



**Formerly The Hydroponics Company Limited**  
**ACN: 614 508 039**

**Appendix 4D and  
Consolidated Financial Report  
for the Half Year Ended  
30 June 2019**

## APPENDIX 4D

<b>1. Name of Entity</b>	<b>THC Global Group Limited</b> <b>ACN 614 508 039</b>
Half year ended	30 June 2019
Reporting period	1 January 2019 to 30 June 2019
Previous period	1 January 2018 to 30 June 2018

### 2. Results for announcement to the market

	<b>30 June 2019</b>	<b>30 June 2018</b>	<b>% Change*</b>
	<b>\$</b>	<b>\$</b>	<b>Up (Down)</b>
2.1 Revenues from continuing operations	2,136,894	1,276,698	67%
2.2 Loss from continuing operations after tax attributable to members	(5,765,724)	(3,196,156)	80%
2.3 Net loss attributable to members	(5,765,724)	(3,196,156)	80%
2.4 Proposed dividends	Nil	Nil	-
2.5 Record date for dividend entitlement	N/A	N/A	
2.6 Revenue grew significantly in HY19 due to legalisation of cannabis in Canada.			

The loss for the period has increased by \$2.57m as compared to the previous period. The increase in loss is largely attributable to impairment of intangible assets and goodwill in HY19 due to the valuation of the probability of conditions on performance rights issued to acquire the assets in question. This alone accounted for \$1.95m of the loss.

	<b>30 June 2019</b>	<b>31 December</b>	<b>% Change</b>
	<b>Cents</b>	<b>2018</b>	<b>Up (Down)</b>
		<b>Cents</b>	
3. Net tangible assets per security	19	21	(10%)
4. There were no controlled entities gained or lost during the period.			
5. There were no payments of dividends during the reporting period.			
6. There is no dividend reinvestment plan in operation.			
7. There are no associates or joint venture entities.			

8. The Company is not a foreign entity.
9. The accounts are not subject to any audit dispute or qualification.

Additional Appendix 4D disclosure requirements can be found in the Interim Financial Report attached to this Appendix 4D.

The Company's half year report follows.

**THC Global Group Limited  
Consolidated Interim Financial Report  
30 June 2019**

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**Corporate Directory****THC Global Group Limited****Directors**

Steven Xiaobo Xu (Chairman)  
Alan Preston Beasley (Deputy Chairman)  
Lou Anthony Cattelan  
Gary John Radcliff

**Company Secretary**

Henry Kinstlinger

**Chief Executive Officer**

Ken Charteris

**Chief Financial Officer**

Jarrold White

**Registered Office**

Level 2  
131 Macquarie Street  
Sydney NSW 2000

**Principal Place of Business**

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131 Macquarie Street  
Sydney NSW 2000

**Website:**

thc.global

**Corporate Accountants**

Traverse Accountants  
Suite 305, Level 3  
35 Lime Street  
Sydney NSW 2000  
Australia

**Auditor**

KS Black & Co  
Level 1, 251 Elizabeth Street  
Sydney NSW 2000  
Australia

**Australian Legal Advisors**

Baker McKenzie  
Level 46, Tower One  
International Towers Sydney  
100 Barangaroo Avenue  
Barangaroo NSW 2000

**Canadian Legal Advisors**

Borden Ladner Gervais  
Centennial Place, East Tower  
1900, 520 3<sup>rd</sup> Ave SW  
Calgary AB T2P 0R3

## Directors' Report

Your directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as "THC" or the 'Group') consisting of THC Global Group Limited (referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the half-year ended 30 June 2019.

### Directors

The following persons were directors of the Company during the financial period and up to the date of this report, unless otherwise indicated:

Steven Xiaobo Xu	Chairman, Non-Executive Director, appointed 12/01/2018
Alan Preston Beasley	Deputy Chairman, Non-Executive Director, appointed 29/08/2016
Lou Anthony Cattelan	Non-Executive Director, appointed 15/03/2018
Gary John Radcliff	Non-Executive Director, appointed 15/03/2018

### Review of Operations and Financial Results

The net loss after income tax for the half-year ended 30 June 2019 was \$5,765,724 (2018 loss: \$3,196,156).

### Principal Activities and Strategy

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 multiple proprietary cultivation 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 global 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. Crystal Mountain Products operates a revenue generating global hydroponics retailer and distributor of equipment, material, and nutrients to cannabis growers and producers. THC Global intends to build through Vertical Canna Inc, through acquisitions and strategic partnerships, a vertically integrated Canadian cannabis producer and retailer.

### Review of Operations

#### Highlights

- THC Global now the holder of a full suite of cannabis licences in Australia enabling a Farm to Pharma production model
- Manufacturing Licence held for the largest bio-pharma extraction facility in the Southern Hemisphere
- Secondary Manufacturing Licence also held for the Company's Bundaberg R&D Facility which will enable small scale extraction and manufacture for product development
- Confirmed initial expectation of producing 12,000kg of Good Manufacturing Practice certified Active Pharmaceutical Ingredient isolates as well as full-spectrum and broad-spectrum extracts of medicinal cannabis
- Expecting to complete product validation by the end of 2019 followed by supply into Australian and Asian study trials and clinical trials in early 2020
- Canadian based hydroponics equipment division achieved maiden profit for half year to 30 June 2019

### Significant Changes in State of Affairs

No significant changes in the Group's state of affairs occurred during the financial period.

### **Matters Subsequent to Balance Date**

The following matters happened subsequent to 30 June 2019:

- In July 2019, the Company's wholly owned subsidiary, THC Pharma Pty Ltd, was granted a Manufacture Licence from the Australian Office of Drug Control for its Southport Manufacturing Facility – largest bio-pharma extraction facility in the Southern Hemisphere;
- The CFO of the Company Mr Mark Fortugno, who was appointed on 15 January 2019 and resigned on 31 July 2019, was replaced by Mr Jarrod White;
- On 31 July 2019 issued 850,000 shares to employees and consultants of the Company and a further 139,142 on conversion of listed THCO options to shares, and also a further tranche of THC005, options under the Company's Employee Option Plan;
- On 23 August 2019 issued 50,000 shares to a consultant for services under a consultancy agreement and also further tranches of THC006, THC007 and THC008 options under the Company's Employee Option Plan;
- On 28 August 2019 the Company held the official opening of its THC Global Southport Facility. The facility was opened by the Federal Minister for Health, The Honourable Greg Hunt, and had additional attendances of other State and Federal Parliamentarians.

No other matters or circumstances have arisen since 30 June 2019 which significantly affected, or may significantly affect:

- a) The Group's operations in future financial years; or
- b) The results of those operations in future financial years; or
- c) The Group's state of affairs in future financial years.

### **Likely Developments and Expected Results of Operations**

Information on likely developments in the operations of the Group and the expected results of operations have not been included in these financial statements because the directors believe it could potentially result in unreasonable prejudice to the Group.

### **Dividends**

No dividends were proposed or paid to members during the financial period (2018: \$Nil).

### **Indemnification of Officers**

During the financial year the Company paid premiums in respect of a contract insuring Directors and Executives against a liability incurred in the ordinary course of business.

### **Proceedings on Behalf of the Group**

No person has applied to the Court for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group.



**Auditor's Independence Declaration**

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of the Board of Directors.

On behalf of the Board:

**Alan Beasley**  
**Deputy Chairman**  
**30 August 2019**



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251 Elizabeth Street  
SYDNEY NSW 2000

75 Lyons Road  
DRUMMOYNE NSW 2047

# **K.S. Black & Co.**

ABN 48 117 620 556

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NORTH PARRAMATTA NSW 2151

PO Box 2210  
NORTH PARRAMATTA NSW 1750

***Lead Auditors' Independence Declaration under Section 307C of the Corporations Act 2001***

To the Directors of THC Global Group Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2019 there has been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

The entities are in respect of The Hydroponics Company Limited and the entities it controlled during the period.

KS Black & Co  
Chartered Accountants



Scott Bennison  
Partner

Dated in Sydney on this 30<sup>th</sup> day of August 2019

**THC Global Group Limited**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the half-year ended 30 June 2019**

	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue from continuing operations</b>	2,136,894	1,276,698
Cost of goods sold	(1,456,840)	(669,697)
Gross profit	<u>680,054</u>	<u>607,001</u>
Other income	295,023	38,818
Other cost of sales	(130,245)	(110,437)
Bad debts expense	(26,012)	-
Professional expenses	(506,358)	(653,293)
Consulting and due diligence expenses	(1,069,274)	(514,161)
Plant and facility costs	(219,136)	(201,349)
Employee benefits expense	(1,086,539)	(860,222)
Advertising and promotion expenses	(120,754)	(54,766)
Insurance expenses	(239,700)	(62,525)
License and registration expenses	(31,048)	(32,991)
Depreciation and amortisation expenses	(81,415)	(21,316)
Research and development	(30,610)	(33,395)
Finance expenses	(57,428)	(9,217)
Foreign exchange loss	(20,487)	(6,177)
Office and occupancy expenses	(175,410)	(189,114)
General and administration expenses	(838,868)	(588,229)
Share based payments	(157,517)	(504,783)
Impairment expense	6,7 (1,950,000)	-
Loss before income tax	<u>(5,765,724)</u>	<u>(3,196,156)</u>
Income tax expense	-	-
Loss for the period	<u>(5,765,724)</u>	<u>(3,196,156)</u>
<b>Other comprehensive income</b>		
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</i>		
Exchange differences on translating foreign operations, net of tax	115,613	39,056
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Gain on revaluation of land and buildings, net of tax	9(c) -	10,246,426
Total comprehensive profit/(loss) for the period	<u>(5,650,111)</u>	<u>7,089,326</u>
<b>Earnings per share</b>		
<i>From continuing operations</i>		
- Basic/diluted earnings per share (cents)	(4.44)	(2.61)

*The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.*

**THC Global Group Limited**  
**Consolidated Statement of Financial Position**  
**As at 30 June 2019**

	Notes	As at 30 June 2019 \$	As at 31 December 2018 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	5,689,612	6,333,540
Trade and other receivables		1,248,076	866,623
Inventory	5	1,354,055	1,310,071
Prepayments		401,850	-
<b>Total Current Assets</b>		<b>8,693,593</b>	<b>8,510,234</b>
<b>Non-Current Assets</b>			
Trade and other receivables		1,783,274	1,758,963
Property, plant and equipment		18,158,270	17,727,498
Leased assets		359,563	384,577
Intangible assets	6	-	1,050,000
Goodwill	7	2,415,140	3,315,140
<b>Total Non-Current Assets</b>		<b>22,716,247</b>	<b>24,236,178</b>
<b>Total Assets</b>		<b>31,409,840</b>	<b>32,746,412</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		998,553	363,770
<b>Total Current Liabilities</b>		<b>998,553</b>	<b>363,770</b>
<b>Non-Current Liabilities</b>			
Deferred tax liability		3,886,575	3,886,575
Finance leases		396,662	408,118
<b>Total Current Liabilities</b>		<b>4,283,237</b>	<b>4,294,693</b>
<b>Total Liabilities</b>		<b>5,281,790</b>	<b>4,658,463</b>
<b>Net Assets</b>		<b>26,128,050</b>	<b>28,087,949</b>
<b>EQUITY</b>			
Contributed equity	8(a)	26,537,507	23,004,812
Other contributed equity	8(b)	850,000	2,650,000
Reserves	9	13,011,605	13,431,615
Accumulated losses		(14,271,062)	(10,998,478)
<b>Equity</b>		<b>26,128,050</b>	<b>28,087,949</b>

*The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.*

**THC Global Group Limited**  
**Consolidated Statement of Changes in Equity**  
**For the half-year ended 30 June 2019**

	Notes	Contributed equity \$	Other contributed equity \$	Accumulated losses \$	Reserves \$	Total \$
At 1 January 2019		<b>23,004,812</b>	<b>2,650,000</b>	<b>(10,998,478)</b>	<b>13,431,615</b>	<b>28,087,949</b>
Loss for the period		-	-	(5,765,724)	-	(5,765,724)
Other comprehensive income	9(b/c)	-	-	-	115,613	115,613
Total comprehensive (loss)/income		-	-	(5,765,724)	115,613	(5,650,111)
Shares issued in the period	8(a)	3,587,500	-	-	-	3,587,500
Costs of capital raising		(54,805)	-	-	-	(54,805)
Revaluation of vesting conditions on performance shares	8(b)	-	(1,800,000)	2,350,000	(550,000)	-
Options cancelled	9(a)	-	-	143,140	14,377	157,517
Total transactions with owners	9(a)	-	(1,800,000)	2,493,140	(535,623)	3,690,212
<b>At 30 June 2019</b>		<b>26,537,507</b>	<b>850,000</b>	<b>(14,271,062)</b>	<b>13,011,605</b>	<b>26,128,050</b>
At 1 January 2018		<b>17,517,047</b>	<b>3,742,000</b>	<b>(2,746,886)</b>	<b>2,845,739</b>	<b>21,357,900</b>
Loss for the period		-	-	(3,196,156)	-	(3,196,156)
Other comprehensive income	9(c)	-	-	-	10,285,482	10,285,482
Total comprehensive loss		-	-	(3,196,156)	10,285,482	7,089,326
Shares issued in the period	8(a)	3,000,001	-	-	-	3,000,001
Costs of capital raising		(42,500)	-	-	-	(42,500)
Performance shares cancelled		-	(396,000)	396,000	-	-
Options converted		846,790	-	-	-	846,790
Share based payments accrued during the period		255,000	-	-	249,783	504,783
Options cancelled	9(a)	-	-	372,578	(372,578)	-
Total transactions with owners		4,059,291	(396,000)	768,578	(122,795)	3,690,212
<b>At 30 June 2018</b>		<b>21,576,338</b>	<b>3,346,000</b>	<b>(5,174,464)</b>	<b>13,008,426</b>	<b>32,756,300</b>

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**THC Global Group Limited**  
**Consolidated Statement of Cash Flows**  
**For the half-year ended 30 June 2019**

	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	1,438,794	1,242,905
Payments to suppliers and employees	(5,347,262)	(4,606,778)
Interest received	16,660	38,818
Finance costs	(57,428)	-
R&D tax incentive received	278,363	-
<b>Net cash outflow from operating activities</b>	<b>(3,670,873)</b>	<b>(3,325,055)</b>
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	(109,125)	(660,009)
Payments for land and buildings	(223,062)	(2,268,179)
<b>Net cash outflow from investing activities</b>	<b>(332,187)</b>	<b>(2,928,188)</b>
<b>Cash flows from financing activities</b>		
Proceeds from shares issued net of issue costs	2,928,695	3,804,291
Options converted	424,000	-
<b>Net cash inflow from financing activities</b>	<b>3,352,695</b>	<b>3,804,291</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(650,365)</b>	<b>(2,448,952)</b>
Cash and cash equivalents at the beginning of the financial period	6,333,540	11,037,689
Foreign exchange adjustment to cash balance	6,437	20,723
<b>Cash and cash equivalents at end of the period</b>	<b>5,689,612</b>	<b>8,609,460</b>

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

**THC Global Group Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2019**

**1 Summary of significant accounting policies**

These consolidated financial statements and notes represent those of the consolidated entity (referred to hereafter as the 'Group') consisting of THC Global Group Limited (referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the half-year ended 30 June 2019.

**Basis of preparation**

These general purpose interim financial statements have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The accounting policies that have been adopted in the preparation of the statements are as follows:

**Accounting policies**

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted in the Group's 2018 annual financial report for the financial year ended 31 December 2018.

**Going Concern**

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business.

The Group incurred a loss after tax of \$5,765,724 (2018: loss after tax of \$3,196,156) and had net cash outflows from operating activities of \$3,760,873 for the half year ended 30 June 2019. As at that date the Group had net current assets of \$7,695,040, total assets of \$31,409,840 as well as cash and cash equivalents of \$5,689,612 as at 30 June 2019.

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- The Group has cash and cash equivalents of \$5,689,612 as at 30 June 2019. As at that date the Group had net current assets of \$7,695,040 and total assets of \$31,409,840;
- If required, the Group has the ability to continue to raise additional funds on a timely basis; and
- The Group has the ability to scale back a significant portion of its development activities if required.

Accordingly, the Directors believe that the Group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

**THC Global Group Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2019**

**2 Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Provision for impairment of receivables*

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The Group remained in a development phase during the period and consequently there is some uncertainty surrounding the availability of future taxable amounts to utilise tax losses. Management considers it prudent not to raise any deferred tax assets at this point in time.

*Share based payments*

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

*Property, plant and equipment*

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of property, plant and equipment and land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity.

To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

**THC Global Group Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2019**

**3 Business combinations**

Name of subsidiary	Country of Incorporation	Proportion of ownership interest and voting power	
		30 June 2019	31 December 2018
Crystal Mountain Products Limited	Canada	100%	100%
Dragon Vision Limited	Hong Kong	100%	100%
0970203 B.C. Ltd	Canada	100%	100%
Canndeo Limited	Australia	100%	100%
Canna Clinics Pty Ltd	Australia	100%	100%
THC Plant Life Sciences Pty Ltd	Australia	100%	100%
THC Pharma Pty Ltd	Australia	100%	100%
THC Pharma (NZ) Limited	New Zealand	100%	100%
Vertical Canna Inc	Canada	100%	100%

	As at 30 June 2019	As at 31 December 2018
	\$	\$

**4 Cash and cash equivalents**

Cash and cash equivalents	5,689,612	6,333,540
	<b>5,689,612</b>	<b>6,333,540</b>

**5 Inventory**

*Inventories consist of the following:*

Finished goods	1,354,055	1,310,071
	<b>1,354,055</b>	<b>1,310,071</b>

**6 Intangible Assets**

Intangible assets purchased	1,400,000	1,400,000
Accumulated impairment	(1,400,000)	(350,000)
	-	<b>1,050,000</b>
Balance at beginning of the period	1,050,000	1,350,000
Impairment expense	(1,050,000)	(300,000)
Balance at end of the period	-	<b>1,050,000</b>

In FY2017, the Group acquired intellectual property ("IP") from Pegasus Agriculture Pty Ltd. The IP is for an epigenetic process in which organisms respond to environmental stress. Management has prudently impaired the carrying value of the IP in the current financial period. This does not in any way change the ownership or rights of the Group over the IP.



**THC Global Group Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2019**

**7 Goodwill**

	<b>As at 30 June 2019</b>	<b>As at 30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of the period	3,315,140	5,307,140
Impairment expense	(900,000)	(1,992,000)
Balance at end of the period	<b>2,415,140</b>	<b>3,315,140</b>

Goodwill recognised by the Group is attributable to the following subsidiaries:

**Crystal Mountain and Dragon Vision**

	<b>As at 30 June 2019</b>
<i>Consideration transferred</i>	
Shares, options and performance shares issued	2,944,200
Other costs of acquisition	174,936
	<b>3,119,136</b>
Net assets acquired in CMDV at the date of acquisition	1,451,640
Accumulated impairment	(696,000)
Goodwill carried forward	<b>971,496</b>

**Canndeo Limited**

<i>Consideration transferred</i>	
Shares, options and performance shares issued	3,363,500
	<b>3,363,500</b>
Net assets acquired in Canndeo at the date of acquisition	(276,144)
Accumulated impairment	(2,196,000)
Goodwill carried forward	<b>1,443,644</b>

The recoverable amount of Goodwill is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Throughout the period the Group prepared Discounted Cash Flow analysis for both Crystal Mountain and Dragon Vision and Canndeo Limited to determine their fair value less costs to sell.

Key financial inputs into that analysis were:

- Discount rate: 12.87%
- Income tax rate: 27.5%
- Risk free rate: 2.1%
- Term: In the case of Crystal Mountain, 3 years; In the case of Canndeo Limited, 10 years;

**THC Global Group Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2019**

**8 Contributed equity**

**(a) Ordinary shares**

Shares issued and authorised are summarised as follows:

	<b>As at 30 June 2019</b>		<b>As at 31 December 2018</b>	
	<b>No. of Shares</b>	<b>\$</b>	<b>No. of Shares</b>	<b>\$</b>
At the beginning of the period	127,267,572	23,004,812	116,808,414	17,517,047
Share placement	5,967,000	2,983,500	4,762,182	3,000,001
Options converted	1,060,500	424,000	3,116,976	1,246,790
Shares issued to acquire assets	450,000	180,000	-	-
Shares issued to directors and employees	-	-	2,580,000	1,313,474
Share issue expenses	-	(54,805)	-	(72,500)
Balance at end of the period	<b>134,745,072</b>	<b>26,537,507</b>	<b>127,267,572</b>	<b>23,004,812</b>

**(b) Performance shares**

Performance shares issued and authorised are summarised as follows:

	<b>As at 30 June 2019</b>		<b>As at 31 December 2018</b>	
	<b>No. of Shares</b>	<b>\$</b>	<b>No. of Shares</b>	<b>\$</b>
At the beginning of the period	20,500,000	2,650,000	26,500,000	3,742,000
Performance shares cancelled	-	-	(6,000,000)	(1,092,000)
Revaluation of vesting conditions for performance shares issued	-	(1,800,000)	-	-
Balance at end of the period	<b>20,500,000</b>	<b>850,000</b>	<b>20,500,000</b>	<b>2,650,000</b>

The fair value of performance shares is based upon the price of the Group at issue date, adjusted for the probability of their performance milestones being achieved. The value of the performance shares, together with the probability of milestones being achieved, is assessed by the directors at least annually.

	<b>As at 30 June 2019</b>	<b>As at 31 December 2018</b>
	<b>\$</b>	<b>\$</b>
<b>9 Reserves</b>		
Options reserve (a)	2,584,747	3,120,370
Foreign currency translation reserve (b)	180,433	64,820
Asset revaluation reserve (c)	10,246,425	10,246,425
	<b>13,011,605</b>	<b>13,431,615</b>

**THC Global Group Limited**  
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**9 Reserves (continued)**

(a) Options reserve

	As at 30 June 2019		As at 31 December 2018	
	No. of Options	\$	No. of Options	\$
At the beginning of the period	64,673,024	3,120,370	64,410,000	2,852,378
Options issued to employees and directors	4,075,000	35,007	7,500,000	627,670
Options cancelled	(1,333,335)	(143,140)	(4,120,000)	(359,678)
Options converted	(1,060,500)	-	(3,116,976)	-
Transferred to accumulated losses	-	(550,000)	-	-
Vesting expense for the period	-	122,510	-	-
	<b>66,354,189</b>	<b>2,584,747</b>	<b>64,673,024</b>	<b>3,120,370</b>

(b) Foreign currency translation reserve

	As at 30 June 2019	As at 31 December 2018
	\$	\$
Balance at beginning of the period	64,820	(6,639)
Movement	115,613	71,459
Balance at end of the period	<b>180,433</b>	<b>64,820</b>

(c) Asset revaluation reserve

Balance at beginning of the period	10,246,425	-
Revaluation of property plant and equipment	-	14,133,000
Less: deferred tax liability on property plant and equipment revaluation	-	(3,886,575)
Balance at end of the period	<b>10,246,425</b>	<b>10,246,425</b>

**10 Segment information**

Management identifies its operating segments based on the Group's service lines, which represent the main products and services provided by the Group. The Group's two (2) main operating segments are:

- manufacture and distribution of **hydroponics equipment, materials and nutrients**; and
- development and delivery of **medicinal cannabis**.

These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

The main source of revenue for these operating segments in the half-year ended 30 June 2019 is from distribution of hydroponics equipment, materials and nutrients. The revenues and profit generated by each of the Group's operating segments and segment assets are summarised as follows:

**THC Global Group Limited**  
**Notes to the Financial Statements**  
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**10 Segment information (continued)**

*Segment performance*

	<b>Hydroponics Equipment, Materials and Nutrients</b>	<b>Medicinal Cannabis</b>	<b>Unallocated</b>	<b>Total</b>
	<b>30 June 2019</b>	<b>30 June 2019</b>	<b>30 June 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>				
External sales	2,132,794	4,100	-	2,136,894
Other	-	278,363	16,660	295,023
<b>Total segment revenue</b>	<b>2,132,794</b>	<b>282,463</b>	<b>16,660</b>	<b>2,431,917</b>
Segment operating result	88,857	(2,962,553)	(2,892,028)	(5,765,724)
	<b>30 June 2018</b>	<b>30 June 2018</b>	<b>30 June 2018</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>				
External sales	1,276,698	-	-	1,276,698
Other	7,874	-	30,944	38,818
<b>Total segment revenue</b>	<b>1,284,572</b>	<b>-</b>	<b>30,944</b>	<b>1,315,516</b>
Segment operating result	6,983	(2,971,098)	(232,041)	(3,196,156)
	<b>30 June 2019</b>	<b>30 June 2019</b>	<b>30 June 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>				
Current assets	2,540,705	395,665	5,757,222	8,693,592
Non-current assets	102,265	18,191,424	2,007,420	20,301,109
Goodwill	971,496	1,443,643	-	2,415,139
<b>Total assets</b>	<b>3,614,466</b>	<b>20,030,732</b>	<b>7,764,642</b>	<b>31,409,840</b>
	<b>31 December 2018</b>	<b>31 December 2018</b>	<b>31 December 2018</b>	<b>31 December 2018</b>
<b>Assets</b>				
Current assets	1,383,976	121,876	7,004,382	8,510,234
Non-current assets	88,069	17,772,313	3,060,656	20,921,038
Goodwill	971,496	1,443,644	-	2,415,140
<b>Total assets</b>	<b>2,443,541</b>	<b>20,237,833</b>	<b>10,065,038</b>	<b>32,746,412</b>

The segment assets disclosed in the Segment Information note to the financial statements as at 31 December 2018 contained an error and not all assets were correctly allocated their respective operating segments. Those errors have been rectified in the segment assets as at 31 December 2018 disclosed above .

**THC Global Group Limited**  
**Notes to the Financial Statements**  
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**11 Events occurring after the balance sheet date**

The following matters happened subsequent to 30 June 2019:

- In July 2019, the Company's wholly owned subsidiary, THC Pharma Pty Ltd, was granted a Manufacture Licence from the Australian Office of Drug Control for its Southport Manufacturing Facility – largest bio-pharma extraction facility in the Southern Hemisphere;
- The CFO of the Company Mr Mark Fortugno, who was appointed on 15 January 2019 and resigned on 31 July 2019, was replaced by Mr Jarrod White;
- On 31 July 2019 issued 850,000 shares to employees and consultants of the Company and a further 139,142 on conversion of listed THCO options to shares, and also a further tranche of THC005, options under the Company's Employee Option Plan;
- On 23 August 2019 issued 50,000 shares to a consultant for services under a consultancy agreement and also further tranches of THC006, THC007 and THC008 options under the Company's Employee Option Plan;
- On 28 August 2019 the Company held the official opening of its THC Global Southport Facility. The facility was opened by the Federal Minister for Health, The Honourable Greg Hunt, and had additional attendances of other State and Federal Parliamentarians.

No other matters or circumstances have arisen since 30 June 2019 which significantly affected, or may significantly affect:


- a) The Group's operations in future financial years; or
- b) The results of those operations in future financial years; or
- c) The Group's state of affairs in future financial years.

**THC Global Group Limited  
Directors' Declaration**

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 18 are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the Group as at 30 June 2019 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date;
  - (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that THC Global Group Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



**Alan Beasley**  
Deputy Chairman  
30 August 2019

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the Directors of THC Global Group Limited

### Report on the Consolidated Interim Financial Report

We have reviewed the accompanying half-year Consolidated Interim Financial Report of THC Global Group Limited, which comprises the statement of financial position as at 30 June 2019, and the statement of profit or loss and other comprehensive income, statement in changes in equity and the statement of cash flows; for the half-year then ended, a summary of significant accounting policies, other selected explanatory notes and the declaration by those charged with governance.

### The Directors Responsibility for 30 June 2019 Consolidated Interim Financial Report

The Directors of the Consolidated Group are responsible for the preparation and fair presentation of the half-year Consolidated Interim Financial Report in accordance with *Accounting Standard AASB 101* and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the half-year financial report to be free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility for the Consolidated Interim Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, with the Corporations Law 2001. As the auditor of THC Global Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the financial report.

A review of a half-year financial report consists of making enquiries, primarily of the persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.

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## Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of THC Global Group Limited does not present fairly, in all material respects including:

- i. Giving a true and fair view of the entity's financial position as at 30 June 2019 and of its performance for the financial half-year ended on that date; and
- ii. Complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

KS Black & Co  
Chartered Accountants



Scott Bennison  
Partner

Dated: 30/8/19