

ASX RELEASE (26 MARCH 2019)

## Canadian Cannabis Production Site Acquisition Completed

### Key Points:

- **Vertical Canna Inc, THC Global's wholly owned subsidiary has acquired a site in Nova Scotia, Canada for cannabis production**
- **Project to be funded using debt/hybrid funding as part of capital allocation strategy**
- **First stage development to focus on profit generating cultivation with later stage development to add high value-add production capabilities**
- **Present yield estimates of 37,000 kg of dried flower annually**
- **Negotiations for product off-take agreements for both production stages in progress**
- **Expertise to manage projects in Canada secured with appointment of Jonathon Inkley**

**THC Global Group Limited (THC Global or the Company)** (ASX:THC) advises that its wholly owned subsidiary, Vertical Canna, has completed the acquisition of a Canadian company, 10034622 Canada Inc, which holds the property and is in the process of becoming a Licenced Cultivator of cannabis.

Strategically, entering the Canadian cannabis market as a Licenced Cultivator will open new opportunities for THC Global that are not presently possible. Initial stage of production from the site is expected to be high-quality cannabis flower for sale into the Canadian recreational and medicinal markets, with plans for later stage higher value-add production capabilities to be established on the site, as well as applying to be a Licenced Processor and Seller. The staged development of the site will allow the Company to accelerate profit-generating production from the Canadian site.

The proposed initial stage facility is expected to have a footprint of 20,000sq ft (~1850sqm), however the total size of the land acquired by Vertical Canna in the transaction is approximately 4 acres (~16,000sqm) allowing for significant scalability of the Company's operations at this location.

Present yield estimates for the first stage development of the site is projected to be 37,000 kg of dried flower annually, however the Company is in negotiations with agricultural technology partners to develop a higher yield-per-square-foot from the facility which will significantly increase projected annual production. Negotiations for off-take agreements are also underway for both initial dried flower production, and also of later proposed value-add manufacturing of cannabis into other products.

The Company expects to obtain project funding for the development and is considering debt and hybrid facilities within Vertical Canna, allowing THC Global to complete the project and see revenue generating production with limited upfront capital outlay.

Chief Executive Officer, Ken Charteris, commented:

"THC Global entering the Canadian cannabis market as a local producer is significant step in its global strategy. By identifying the right asset and securing the right team, we will now be able to enter this market with limited upfront capital outlay.



“The first stage of the project is targeted to deliver near term profitability, and we are already in negotiations to secure off-take agreements. The second stage development of the facility will add significant value to the Company, allowing it to take advantage of lucrative business opportunities within the region.”

#### Securing Expertise in Canada for Cannabis Business Development

To support Vertical Canna’s development of the Company’s Canadian cultivation site and other projects in Vertical Canna’s deal pipeline, Vertical Canna has appointed Jonathon Inkley to its Board. Jonathon is a highly experienced project manager and business development specialist with a particular focus in the Canadian cannabis sector. Jonathon’s experience includes construction and project management roles working with ExxonMobil and Imperial Oil in Canada, as well as in the renewable energy sector. Jonathon is highly experienced in developing cannabis projects in Canada including managing compliance and licencing under the strict regulatory and legislative scheme. Jonathon is additionally a Chartered Professional Accountant (CPA) as well as a Chartered Management Accountant (CMA) in Canada, and holds an MBA from the University of Iowa

Jonathon’s remuneration will predominantly be unlisted performance options in THC Global issued under the Company’s Employee Option Plan, which vest on the achievement of key milestones in Vertical Canna’s development of the Canadian cannabis project, being:

175,000 THC001 Employee Performance Options exercisable at A\$0.80 expiring 1 January 2022 vesting upon the Consultant submitting the project plan for the Company’s Nova Scotian cannabis cultivation site to THC Global to its sole and absolute satisfaction on or before 1 July 2019;

250,000 THC002 Employee Performance Options exercisable at A\$0.90 expiring 1 January 2022 vesting upon the commencement of construction works at the Company’s Nova Scotian cannabis cultivation site on or before 31 December 2019, in accordance with the project plan, to the sole and absolute satisfaction of THC Global including THC Global or any relevant Group Company securing all statutory and regulatory approvals required;

550,000 THC003 Employee Performance Options exercisable at A\$1.05 expiring 1 January 2022 vesting upon the completion of the construction and licencing of the Company’s Nova Scotian cannabis cultivation site in accordance with the project plan to the sole and absolute satisfaction of THC Global on or before 30 April 2020; and

1,100,000 THC004 Employee Performance Options exercisable at A\$1.20 expiring 1 January 2022 vesting upon the Company’s Nova Scotian cannabis cultivation site achieving a minimum Monthly Revenue from the sale of cannabis of C\$250,000 in any single calendar month on or before 31 October 2020.

(together, the **Performance Options**)

If all milestones are met to allow the vesting of the Performance Options, and Jonathon exercises the Performance Options before 1 January 2022, the Company will raise \$2,262,500. The Performance Options will be issued per Listing Rule 7.2 Exception 9 as securities issued under the Company’s Employee Option Plan approved by shareholders.

Purchase Price of Canadian Site

The purchase price for the acquisition of 10034622 Canada Inc, the holding company for the Nova Scotia property and the applicant for the Licenced Cultivator status is in aggregate 450,000 Shares in THC Global and C\$200,000 paid to the two vendors. Jonathon Inkley is a vendor of 10034622 Canada Inc and will accordingly receive 50% of the purchase price. The 450,000 Shares are subject to a voluntary holding restriction until 25 September 2019 and are being issued under the Company's Listing Rule 7.1 capacity.

**For further information, please contact:**



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**THC Global Group Limited (ASX: THC)**

THC Global 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 Global is in prime position to service both domestic patients and the export market. THC Global's commercial partners operate across four continents, supporting future international growth.

In addition to its core medicinal cannabis business, THC Global owns two Canadian companies, being Crystal Mountain Products and Vertical Canna Inc. Crystal Mountain Products operates a revenue generating global hydroponics retailer and distributor of equipment, material, and nutrients to cannabis growers and producers. Vertical Canna Inc is an investment vehicle through which THC Global intends to build, through acquisitions and strategic partnerships, a vertically integrated Canadian cannabis producer and retailer. Vertical Canna's existing asset portfolio includes a land-holding in Nova Scotia, Canada to be developed into a large-scale cannabis production facility.