



the **Hydroponics** company

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ASX RELEASE (31st January 2018)

Australian Quarterly Update

KEY POINTS

Quarterly Update - December 2017 - The Hydroponics Company Limited (ASX:THC)

- Commencement of a strategy to focus upon growth of the Canadian business and development of the Australian medicinal cannabis business
- Medicinal cannabis licence received from the Office of Drug Control to allow for growth of cannabis plants
- International agreement for the distribution of Endoca products signed
- Strategic partnership signed with BOL Pharma
- Hiring of Chief Commercial Officer to build the Pharma capabilities within the business
- Licence agreement signed with National Access Cannabis-Canada for the commencement of medicinal cannabis clinics in Australia
- Capital raise of \$11m to fund future growth initiatives
- Strengthening of the board through the addition of Mr Steven Xu early in January 18
- Significant increase in shareholders to over 4,500 (during January 2018)

Building The Business

Following the appointment of the new CEO there has been a sharpening of focus into the growth of the Canadian business and development of an Australian medicinal cannabis business in the last quarter.

Further changes to the company structure have been made to build and drive growth for the future. It was identified that the business could be strengthened by adding experience in the medical and



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pharma markets. The Company addressed this by appointing an experienced Pharma executive as the Chief Commercial Officer.

THC is now well positioned to capitalise on the initiatives taken last quarter.

Canada

The Canadian market is on track for legalisation of Cannabis in the Northern hemisphere summer. THC through its wholly owned subsidiary Crystal Mountain-Dragon Vision (CMDV) has been focused upon building its portfolio of products to service this market including, early in Q1-18 the announcement of commencement of Due Diligence on an asset currently generating more than \$20m in revenues.

CMDV as a platform for growth has

- updated its product catalogue and website so as to remain aligned to the market it serves;
- increased the number of product agencies it represents and,
- early in Q1-18 THC entered into a non binding Term Sheet for the acquisition of a Canadian asset that is complimentary to CMDV both in terms of product range and geographical focus

This increased range of products and the potential acquisition will better enable CMDV to increase its customer base to include the larger Licenced Producers that are rapidly building scale within the Canadian marketplace.

Revenues for the third quarter of ownership are showing positive growth trends during the period. As a result of the addition of these new agencies CMDV is continuing to invest in inventories to drive the future growth. CMDV has also reported increased cash collection as a result of initiatives commenced early in the quarter.

Australia

THC has made real and meaningful progress in the development of its Australian Medicinal Cannabis strategy. During the quarter THC announced agreements with Endoca and BOL Pharma for the importation and distribution of their products in order to be in a position to provide products to the market whilst continuing to develop its own capabilities for growth and production.

THC

- entered into a Supplier agreement with Endoca for the supply of its products into Australia
- entered into a strategic alliance with BOL Pharma for the sales and clinical development of its range of Medicinal Cannabis products
- entered into a licence agreement with National Access Cannabis of Canada to develop the first Medicinal Cannabis clinic program in Australia
- is nearing the completion of its Queensland based growing facility

- received its licence for growing of Medicinal Cannabis and is now awaiting feedback from the Office of Drug Control with respect to the awarding of the Manufacturing licence

THC recognises that securing a position in the market for medicinal cannabis requires:

- an education program benefiting both end users and their medical advisors; and
- distribution systems that meet the regulatory requirements.

THC believes that the provision of highest quality products from International suppliers, in conjunction with the establishment of a chain of Medicinal Cannabis Clinics will best position the business to take advantage of the expected growth in the Australian marketplace.

THC is pleased to have added a new director to the board, Mr Steven Xu. Mr Xu bring extensive international experience in the medicinal cannabis markets and represents the Company's largest institutional investor.

THC conducted a capital raising of 11M AUD through a placement and an oversubscribed SPP. These initiatives have enabled THC to increase its shareholder base to 4,500 shareholders as identified in Jan18.

THC will be providing regular updates to the market on the progress of the above initiatives and several other complimentary programs that are expected to further cement THC's leadership in the Medicinal Cannabis market in Australia.

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About The Hydroponics Company

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.