



**THC GLOBAL GROUP**  
ACN: 614 508 039

**Appendix 4D**  
**Consolidated Financial Report**  
**for the Half Year Ended**  
**30 June 2020**

## 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 2020
Reporting period	1 January 2020 to 30 June 2020
Previous period	1 January 2019 to 30 June 2019

### 2. Results for announcement to the market

	<b>30 June 20</b>	<b>30 June 2019</b>	<b>% Change*</b>
	<b>\$</b>	<b>\$</b>	<b>Up (Down)</b>
2.1 Revenues from continuing operations	3,483,566	2,136,894	60%
2.2 Loss from continuing operations after tax attributable to members	(5,578,924)	(5,765,724)	(3%)
2.3 Net loss attributable to members	(5,578,924)	(5,765,724)	(3%)
2.4 Proposed dividends	Nil	Nil	-
2.5 Record date for dividend entitlement	N/A	N/A	

#### 2.6 Brief explanation of figures in 2.1 to 2.4 necessary to enable the figures to be understood

Q2 2020 saw the first sales for two revenue streams:

1. The Group supplied its first Australian patient with Canndeo branded medicinal cannabis and the roll-out of the full suite of Canndeo medicines will continue in to the second half of 2020;
2. Tetra Health, a clinic network acquired by the Group at the end of May, continued to experience strong sales growth in June (up 30% from May).

The biggest contributor sale growth remains the hydroponics equipment arm of the Group, which saw a 60% increase in revenue to A\$3.41m from the comparative half year largely due to an expanded product range and new offerings targeted at smaller cultivators.

	<b>30 June 2020</b>	<b>31 December</b>	<b>% Change</b>
	<b>Cents</b>	<b>2019</b>	<b>Up (Down)</b>
		<b>Cents</b>	
3. Net tangible assets per security	13	14	(7%)

4. The Group acquired Tetra Health Pty Ltd, a clinic network facilitating contact between patients and healthcare providers.
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 subject to a modified opinion paragraph.

The basis for the qualified opinion is a difference in opinion with management over the application of Australian Accounting Standards, in particular AASB 13 'Fair Value Measurement' and AASB 136 'Impairment of Assets'. Please refer to the Independent Auditor's Review Report at the end of the Consolidated Interim Financial Report for full details.

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 2020**

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## Corporate Directory

### Directors

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

### Joint Company Secretaries

Jarrold White  
Sonny Didugu

### Chief Executive Officer

Ken Charteris

### Chief Financial Officer

Jarrold White

### Registered Office

Level 41  
264 George Street  
Sydney NSW 2000

### Principal Place of Business

Level 41  
264 George 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 2020.

### 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
Alan Preston Beasley	Deputy Chairman, Non-Executive Director
Lou Anthony Cattelan	Non-Executive Director
Gary John Radcliff	Non-Executive Director

### Review of Operations and Financial Results

The net loss after income tax for the half-year ended 30 June 2020 was \$5,578,924 (2019 loss: \$5,765,724).

### 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 three Canadian companies, being Crystal Mountain Products, Canndeo Canada and Canndeo Fulfilment. 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 Canndeo Canada and Canndeo Fulfilment a vertically integrated Canadian cannabis producer and retailer.

### Review of Operations

#### Highlights

- MGC Pharma (ASX:MXC) and THC Global to partner on supply of formulated medicinal cannabis products for Australian patients and the global export market;
- First Canndeo medicine made available for prescription with additional medicines launching;
- Initial export order confirmed to New Zealand of \$260,000 with further orders expected;
- THC Global now a cannabis medicines manufacturer for multiple brands, including Canndeo, Cannatrek and Medleaf Therapeutics;
- Tetra Health clinic network acquired, a key asset in strategy to bridge the affordability gap for cannabis medicines in Australia. Patient enquiries received by Tetra in June grew 30% from the previous month;
- \$8.1 million capital raising completed to secure funding for accelerated medicines production and revenue growth.

### 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 2020:

- Completion of a share placement of \$6.6 million at \$0.30 per share;
- Share Purchase Plan offer to shareholders closed on same terms as placement, raising \$1.5 million in total at 30c per share;
- Company 2019 AGM held during July 2020 with all resolutions put to the meeting passed;
- Announcement of global medicinal cannabis sales orders from New Zealand and expected purchase orders of \$250,000+ during Sep/Oct 2020.

No other matters or circumstances have arisen since 30 June 2020 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 (2019: \$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 5.

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

On behalf of the Board:

**Alan Beasley**  
**Deputy Chairman and Chairman of the Audit and Risk Committee**  
**31 August 2020**

Level 1  
251 Elizabeth Street  
SYDNEY NSW 2000

75 Lyons Road  
DRUMMOYNE NSW 2047

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

ABN 48 117 620 556

20 Grose Street  
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 2020 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 THC Global Group Limited and the entities it controlled during the period.

KS Black & Co  
Chartered Accountants



Scott Bennison  
Partner

Dated in Sydney on this 31st day of August 2020





**THC Global Group Limited**  
**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the half-year ended 30 June 2020**

	Notes	30 June 2020 \$	30 June 2019 \$
<b>Revenue from continuing operations</b>		3,483,566	2,136,894
Cost of goods sold		(2,336,727)	(1,456,840)
Gross profit		1,146,839	680,054
Other income		355,938	295,023
Other cost of sales		(270,179)	(130,245)
Bad debts expense		-	(26,012)
Professional expenses		(597,921)	(506,358)
Consulting and due diligence expenses		(540,073)	(1,069,274)
Plant and facility costs		(370,407)	(219,136)
Employee benefits expense		(2,062,311)	(1,086,539)
Advertising and promotion expenses		(151,517)	(120,754)
Insurance expenses		(165,097)	(239,700)
License and registration expenses		(38,130)	(31,048)
Depreciation and amortisation expenses	4	(1,139,313)	(81,415)
Research and development		(217,153)	(30,610)
Finance expenses		(146,247)	(57,428)
Foreign exchange loss		-	(20,487)
Office and occupancy expenses		(264,110)	(175,410)
General and administration expenses		(844,140)	(838,868)
Share based payments		(275,103)	(157,517)
Impairment expense	7,8	-	(1,950,000)
Loss before income tax		<b>(5,578,924)</b>	<b>(5,765,724)</b>
Income tax expense		-	-
Loss for the period		<b>(5,578,924)</b>	<b>(5,765,724)</b>
<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		(88,858)	115,613
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gain on revaluation of land and buildings, net of tax	10(c)	-	-
Total comprehensive profit/(loss) for the period		<b>(5,667,782)</b>	<b>(5,650,111)</b>
<b>Earnings per share</b>			
<i>From continuing operations</i>			
- Basic/diluted earnings per share (cents)		(3.94)	(4.44)

*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 2020**

		As at 30 June 2020 \$	As at 31 December 2019 \$
	Notes		
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	9,039,348	3,551,595
Trade and other receivables		849,849	1,231,152
Inventory	6	1,264,422	1,347,557
Prepayments		1,522,408	-
<b>Total Current Assets</b>		<b>12,676,027</b>	<b>6,130,304</b>
<b>Non-Current Assets</b>			
Trade and other receivables		205,745	248,058
Property, plant and equipment		17,991,672	18,408,506
Leased assets		1,014,706	611,396
Intangible assets	7	320,000	-
Goodwill	8	5,447,512	2,415,140
<b>Total Non-Current Assets</b>		<b>24,979,635</b>	<b>21,683,100</b>
<b>Total Assets</b>		<b>37,655,662</b>	<b>27,813,404</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		2,070,773	894,386
<b>Total Current Liabilities</b>		<b>2,070,773</b>	<b>894,386</b>
<b>Non-Current Liabilities</b>			
Deferred tax liability		3,886,575	3,886,575
Finance leases		1,109,370	711,263
Borrowings		3,762,162	-
<b>Total Current Liabilities</b>		<b>8,758,107</b>	<b>4,597,838</b>
<b>Total Liabilities</b>		<b>10,828,880</b>	<b>5,492,224</b>
<b>Net Assets</b>		<b>26,826,782</b>	<b>22,321,180</b>
<b>EQUITY</b>			
Contributed equity	9(a)	36,627,972	28,448,111
Other contributed equity	9(b)	2,225,000	850,000
Reserves	10	11,585,398	11,068,019
Accumulated losses		(23,611,588)	(18,044,950)
<b>Equity</b>		<b>26,826,782</b>	<b>22,321,180</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 2020**

	Notes	Contributed equity \$	Other contributed equity \$	Accumulated losses \$	Reserves \$	Total \$
At 1 January 2020		<b>28,448,111</b>	<b>850,000</b>	<b>(18,044,950)</b>	<b>11,068,019</b>	<b>22,321,180</b>
Loss for the period		-	-	(5,578,924)	-	(5,578,924)
Other comprehensive income	10(b/c)	-	-	-	(88,858)	(88,858)
Total comprehensive (loss)/income		-	-	(5,578,924)	(88,858)	(5,667,782)
Shares issued in the period	9(a)	8,577,884	-	-	-	8,577,884
Costs of capital raising		(398,023)	-	-	-	(398,023)
Equity settled acquisitions		-	1,375,000	-	343,420	1,718,420
Options vesting expense		-	-	-	275,103	275,103
Options lapsed	10(a)	-	-	12,286	(12,286)	-
Total transactions with owners	10(a)	8,179,861	1,375,000	12,286	606,237	10,173,384
<b>At 30 June 2020</b>		<b>36,627,972</b>	<b>2,225,000</b>	<b>(23,611,588)</b>	<b>11,585,398</b>	<b>26,826,782</b>
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	10(b/c)	-	-	-	115,613	115,613
Total comprehensive (loss)/income		-	-	(5,765,724)	115,613	(5,650,111)
Shares issued in the period	9(a)	3,587,500	-	-	-	3,587,500
Costs of capital raising		(54,805)	-	-	-	(54,805)
Revaluation of vesting conditions on performance shares	9(b)	-	(1,800,000)	2,350,000	(550,000)	-
Options cancelled	10(a)	-	-	143,140	14,377	157,517
Total transactions with owners	10(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>

*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 2020**

	Notes	30 June 2020 \$	30 June 2019 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		3,202,378	1,438,794
Payments to suppliers and employees		(7,943,961)	(5,347,262)
Interest received		3,186	16,660
Finance costs		(73,928)	(57,428)
Government grants received		336,999	278,363
<b>Net cash outflow from operating activities</b>		<b>(4,475,326)</b>	<b>(3,670,873)</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment		(393,109)	(109,125)
Payments for land and buildings		(250,000)	(223,062)
Cash in subsidiary		3,455	-
<b>Net cash outflow from investing activities</b>		<b>(639,654)</b>	<b>(332,187)</b>
<b>Cash flows from financing activities</b>			
Proceeds from shares issued net of issue costs		6,202,976	2,928,695
Options converted		641,884	424,000
Loan proceeds received, net of costs		3,760,000	-
<b>Net cash inflow from financing activities</b>		<b>10,604,860</b>	<b>3,352,695</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>5,489,880</b>	<b>(650,365)</b>
Cash and cash equivalents at the beginning of the financial period		3,551,595	6,333,540
Foreign exchange adjustment to cash balance		(2,127)	6,437
<b>Cash and cash equivalents at end of the period</b>	5	<b>9,039,348</b>	<b>5,689,612</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 2020**

**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 2020.

**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 2019 annual financial report for the financial year ended 31 December 2019.

**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 \$5,578,924 (2019: loss after tax of \$5,765,724) and had net cash outflows from operating activities of \$4,475,326 for the half year ended 30 June 2020. As at that date the Group had net current assets of \$10,605,254 , total assets of \$37,655,662 as well as cash and cash equivalents of \$9,039,348 as at 30 June 2020.

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 \$9,039,348 as at 30 June 2020. As at that date the Group had net current assets of \$10,605,254 and total assets of \$37,655,662;
- 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 2020**

**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 2020**

**3 Business combinations**

Name of subsidiary	Country of Incorporation	Proportion of ownership interest and voting power	
		30 June 2020	31 December 2019
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%
Canndeo Canada Inc (formerly Vertical Canna)	Canada	100%	100%
Tetra Pty Ltd	Australia	100%	-
Canndeo Fulfillment Inc	Canada	100%	-
Cannmira Inc	Canada	100%	-

	30 June 2020	30 June 2019
	\$	\$

**4 Other expenses**

Depreciation and amortisation	1,139,313	81,415
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During the period, the Group commenced depreciation of its plant in Southport, Queensland when it became ready for use. This plant was utilised to produce the first batches of Canndeo Care medicines. Depreciation attributable to this plant was \$903,466 for the period.

	As at 30 June 2020	As at 31 December 2019
	\$	\$

**5 Cash and cash equivalents**

Cash and cash equivalents	9,039,348	3,551,595
	<b>9,039,348</b>	<b>3,551,595</b>

**6 Inventory**

*Inventories consist of the following:*

Raw materials	93,015	-
Finished goods	1,171,407	1,347,557
	<b>1,264,422</b>	<b>1,347,557</b>



**THC Global Group Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2020**

	As at 30 June 2020	As at 31 December 2019
	\$	\$
<b>7 Intangible Assets</b>		
Intangible assets purchased	1,720,000	1,400,000
Accumulated impairment	(1,400,000)	(1,400,000)
	<b>320,000</b>	-
Balance at beginning of the period	-	1,050,000
Intangible assets acquired in Tetra Health	30,000	-
Fair value allocated to intangible assets under Tetra Health acquisition	290,000	-
Impairment expense	-	(1,050,000)
Balance at end of the period	<b>320,000</b>	-

During the financial year, the Group acquired Tetra Health Pty Ltd. The Group has determined the fair value of intangible assets in Tetra Health on acquisition date to be \$320,000, comprised of its clinical database and health network platform.

**8 Goodwill**

Balance at beginning of the period	2,415,140	3,315,140
Goodwill recognised in acquired subsidiary	3,032,372	-
Impairment expense	-	(900,000)
Balance at end of the period	<b>5,447,512</b>	<b>2,415,140</b>

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

**Crystal Mountain and Dragon Vision**

	As at 30 June 2020
<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>





**THC Global Group Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2020**

**8 Goodwill (continued)**

**Tetra Health**

	<b>As at 30 June 2020</b>
<i>Consideration transferred</i>	
Shares and options issued or issuable	2,843,420
Cash consideration paid or payable	500,000
	<b><u>3,343,420</u></b>
Net assets acquired in tetra Health at the date of acquisition	21,048
Fair value allocated to intangible assets	290,000
Goodwill carried forward	<b><u>3,032,372</u></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 the hydroponics equipment (Crystal Mountain and Dragon Vision) and medicinal cannabis (Canndeo and Tetra) Cash Generating Units to determine their fair value less costs to sell.

Key financial inputs into that analysis were:

- Discount rate: 14.33%
- Income tax rate: 27.5%
- Risk free rate: 0.26%
- Term: In the case of Crystal Mountain, 3 years; In the case of Canndeo Limited, 10 years.

**9 Contributed equity**

**(a) Ordinary shares**

Shares issued and authorised are summarised as follows:

	<b>As at 30 June 2020</b>		<b>As at 31 December 2019</b>	
	<b>No. of Shares</b>	<b>\$</b>	<b>No. of Shares</b>	<b>\$</b>
At the beginning of the period	139,164,832	28,448,111	127,267,572	23,004,812
Share placement	22,003,331	6,601,000	5,967,000	2,983,500
Options converted	1,604,709	641,884	3,980,260	1,592,104
Shares issued to directors and employees	-	-	1,350,000	667,500
Shares issued to acquire Tetra Health	4,500,000	1,125,000	-	-
Shares issued to other suppliers	758,945	210,000	600,000	255,000
Share issue expenses	-	(398,023)	-	(54,805)
Balance at end of the period	<b><u>168,031,817</u></b>	<b><u>36,627,972</u></b>	<b><u>139,164,832</u></b>	<b><u>28,448,111</u></b>



**THC Global Group Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2020**

**9 Contributed equity (continued)**

**(b) Other contributed equity**

Other contributed equity comprise of performance shares issued and unissued ordinary shares, summarised as follows:

	As at 30 June 2020		As at 31 December 2019	
	No. of Shares	\$	No. of Shares	\$
<i>Performance shares</i>				
At the beginning of the period	8,500,000	850,000	20,500,000	2,650,000
Performance shares lapsed without meeting vesting conditions	-	-	(12,000,000)	(1,800,000)
Balance at end of the period	<b>8,500,000</b>	<b>850,000</b>	<b>8,500,000</b>	<b>850,000</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.

	As at 30 June 2020		As at 31 December 2019	
	No. of Shares	\$	No. of Shares	\$
<i>Unissued ordinary shares</i>				
At the beginning of the period	-	-	-	-
Performance shares lapsed without meeting vesting conditions	-	1,375,000	-	-
Balance at end of the period	-	<b>1,375,000</b>	-	-
Total other contributed equity	-	<b>2,225,000</b>	-	-

As part of the Tetra Health acquisition, the Group is committed to issuing \$1,375,000 of THC shares in the following stages:

**Stage 2** \$750,000 in THC shares issuable in August 2020, three months after the acquisition. The issue price is to be calculated as the lower of 105% of the 10 trade day VWAP prior to issue or 35c.

**Stage 3** \$625,000 in THC shares issuable in November 2020, six months after the acquisition. The issue price is to be calculated as the lower of 105% of the 10 trade day VWAP prior to issue or 40c.

	As at 30 June 2020	As at 31 December 2019
	\$	\$
<b>10 Reserves</b>		
Options reserve (a)	1,277,366	671,129
Foreign currency translation reserve (b)	61,607	150,465
Asset revaluation reserve (c)	10,246,425	10,246,425
	<b>11,585,398</b>	<b>11,068,019</b>



**THC Global Group Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2020**

**10 Reserves (continued)**

(a) Options reserve

	As at 30 June 2020		As at 31 December 2019	
	No. of Options	\$	No. of Options	\$
At the beginning of the period	10,516,665	671,129	64,673,024	3,120,370
Options issued to employees and directors	-	-	5,850,000	160,746
Options issued to acquire Tetra Health	5,000,000	343,420	-	-
Vesting expense for the period	-	275,103	-	247,051
Options lapsed	(1,900,000)	(12,286)	(56,026,099)	(2,857,038)
Options converted	-	-	(3,980,260)	-
	<b>13,616,665</b>	<b>1,277,366</b>	<b>10,516,665</b>	<b>671,129</b>

(b) Foreign currency translation reserve

	As at 30 June 2020	As at 31 December 2019
	\$	\$
Balance at beginning of the period	150,465	64,820
Movement	(88,858)	85,645
Balance at end of the period	<b>61,607</b>	<b>150,465</b>

(c) Asset revaluation reserve

Balance at beginning of the period	10,246,425	10,246,425
Revaluation of property plant and equipment	-	-
Balance at end of the period	<b>10,246,425</b>	<b>10,246,425</b>

**11 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:

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

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



**THC Global Group Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2020**

**11 Segment information (continued)**

The main source of revenue for these operating segments in the half-year ended 30 June 2020 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:

*Segment performance*

	<b>Hydroponics Equipment, Materials and Nutrients</b>	<b>Medicinal Cannabis</b>	<b>Unallocated</b>	<b>Total</b>
	<b>30 June 2020</b>	<b>30 June 2020</b>	<b>30 June 2020</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>				
External sales	3,428,003	55,563	-	3,483,566
Other	-	253,644	102,294	355,938
<b>Total segment revenue</b>	<b>3,428,003</b>	<b>309,207</b>	<b>102,294</b>	<b>3,893,504</b>
Segment operating result	238,194	(3,219,998)	(2,597,120)	(5,578,924)
	<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 2020</b>	<b>30 June 2020</b>	<b>30 June 2020</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>				
Current assets	2,156,508	3,900,213	6,619,306	12,676,027
Non-current assets	140,234	18,499,083	892,807	19,532,124
Goodwill	971,496	4,476,015	-	5,447,511
<b>Total assets</b>	<b>3,268,238</b>	<b>26,875,311</b>	<b>7,512,113</b>	<b>37,655,662</b>
	<b>31 December 2019</b>	<b>31 December 2019</b>	<b>31 December 2019</b>	<b>31 December 2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>				
Current assets	2,136,105	352,139	3,642,060	6,130,304
Non-current assets	117,930	18,419,676	730,354	19,267,960
Goodwill	971,496	1,443,644	-	2,415,140
<b>Total assets</b>	<b>3,225,531</b>	<b>20,215,459</b>	<b>4,372,414</b>	<b>27,813,404</b>



**THC Global Group Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2020**

**11 Segment information (continued)**

The Group's segment operating profit reconciles to the Group's profit before tax as presented in its financial statements as follows:

	<b>30 June 2020</b>	<b>30 June 2019</b>
	\$	\$
Total reporting segment operating profit	(2,981,804)	(2,873,696)
Share-based payment expenses	(275,103)	(157,517)
Employee benefit expenses	(488,780)	(178,076)
Other income not allocated	1,710	9,897
Other expenses not allocated	(1,834,947)	(2,566,332)
<b>Group operating profit</b>	<b>(5,578,924)</b>	<b>(5,765,724)</b>

**12 Events occurring after the balance sheet date**

The following matters happened subsequent to 30 June 2020:

- Completion of a share placement of \$6.6 million at \$0.30 per share;
- Share Purchase Plan offer to shareholders closed on same terms as placement, raising \$1.5 million in total at 30c per share;
- Company 2019 AGM held during July 2020 with all resolutions put to the meeting passed;
- Announcement of global medicinal cannabis sales orders from New Zealand and expected purchase orders of \$250,000+ during Sep/Oct 2020.

No other matters or circumstances have arisen since 30 June 2020 which significantly affected, or may significantly affect:

- d) The Group's operations in future financial years; or
- e) The results of those operations in future financial years; or
- f) 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 6 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 2020 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 and Chair of the Audit and Risk Committee**  
**31 August 2020**

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## **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 2020, 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 2020 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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## Basis for Qualified Opinion

The basis for the qualified opinion is a disagreement with management over the application of Australian Accounting Standards, in particular AASB 13 '*Fair Value Measurement*' and AASB 136 '*Impairment of Assets*'.

The Group has Property Plant and Equipment of \$17,991,672 net of depreciation. This Property Plant and Equipment is included in non-current assets and goodwill belonging to the cash generating unit (CGU) development and delivery of medicinal cannabis referred to at note 11 totalling \$22,975,098.

The core activities of the Group are the cultivation, manufacture, production and sale of medical cannabis oil extracts.

Management has prepared a financial model to substantiate the valuation of the CGU as required by the Australian Accounting Standards. This model contained assumptions with respect to the financially feasible sale of medical cannabis oils both domestically and internationally on a prospective basis.

Our qualification arises as a result of not being able to verify and obtain sufficient and appropriate audit evidence to verify those sales forecast assumptions in the financial model prepared by management in relation to the carrying amount in the financial statements of the CGU due to, in part, the early stage nature of the commercial dialogue and formal arrangements of those sales projections at scale.

The Group has recently purchased a national medical cannabis clinic that facilitates prescriptions of product to medical cannabis patients. Management expects that these operations will provide additional revenue through the dispensing of medicinal cannabis scripts and prescription of their products. Notwithstanding this and the early stage nature of the medicinal cannabis industry in Australia, as at the date of this report, the Group, similar to the 31 December 2019 year end financial report, do not have sufficient revenues that support management's cash flow projections that underpin the carrying amounts disclosed in the financial statements at the half-year end financial report.

We note that market capitalisation of the Group as at the date of this report is \$32.7 million exceeding the net assets of \$26.8 million.

It should also be noted that management has confirmed previous sales forecasts have been delayed by longer lead times on the customs clearance of key inventory inputs as a result of COVID-19. The Group, whilst not meeting its previous revenue targets, has sufficient cash reserves to pay its debts as and then they fall due.





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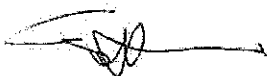
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### Qualified Opinion

Based on our review, which is not an audit, except for the possible effect of the matter described in the Basis of Qualified Opinion above, 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 group's financial position as at 30 June 2020 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: 31/8/2020