



the**Hydroponics**company

www.thcl.com.au

*To be renamed THC Global Group Limited
(subject to shareholder approval)*

ASX RELEASE (31 OCTOBER 2018)

THC Quarterly Update and Appendix 4C

The Hydroponics Company Limited, to be renamed THC Global Group Limited (subject to shareholder approval), (**THC Global** or the **Company**) (ASX: THC) is pleased to provide an update to the market of its activities for the quarter ended 30 September 2018 (the **Quarter**).

Australian Operating Licences

THC Global provides the following update on its domestic operating licences:

Cannabis Research Licence: THC Global holds a cannabis research licence over its Queensland R&D facility.

Medicinal Cannabis (Cultivation) Licences: THC Global holds a cultivation licence for its Queensland R&D facility. THC Global has prepared a second application for THC's Northern NSW growing site which is expected to be submitted in the coming weeks.

Manufacturing Licences: THC Global has two separate Manufacturing Licence applications over two locations, including the newly acquired Southern Queensland facility and the Queensland R&D facility, which both are under current active review.

Pharmaceutical Grade Production Capability - \$35m replacement value

The acquisition of the industry leading, bio-pharmaceutical manufacturing facility in Southern Queensland (the **Manufacturing Facility**) has positioned THC Global to be able to support both the domestic and export markets. THC Global estimates Good Manufacturing Practice (**GMP**) production of 12,000 kg of cannabinoid annually amounting to 120,000 kg of oil. This capacity is unparalleled in the domestic market, and rivals some of the largest cannabis producers in the world. The ethanol/alcohol extraction process used by the Manufacturing Facility is far more effective in isolating cannabinoids and producing consistent pharma-grade product at large scale.

Further, the Manufacturing Facility has a complete on-site testing and product development laboratory designed for the validation of pharmaceutical products, testing, and research and development activities. As the Company expands its operations, direct ownership of a laboratory of this specification will play a strategic role within the Australian cannabis sector.

THC Global's intention with respect to GMP medicinal cannabis manufacture is to produce high-purity cannabidiol products with high value-add versus the production and export of dried flower.

During the Quarter, the Company had received assessment of the replacement value of the Manufacturing Facility of at least \$35 million, representing a significant asset for the Company and a key step in furthering THC Global's vertically integrated 'Farm to Pharma' model.



Increased Medicinal Cannabis Growing Capacity

During the Quarter, the Company has expanded on its growing capacity, now spanning 64,000 sqm of land with an estimated 31,000 sqm of hydroponic greenhouse. THC Global expects yield from existing growing capacity to be in the order of over 50,000 kg of dried flower annually. THC Global will continue to build its plant material supply chain in support of building to full manufacturing capacity.

THC Global continues to investigate innovative agricultural methods to increase yield using hydroponic grow methods, including those sourced internationally.

Prescriber and Patient Engagement Strategy

As part of the Company's strategy for prescriber and patient engagement, THC Global sponsored a two-day educational event in early September held in Sydney. The course educated prescribers on the evidence supporting medicinal cannabis use in a clinical context and how to navigate the Australian regulatory framework to prescribe medicinal cannabis. THC Global is the exclusive distributor within Australia of Endoca CBD products, which were example products in the prescriber training. Building connections with patients and prescribers is a key pathway to domestic sales of medicinal cannabis products.

Medicinal Cannabis Team

During the Quarter, THC Global has focussed on increasing its internal capacity to conduct pharmaceutical grade quality assurance and regulatory affairs management, and is in final stages of securing new employees to complement the existing THC Global team. THC Global remains focussed on ensuring capacity to deliver the highest quality, fully compliant GMP product that is suitable for both the domestic and export markets.

Canadian Operations

THC Global's CEO has been in Canada during the Quarter to assist in positioning THC Global's hydroponics division, Crystal Mountain to take advantage of new micro-cultivators as legalisation of recreational cannabis in Canada expands and creates new markets.

The Company has also incorporated Vertical Canna Inc as a new Canadian subsidiary which will act as an investment vehicle for the acquisition of and participation in other cannabis ventures in the coming months.

For further information, please contact:



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The Hydroponics Company Limited (ASX: THC)

THC operates under a 'Farm to Pharma' pharmaceutical model and is currently delivering high quality medicinal cannabis products to Australian patients through existing access schemes. Having secured both a significant growing capacity over two grow sites, and an industry-leading pharmaceuticals biomanufacturing facility with attached testing and product development laboratory, THC is in prime position to service both domestic patients and the export market. THC's global commercial partners operate across four continents, supporting future international growth. THC also operates a revenue generating global hydroponics business, focusing on the manufacturing and distribution of hydroponics equipment, materials, and nutrients. THC is currently seeking shareholder approval for a change of its name to THC Global Group Limited.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

THE HYDROPONICS COMPANY LIMITED

ABN

33 614 508 039

Quarter ended ("current quarter")

30 September 2018

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	576	1,941
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(578)	(1,682)
(c) advertising and marketing	(52)	(107)
(d) Facility operating and running costs	(112)	(259)
(e) staff costs	(414)	(1,418)
(f) administration and corporate costs	(733)	(3,186)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	30	69
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,283)	(4,642)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(110)	(3,020)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) 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	(110)	(3,020)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	3,000
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	400	1,247
3.4	Transaction costs related to issues of shares, convertible notes or options	(13)	(43)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other	-	-
3.10	Net cash from / (used in) financing activities	387	4,204

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	8,606	11,038
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,283)	(4,642)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(110)	(3,020)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	387	4,204
4.5	Effect of movement in exchange rates on cash held	(10)	10
4.6	Cash and cash equivalents at end of quarter	7,590	7,590

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	7,590	8,606
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)	7,590	8,606

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

62

-

N/A

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	39
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		


N/A

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	520
9.3 Advertising and marketing	30
9.4 Facility operating and running costs	184
9.5 Staff costs	454
9.6 Administration and corporate costs	383
9.7 Other	-
9.8 Total estimated cash outflows	1,571

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.

Sign here: 

Company Secretary

Date: 31 October 2018

Print name: Henry Kinstlinger

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.