<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	2,260	3,552
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,773)	(4,476)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(405)	(640)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,963	10,605
4.5	Effect of movement in exchange rates on cash held	(6)	(2)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>9,039</b>	<b>9,039</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	9,039	2,260
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>9,039</b>	<b>2,260</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
445
-

Amounts disclosed under 6.1 above includes amounts paid to directors, key management personnel and their associates for services provided to THC Global Group and its subsidiaries.

**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**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
4,000,000	4,000,000
-	-
-	-
<b>4,000,000</b>	<b>4,000,000</b>

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 entered into a \$4,000,000 secured debt facility. The facility is repayable at any time on or before 31 October 2021 and attracts interest at 1.25% per calendar month. Please refer to the ASX Announcement dated 30 April 2020 for further details.

**8. Estimated cash available for future operating activities**

**\$A'000**

8.1 Net cash from / (used in) operating activities (Item 1.9)

(2,773)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

9,039

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

9,039

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

3.3

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: N/A

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: N/A

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: N/A

## 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: 31 July 2020

Authorised by: THC Global Management Committee  
(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.