THC GLOBAL GROUP

ASX RELEASE (30 OCTOBER 2020)

Q3 2020 Quarterly Update & Appendix 4C

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 September 2020 (**Q3 2020**).

In Q3 2020, revenue growth continued with strong results from the Company's Canadian hydroponics and cultivation solutions business and from the Company's Australian telehealth clinic business, Tetra Health.

As at the end of Q3 2020, the Company's unaudited Canadian operations revenue for the year to date was C$4.54 million (A$4.9 million), exceeding total FY2019 revenue. This represents a strong recovery from the pandemic related supply and sales issues experienced earlier in the year.

Tetra Health continues to grow since the Company's acquisition of this business unit in May 2020. The number of active patients using Tetra Health has increased 28% quarter on quarter to Q3 2020, with the Company additionally seeing a high renewal rate in the annual renewals required to continue being prescribed medicinal cannabis medicines in Australia. Tetra remains a key strategic asset for the Company, playing a key role in the accessibility and distribution of medicinal cannabis medicines to Australian patients with over 60 different cannabis medicines having been prescribed by Tetra doctors to date.

Since first supply of Canndeo and CanndeoCare branded medicines to Australian patients in Q2 2020, the Company has now released five Australian produced medicines into the market under these brands. Sales of these medicines continues, however production delays from earlier in the year have limited the volume of sales. With respect to the export of white-labelled medicines into New Zealand initially targeted for October 2020, the Company has delayed first supply under this agreement primarily due to delays in securing the required approvals from the New Zealand government and the product testing required to support this approval. The Company will disclose the revised shipment date once it has been agreed following required approvals.

With respect to the ongoing COVID-19 pandemic, the Company confirms that it continues to enforce enhanced health and safety practices across all of its global business units. The Company's Australian and Canadian operations continue to experience limited pandemic related disruption.

Strategic Review and Run Rate Reductions

The Company will release a Strategy Presentation on Monday, 2 November 2020 which will include full details of the strategic and financial review completed by the Board and Management Team. At a high level, through the course of this review, the Company has identified and implemented $3+ million in annualised run rate savings which is expected to be fully realised through Q4 2020. These savings include the temporary suspension of further cultivation activity at the Company's Bundaberg Cultivation Facility pending further business case development as to cultivation with new genetic material to increase yield or offering the Bundaberg Facility to partners under contract cultivation style agreements. The Bundaberg Facility run rate savings alone exceed $1 million on an annualised basis.

The Company is also refocussing its medicinal cannabis and pharmaceuticals manufacturing strategy towards contract high value pharmaceutical manufacturing instead of looking to primarily develop Canndeo as a brand. This pivot should enable the Company to attract new global clients looking for a TGA and EU GMP manufacturer without the perception that the Company may be competing with its prospective clients' brands in the market.

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As at the end of Q3 2020, the Company had $7.26 million in cash, with $2.12 million in cash receipts from customers over the quarter. The Company's main operating costs in the quarter were related to product manufacturing and operating costs and staff costs, both of which should reduce in future quarters following the changes made as part of the Strategic Review.

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

Executive Search for Group CEO

The Company notes that the executive search for a new Chief Executive Officer of the Company is ongoing with the Board having consulted advisors and commenced early stage consideration of candidates. Upon the Board making a final decision on the appointment, the Company will announce a management transition plan for the incoming Chief Executive Officer.

For further information, please contact:

THC GLOBAL GROUP

Jarrod White
Group Chief Executive Officer
e: ceo@thc.global

Sonny Didugu
Group Chief Operating Officer
e: coo@thc.global

Philip Leighfield
Joint Company Secretary
e: corporate@thc.global

ASX release authorised by THC Global's Management Committee.

THC Global Group Limited (ASX: THC)

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.

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Appendix 4C

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

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Name of entity	
THC Global Group Limited	
ABN	**Quarter ended ("current quarter")**
33 614 508 039	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	2,116	5,284
1.2	Payments for		
	(a) research and development	(61)	(278)
	(b) product manufacturing and operating costs	(2,185)	(5,575)
	(c) advertising and marketing	(54)	(206)
	(d) leased assets	(121)	(336)
	(e) staff costs	(1,304)	(3,417)
	(f) administration and corporate costs	(830)	(2,653)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	21	24
1.5	Interest and other costs of finance paid	(155)	(229)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	56	393
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(2,517)**	**(6,993)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	(125)	(372)
	(b) businesses	-	-
	(c) property, plant and equipment	(517)	(910)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 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	**Net cash from / (used in) investing activities**	**(642)**	**(1,282)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,535	8,136
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	(150)	(548)
3.5	Proceeds from borrowings	-	3,850
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)	-	(90)
3.10	**Net cash from / (used in) financing activities**	**1,385**	**11,990**

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4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	9,039	3,552
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,517)	(6,994)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(642)	(1,282)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,385	11,990
4.5	Effect of movement in exchange rates on cash held	(1)	(3)
4.6	**Cash and cash equivalents at end of period**	**7,264**	**7,264**

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	7,264	9,039
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)**	**7,264**	**9,039**

6.	**Payments to related parties of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	396
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

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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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	4,000	4,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	4,000	4,000

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

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)	(2,517)
8.2	Cash and cash equivalents at quarter end (item 4.6)	7,264
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	7,264
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	2.9

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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

8.6.1 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

8.6.2 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

8.6.3 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

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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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 October 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.

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