



27 October 2017

# QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C

The Hydroponics Company (ASX:THC) (THC or Company) presents its September quarterly report and Appendix 4C for the quarter ended 30 September 2017.

## Highlights

- Increase in revenue from previous quarterly
- Focus on accelerating medicinal cannabis products for Australian patients
- THC joins Medicinal Cannabis Medicines Portal – providing channel to health professionals and patients
- Appointment of David Radford as Group CEO
- Senior executives complete successful international trip to Europe, Israel and Canada
- Candeo in discussions for the supply of medicinal cannabis into Clinical Trials in Australia
- Expansion plans for Canadian division
- Board changes

## Building Our Business

As part of THC's ongoing strategic review of operations and opportunities THC has directed its focus to two growth areas:

- development of its Canadian supply business; and
- accelerating the path to market for Australian medicinal cannabis.

This sharpened focus will see reallocation of capital from other programs to these two growth areas.

### **Canada – Crystal Mountain (Distribution) Dragon Vision (Manufacture)**

The Canadian market, following legalisation of cannabis for adult use, which is expected to take place in July 2018, is estimated to grow annually to a \$5-10 Billion local market.

THC's wholly owned subsidiaries, Crystal Mountain Dragon Vision (**CMDV**), are primarily focused on serving the Canadian market.

CMDV is refocussing to service the current larger licenced producers that have already commenced significant cropping and production of medical cannabis and the additional ones that will come online in the near future, as well as expanding its network of retail store customers internationally.

This will be done by:

- updating its product range with high demand products to improve margins;
- increasing the number of product agencies it represents; and
- acquiring like businesses in the rapidly growing Canadian marketplace, to increase the scale and scope of CMDV operations.

Continued investment in the Canadian marketplace gives THC exposure to one of the fastest growing cannabis markets in the world.

CMDV does experience a seasonality of revenue's in parallel with the local summer holiday season and the Canadian Revenue for the September quarter is typically the lowest quarter of the year.

In anticipation of the seasonal uplift of revenue in the coming month inventory purchases increased in the September quarter.

### **Australia – Canndeo Limited**

THC is continuing to pursue a dual supply strategy intended to give it the capacity and capability to meet market demand with product it manufactures in Australia as well as imported products.

The company has undertaken the following activities:

- put in place land access and facility support arrangements needed to complete its Australian research and manufacturing facility;
- Received its Cannabis Research Licence on 6 July 2017;
- Applications for both the Growing and Manufacturing licences have been submitted;
- The Executive team identified several potential partners for a range of medical solutions across Europe and Israel, with contract negotiations underway with several of these prospects.

THC recognises that education and distribution systems that meet the regulatory requirements are critical to uptake by Australian doctors. These have been a key focus in the last quarter.

The company announced in September that it has put in place an agreement with Sinapse that provides the framework for distribution of medicinal cannabis products on The Medicinal Cannabis Medicines Portal (MCMP).

It will provide a single solution for IT facilitated doctor prescribing, regulatory compliance, pharmacy wholesaler order and dispensing of medicinal cannabis products.

As part of its long term strategy to advance multiple indications for the use of Medicinal Cannabis, Canndeo is in final negotiations for the supply of medicinal cannabis product for a clinical trial to take place in Australia.

### **Board Structure and Key Personnel**

THC continued the refinement of its structure:

- Mr Ian Mutton was appointed chairman following Mr Alan Beasley's decision to step down from the position of chair after shepherding the company through the listing and initial capital raising process. Mr Beasley remains a member of the board;
- Appointment of David Radford as Group Chief Executive Officer;
- Appointment of Jarrod White as Group Chief Financial Officer and Company Secretary;
- Mr John Hall stepped down from the board – he will remain as Agriculture Manager and focus on strain development and growing operations in Queensland;
- Termination of the contract with James Barlow; and
- Retirement of Hamish McDonald. Hamish will remain as a non-executive Director on the Board. Following the retirement of Hamish Macdonald as CEO the agreement with Hamsar Pty Ltd was terminated effective 19 October 2017.

The Shareholder base continues to grow with 1972 shareholders.

The Company's Appendix 4C is attached.

For further information, please contact:



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**About The Hydroponics Company** [www.thcl.com.au](http://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](http://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 italicized 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.