



the **Hydroponics** company
www.thcl.com.au

Australia's leading medicinal cannabis company

ASX RELEASE (6 July 2018)

THC North American Update

Key Points:

- **Senior THC team returns from Canada**
- **Collaboration with Ascent, a leading Canadian Licenced Producer**
- **Proposed acquisition of U.S. West Coast hydroponics business; due diligence commenced**
- **European distribution agreement being settled for distribution of proprietary hydroponics equipment**
- **THC secures services of Canadian CEO to grow North Americas hydroponics division**
- **Australian focus remains the development of its leading medicinal cannabis business**

The Hydroponics Company Limited (THC or the Company), Australia's leading medicinal cannabis company¹, provides the following update with respect to the Company's North American development plans.

THC's Chairman, Steven Xu and acting CEO, Ken Charteris returned recently from Canada where they reviewed the operations of THC subsidiaries Crystal Mountain Products (**CMP**) and Dragon Vision which manufacture and distribute hydroponic equipment and supplies.

Their objective was to identify the support and resources required by CMP in Canada to be Rec Ready for the implementation of the Canadian Cannabis Act to legalise the use of recreational cannabis across Canada and the probable US Federal acceptance of state legalisation of cannabis for both medical and recreational use.

Steven Xu commented on the pending changes in Canada and the USA, "We see the implementation of the bill in Canada and the possible acceptance of state legislation in the USA to provide a blueprint for the future adoption of legal cannabis in Australia. The more we understand the changing landscape the better prepared THC will be for these changes."

The Letter of Intent with Ascent Industries Corp (ASX: 28 June 2018) was negotiated during the Canadian visit; discussions continue with regard to the proposed Canadian Hydroponics company acquisition.

The relationship with Ascent, provides THC with access to additional cannabis strains, offtake for THC pharmaceutical grade medical cannabis and considerable information of on the medicinal cannabis market in North America.

"There are obvious synergies for THC," Steven Xu said. "THC is positioning itself to be able to capitalise on its existing Canadian business and expand its operations throughout North America."

"We look forward to developing relationships and expanding our hydroponics operations into the USA."

The Company, through its wholly owned subsidiary, CMP is settling an exclusive supply agreement into Europe of CMP designed and developed products.

¹ Assessment based on key peers (CAN, AC8) comparison matrix



Engagement of Canadian CEO to oversee Hydroponics Division

On 2 March 2018, the Company announced the departure of Jason Colquhoun (**Jason**), CMP's CEO.

We are pleased to advise that the board has now secured Jason's continued stewardship of CMP until 31 December 2019 (subject to either party providing three-months notice of early termination).

Jason will be employed directly by CMP (previously THC).

THC will issue Jason 500,000 ordinary shares in THC and 1.5 million Options expiring 31 December 2019 with an exercise price of A\$0.40. These Options will vest equally over an eight-month period commencing April 2018.

THC will seek shareholder approval within six months to issue a further 2 million Options expiring 31 December 2020 with an exercise price of A\$0.40. These Options will vest equally over a twelve-month period commencing January 2019.

The Options will cease to vest in the event of early termination.

The Company will not apply for quotation of the Options.

THC will receive A\$1.4 million in the event all Options are vested and are exercised over the term of the Options.

The associated Appendix 3B is attached.

"The board is delighted to have secured Jason's continuing services. It is important that we have a strong, experienced presence in North America. We are growing our warehouse capacity, increasing our product lines and seeking complementary businesses to acquire or joint venture with in North America. THC's future in North America is promising", said Steven Xu.

For further information, please contact:

Henry Kinstlinger
Joint Company Secretary

The Hydroponics Company Limited

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

P: +61 2 9251 7177

E: henry.kinstlinger@thcl.com.au



Michael Lovesey
Director Corporate Media Relations

MMR Corporate Services Pty Ltd

Level 2, 131 Macquarie Street
Sydney, NSW 2000 Australia

P: +61 2 9251 7177

M: +61 449 607 636

E: michaell@mmercortate.com

Background

Steven Xu – Chairman, THC

Mr Xu is a Director of Une-Innovation Consulting Australia Pty Ltd and Director of the MY INP Venture Capital Fund. Together, Une-Innovation and the MY INP Venture Capital Fund hold 6.4% of the shares in the THC and are substantial shareholders.

Mr Xu is a Chartered Accountant (CA ANZ) and has 15 years' experience working at PricewaterhouseCoopers and other listed companies in Australia and China. He specialises in financing, IPO, and M&A activities in a broad range of sectors.

As head of the MY INP Venture Capital Fund, Mr Xu has experience with global investments in Medicinal Cannabis, biotechnology, and other related industries. He has strong international connections, especially in North America, Israel and China.

Ken Charteris – Executive Director, Candeo Limited & THC Pharma Pty Ltd

Ken is an internationally experienced Chairman and CEO across biotechnology, construction, services and pharmaceutical industries, and was central to the successful ASX listing of THC. Ken was also critical to the securing of a number of THC's partnership deals including with Endoca and BOL Pharma, which have positioned THC for access to near-term supply of medicinal cannabis in Australia.

Jason Colquhoun – CEO, Crystal Mountain Products (Canada)

Jason Colquhoun was the vendor of Crystal Mountain (Incorporated in Canada) and Dragon Vision (incorporated in Hong Kong), companies specialising in the manufacture and distribution of hydroponic equipment and supplies. Jason is a self-made entrepreneur, with a broad range of international experience.

Jason is an expert in his field and remains highly involved in every aspect of each of his businesses, including logistics, research and development, marketing, product design and customer relations.

The Hydroponics Company Limited (ASX: THC)

THC is at the forefront of developing a leading, diversified worldwide cannabis business, focusing on two core business units: Development and delivery of medicinal cannabis, and manufacturing and distribution of hydroponics equipment, materials and nutrients.

Crystal Mountain Products (CMP)

CMP is located in Vancouver, Canada. It has been operating for over a decade. CMP holds 9 trademarks and two patents. It manufactures and distributes wholesale across North America and the UK.

CMP has been able to compete with competitors while operating with a very low overhead. This allows CMP to be competitive, nimble but also scalable. As a subsidiary of THC, CMP is well positioned to take advantage of the rapidly changing cannabis market and growth in personal indoor farming.

About Ascent Industries Corp. ascentindustries.com

In Canada, Ascent (through its wholly-owned subsidiaries) is a Licenced Producer under the *Access to Cannabis for Medical Purposes Regulations* of Health Canada, with licences to cultivate cannabis and produce cannabis extracts. In addition, the Company is a Licenced Dealer under the *Controlled Drugs and Substances Act (Canada)*, with the ability to produce, package, sell, send, transport and distribute medically focused cannabis products in Canada to other licenced entities and internationally in jurisdictions where medical cannabis is legal. In the United States, the Company holds licences in a number of US States and in Europe, Agrima ApS, a Danish company and wholly-owned subsidiary of Ascent, has submitted licence applications for a Wholesaler Dealers Licence and Controlled Drug Licence in Denmark, and applications for the approval of eight products to the Danish Medical Cannabis Pilot Program.

The Company is increasing its cultivation and production capacity from 50,000 square feet to 710,000 square feet in 2018, from which it expects to produce significantly higher amounts of cannabis and cannabis oil to support its expanding operations. The Company offers a product suite of more than 40 unique products under several consumer-focused brands, including gel capsules, tinctures, medicinal oils, concentrates, vaporizer pens, pre-rolled joints, various edibles and raw flower.