



the **Hydroponics** company

www.thcl.com.au

2nd August, 2017

QUARTERLY BUSINESS REVIEW

Highlights

- **Official Quotation commenced 4 May 2017; A\$8 million raised**
- **Medicinal Cannabis Division**
 - **Cannabis Research Licence granted 6 July 2017**
 - **Strategic alliance agreement with Phoenix Life Sciences**
 - **Clinical trial partner mandated**
 - **Agreement with Australian pharmaceutical wholesaler for management of medicinal cannabis import and supply**
 - **Agreement with a pharmaceutical services supplier to manage doctor and pharmacy prescribing**
- **Hydroponics Equipment Division – Crystal Mountain (Canada)**
 - **Sales force expanded**
 - **Warehouse expansion**
 - **Stock control management system to be implemented**
 - **Over half million dollar product range expansion**

The Hydroponics Company (ASX:THC) (THC or Company) presents its first quarterly business review for the quarter ended 30 June 2017.

Corporate

- **Shareholder base increases by 240% since listing, currently 1,831 shareholders**
- **Consolidated inventory, cash and receivables at the end of quarter stand at A\$8.8 million**
- **Market capitalisation – A\$27 million**



The Hydroponics Company Limited
(ASX:THC) ACN: 614 508 039

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Sydney, NSW, 2000, Australia.

THC is continuing to assess recent legislative and regulatory changes, and is developing strategies in line with its business model to adapt to the changing medicinal cannabis landscape.

Chairman Alan Beasley said “The Company has made significant progress in the two months since listing. The manufacturing and wholesale division has undergone a substantial review with new resources allocated and accounting systems implemented.

“The rapid progress that our medicinal cannabis division has made since listing to obtain its first cannabis licence, build international engagement and assemble high calibre market channel partners, is very pleasing. I am confident that we will build into a leader in the Australian medicinal cannabis market through our well-developed and robust approach to business establishment in this new and vibrant sector.

“THC is looking forward to delivering many milestones in the remaining half of 2017.”

Canndeo Limited

Since listing on 4 May 2017, Canndeo has successfully moved forward towards the supply of medicinal cannabis to Australia. The company has made progress on a number of operational fronts, including receipt of a **Cannabis Research Licence on 6 July 2017** from the Office of Drug Control, and the **submission of a Medicinal Cannabis Licence application** to allow commercial production in the near term. Canndeo is also preparing an **application for a Manufacturing Licence** with a target submission date in the coming quarter. These activities underlie Canndeo’s commitment to future Australian medicinal cannabis products.

On 24 May 2017 The Hydroponics Company announced that it had entered into an **exclusive Strategic Alliance** with Colorado-based healthcare solutions company Phoenix Life Sciences Inc to collaboratively research, develop, manufacture, distribute and sell medicinal cannabis products in Australia and internationally. Canndeo anticipates regulatory approvals will be in place to enable import and commencement of study trials necessary by Canndeo of medicinal cannabis in the fourth quarter 2017; this will enable Canndeo to **enter the market while it develops its own local production chain**.

Canndeo’s approach builds on partnerships with pharmaceutical industry organisations and positions Canndeo to reach the Australian market rapidly and with low capital outlay. Canndeo has made progress on a number of commercially confidential engagements. Canndeo has **mandated a clinical trial partner** for the provision of safety testing and clinical trial services for Australian and imported product.

Canndeo has also reached **agreement with an Australian pharmaceutical wholesaler** for management of medicinal cannabis import and supply. Further, Canndeo has signed agreement with a **pharmaceutical services supplier to manage doctor and pharmacy prescribing**. Canndeo will continue working collaboratively with these organisations to develop a comprehensive supply chain.

Crystal Mountain and Dragon Vision (CMDV)

THC has been focused on the growth of the CMDV business in British Columbia and Hong Kong building on the productivity and efficiencies of the established business.

Great focus has also been on streamlining the businesses to enhance accounting, reporting and transparency so it becomes easier for management to objectively assess the various components of CMDV and implement effective strategies.

The Company has supported the expansion of the sales force, and the establishment of a new warehouse to accommodate increased growth as Canada moves towards the rollout of recreational marijuana. Over A\$500,000 has been applied toward product expansion.

Following application of international accounting standards during the half year review, duplicated revenues between subsidiaries acquired by THC were identified. Consolidated revenues since acquisition are A\$328,000.

Epigenetic Process

THC incorporated THC Plant Science as a wholly owned subsidiary to develop the epigenetic IP acquired by THC. An allocation of A\$671,000 has been made to commence the development of unique species derived from cannabis sativa.

The THC epigenetic process is a natural phenomenon in which organisms respond to environmental stress, by increasing the number of homologous sets of chromosomes (or genomes) in each cell.

Deliberately increasing the number of genomes in an organism has been termed “genomic architecture” and varies from “genetic modification” in that the genome is unaltered by the process. Laboratory tests, conducted by University of Queensland, confirm that plants modified in this way will grow between 33% and 40% faster than their parent stock, therefore providing faster and higher returns to their growers.

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About The Hydroponics Company www.thcl.com.au

The Hydroponics Company (ASX: THC) is at the forefront of developing a leading, diversified worldwide cannabis business, focused on three core business units: Development and delivery of medicinal cannabis, manufacturing and distribution of hydroponics equipment, materials and nutrients, and large scale hydroponic greenhouse design and construction. With +17 years of Cannabis sativa breeding, variety selection and growth management, THC is actively developing plant breeding technology to target multiple markets for high purity cannabidiol (CBD), a new class of medicinal product that can be used to target dementia, epilepsy and other neurological disorders.

About Canndeo Limited www.canndeo.com

Canndeo is a wholly-owned subsidiary of The Hydroponics Company (ASX: THC) that operates under a pharmaceutical model with a focus on the end-to-end supply of medicinal cannabis products. The Company has leading expertise in breeding, growth and extraction capability with a focus on the rapid introduction of medicinal cannabis products. A Medicinal Cannabis Research License was granted to Canndeo on 6 July 2017. Canndeo leverages +17 years of Cannabis sativa breeding, variety selection and growth management. Canndeo will target multiple medical markets with high purity cannabidiol (CBD), a new class of medicinal product that can be used to target dementia, epilepsy and other neurological disorders.

Disclaimer Regarding Forward Looking Statements

This announcement contains forward-looking statements which are identified by *italics* words that involve risks and uncertainties. Indications of, and guidelines or outlook on, future earnings, distributions or financial position or performance and targets, estimates and assumptions in respect of production, prices, operating costs, results, capital expenditures, reserves and resources are also forward-looking statements. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions and estimates regarding future events and actions that, while considered reasonable as at the date of this announcement and are expected to take place, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors and management. We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and readers are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are subject to various risk factors that could cause actual events or results to differ materially from the events or results estimated, expressed or anticipated in these statements.