

### The Hydroponics Company Limited (THC)

Investor briefing note in advance of ASX Listing (ASX: THC).

The objective of The Hydroponics Company Limited is to be a leading, global cannabis business – a leader in the development and delivery of medicinal cannabis; worldwide manufacturer and distributor of hydroponics equipment, materials and nutrients; and large-scale hydroponic greenhouse design and construction.

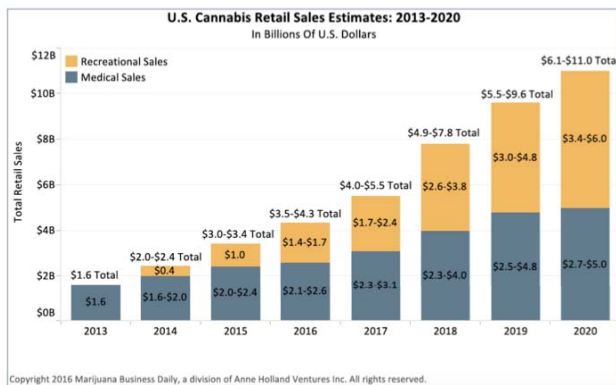
### Key Points

- Diversified, vertically-integrated company covering a wide range of equipment for cannabis cultivation and processing, as well as high-end next generation agricultural products.
- 22% increase in 1<sup>st</sup> Quarter revenue to \$1.11m versus 1<sup>st</sup> Quarter 2016
- North American cannabis industry experiencing 30-40% annual growth rates, driven by trend to legalize cannabis for both medical and recreational use.
- 600 products and 9 registered trademarks.
- Proven history over 5+ years with high profitability.
- Prospects of further growth for the business both organically and through acquisition.
- Over 17 years of experience in the breeding, variety selection and growth management of *Cannabis sativa*, which will be applied to the production of medicinal cannabis.
- Research Licence Application lodged in February, 2017

### The Company

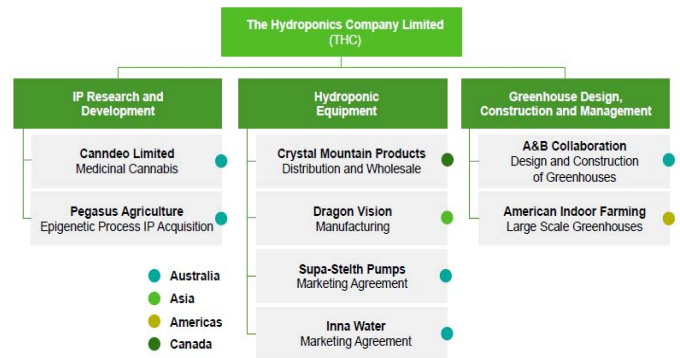
The Hydroponics Company Limited (THC) is an Australian public company that was formed to conduct the business of manufacturing and distributing hydroponic cultivating and processing equipment, design and management of small to large-scale greenhouses and the development of allied plant technologies, including a focus on medicinal cannabis.

The burgeoning market in North America and liberalised laws surrounding cannabis production have created a high demand for THC's hydroponic product line. The sector is experiencing double digit growth as increasingly laws are passed in Australia, New Zealand, Europe, US and Canada permitting the possession and consumption of cannabis either for medical or recreational purposes.



### Company Structure

The Hydroponics Company Limited	Manufacture, product development and distribution of hydroponic equipment www.crystallmountainproducts.com
(ASX: THC)	High Purity Cannabidiol (CBD) – Research, Product Development and Distribution www.canndeo.com
thcl.com.au	Exclusive hydroponic rights – Inna Water water conditioner and sonic disintegrator www.innawater.com
	Exclusive licence – Supa-Stelth hydroponic pumps www.supastelthpumps.com
	Epigenetic Process Technology – New plant species research and development to enhance outputs and create unique IP
	Commercial hydroponic greenhouse design and construction www.abhydroponics.com.au



### IPO Investment Data

Company	The Hydroponics Company Limited
ASX Code	THC
IPO Offer Price	\$A0.20
IPO shares to be issued	25-40 million
IPO Size	\$5-8 million
Total shares on Issue	80-95 million
Indicative Market Cap	\$16-19 million

### Offer

THC will be seeking to raise funds through an initial public offer (IPO) through the issue of between 25 and 40 million shares with 1 attaching option for every 2 shares subscribed, exercisable at 40 cents on or before 31 December 2019.

THC is planning to list on April 20, 2017.





### THC Business Units

THC has, subject to being admitted to the Official List of the ASX, concluded several agreements to acquire and/or collaborate with companies, technologies or projects that are aligned with the objectives of THC.

THC's core business units include:

- IP Research & Development
- Hydroponic Equipment
- Greenhouse Design & Construction

### Canndeo – Medicinal Cannabis

THC's acquisition of Canndeo Limited, an Australian business offshoot of Agri Fibre Industries Pty Ltd, provides over 17 years of experience in the breeding, variety selection and growth management of *Cannabis sativa*. This expertise will be applied for the production of medicinal cannabis.

Legislation has passed in NSW and Queensland that allows supply of medicinal cannabis through doctors from 1 August 2016 (NSW) and 1 March 2017 (Qld).

On 27 February 2017, Canndeo submitted a Research Licence Application under the Narcotic Drugs Act 1967 with the Office of Drug Control to conduct Cannabis research and enable the cultivation of cannabis. Canndeo also intends to apply for a medicinal cannabis licence and manufacturing licence to utilise the outcomes of its research program.

THC will target multiple markets with high purity cannabidiol (CBD), including a new drug-resistant epilepsy market.

### Crystal Mountain Manufacturing Inc

Crystal Mountain Products (CMP) has profitably traded for over 5 years and has strong distribution networks for hydroponic equipment and nutrients across Canada, UK, EU and USA.

THC is intent on positioning itself in other parts of the world where and when the possession and consumption of cannabis is lawful and regulated including Australia and New Zealand. THC can leverage existing expertise to build a first-mover advantage in the supply of this equipment, both for commercial growers, and Do It Yourself growers. Both personal and commercial growers are increasingly seeking the right equipment for cannabis cultivation and are willing to pay a premium for it.

CMP delivers over 600 products to their customers and holds 9 established trademarks across a range of product categories including:

- Lighting and power supplies (Digilume and Green Hornet Lighting);
- Lighting relays (Quick Flips);
- Climate control (Elemental Controls);
- Ventilation (Wind King);
- Trimming (Spinpro);
- Extraction bags (Payload);
- Plant rotation systems (Sunchaser); and
- Eyewear for indoor growing (Shady Optics).

CMP has a strong sourcing and quality control team in China. Its wholly owned subsidiary company in Hong Kong (Dragon

Vision Limited) facilitates international sales for companies seeking to purchase directly from Chinese vendors. Additionally, the subsidiary also acts as a trading partner and sourcing agent for companies looking globally to purchase horticulture equipment in China. There is considerable potential to grow Dragon Vision and capture further competitor direct sales with a limited amount of increased resources.

CMP has been able to compete with competitors while operating with a very low overhead. This allows CMP to be extremely competitive, nimble but also scalable.

CMP will provide immediate cashflow to THC to fund its growth and THC's R&D programs.

### Supa-Stelth Water Pumps

Exclusive license for distribution into the hydroponics market of recently developed pumps, operating at up to 2 times the efficiency of existing pumps, resulting in a significant reduction in electricity consumption. Supa-Stelth pumps also operate more quietly than existing pumps.

### InnaWater – Water Sterilisation and Conditioner

Exclusive marketing and distribution rights have been secured for hydroponic and indoor farming of award winning chemical free water purification systems for closed hydroponic installations providing removal of pathogens, salt and foreign bodies utilising sonic disinfection.

Inna Water has developed a water conditioner and sonic disintegrator for changing the structure of water and disinfecting water without the use of chemicals.

### THC Plant Science – Epigenetic Process

The THC epigenetic process is a natural phenomenon in which organisms respond to environmental stress, by increasing the number of homologous sets of chromosomes (or genomes) in each cell.

Laboratory tests, independently tested by University of Queensland, confirm that modified plants grew between 33% and 40% faster than their parent stock, therefore providing faster and higher returns to their growers.

THC Plants can be selectively bred to thrive under a wide range of environmental stressors, including low rainfall giving significant commercial advantage in cannabinoid production.



Parent and Adaptation

### Hydroponic Greenhouses

A Collaboration Agreement has been signed with A&B Hydroponics International Pty Ltd, a world leader in the field of hydroponics, specialising in the design and manufacture of commercial hydroponic greenhouses and growing systems available for any type of environment. THC has also secured the exclusive services of Jim Barlow to represent THC throughout the Americas to develop large commercial hydroponic greenhouses (see short bio on following page).



## Board of Directors



### **Alan Beasley, Chairman**

Alan Beasley has worked in the Investment Banking and Investment Management industries for over 30 years, with Bankers Trust Australia, Goldman Sachs and BNP Paribas. Alan is a director and former director of several listed and unlisted public and private companies including two public charities. He is currently Managing Director of Hudson Investment Group Ltd (ASX: HGL).



### **Mary Verschuer, Non-Executive Director**

Mary Verschuer is an experienced non-executive director with more than 20 years of experience in senior management positions, including board experience on an ASX200, NZX50 listed entity, joint ventures, charities, research and development, and training bodies across a range of sectors.



### **Peter Wallace, Non-Executive Director**

Peter Wallace has over 30 years of experience as a company director, with a career that spans private equity, corporate advice, non-executive directorships and financial control. He has primarily worked with emerging growth companies providing independent and experienced counsel.



### **Ian Mutton, Non-Executive Director**

Ian Mutton is a lawyer with an extensive background in competition and product liability laws. He spent a decade with the Australian Commonwealth Crown Solicitor on continuous secondment to the (then) Trade Practices Commission and occasional secondment to an inter-department committee responsible for containing product liability exposure.

## Senior Management



### **Hamish MacDonald, Chief Executive Officer – The Hydroponics Company**

Hamish was the CEO in the commercialisation of a Biotechnology start-up company that has successfully negotiated contracts with Clenergen Ltd to supply biomass genetics for a 500MWH off take agreement in India. He also formed a joint venture with Linc Energy Ltd for the development of a bioreactor to remove CO<sub>2</sub> emissions from coal and gas fired power stations.



### **John Hall, Executive Director**

John Hall brings over 30 years' experience in plant breeding, crop management and monitoring systems, as well as directorships of several companies. He has worked extensively in the breeding of novel plant varieties, including breeding 7 of 9 registered industrial hemp varieties in Australia for the company. John has also consulted extensively in Australia, USA, Europe and Asia.



### **Dr Andrew Beehag, Chief Executive Officer – Canndeo**

Andrew Beehag will lead THC's medicinal cannabis development program. His experience includes managing a \$65 million 5-year industry and academic research centre with 24 international partners, which secured A\$14 million of Australian government funding. Andrew's key skills include creation and execution of strategic plans, operations and personnel management, intellectual property management and commercialisation, budgeting and financial forecasting, stakeholder negotiation and management.



### **Jason Colquhoun, Director Manufacturing and Sales**

Jason is the vendor of Crystal Mountain and Dragon Vision, companies specialising in horticultural supplies. Jason is a self-made entrepreneur, with a broad range of international experience. Honing his business skills with a small start-up based out of his garage, Jason has successfully grown a multi-million dollar enterprise.



### **Dr Jim Barlow, Indoor Farming Americas**

Jim Barlow has been appointed THC's representative to the Americas for the development of large commercial hydroponic greenhouses. He has expertise in soil science, soil microbiology and tropical agriculture, together with orchard, plantation and vineyard crop production practices. Since 2013 he has managed large commercial hydroponic greenhouses as a consultant.

This Briefing Note provides information on The Hydroponics Company Limited ('THC' or 'the 'Company') as a precursor to the issuance of the Prospectus by THC. This Briefing Note should not be read as a substitute or alternative for the Prospectus which should be read in its entirety in order to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of The Hydroponics Company Limited and the rights and liabilities attaching to its Shares.

No offer is made to any person under this document for which a disclosure document under Part 6D.2 of the Corporations Act, 2001 is required. In the event that an offer for ordinary shares is made by THC to persons to whom disclosure document under Part 6D.2 of the Corporations Act, 2001 is required:

- a disclosure document for the offer will be made available when the securities are offered to such persons;
- anyone who wants to acquire the securities will need to complete the application form that will be in or will accompany the disclosure document;
- you may arrange to receive a copy of the disclosure document when it is issued by contacting THC at Level 2, 131 Macquarie Street Sydney NSW 2000.

Securities issued prior to listing on the ASX may be subject to the escrow provisions of the Listing Rules.

The information contained in this Briefing Note or subsequently provided to the Recipient of the Presentation, whether orally or in writing by or on behalf of The Hydroponics Company Limited or its officers, employees, agents or consultants ('Information'), is provided to the Recipients on the terms and conditions as set out in this Briefing Note.

#### Research Disclaimer

Potential investors must make their own independent assessment and investigation of the opportunity and should not rely on any statement or the adequacy or accuracy of the information provided by THC nor on small companies, as these typically involve a higher degree of risk and more volatility than securities of more established companies. As such, an investment in THC must be considered as speculative. The information provided does not purport to cover all relevant information about any potential investment in THC. Accordingly potential investors are advised to seek appropriate independent advice, if necessary, to determine the suitability of this investment.

#### Disclaimer

This Briefing Note includes certain statements, estimates and projections that rely upon various assumptions. Those assumptions may or may not prove to be correct. The Presentation does not purport to contain all the information that a prospective investor may require. The Information may not be appropriate for all persons, and it is not possible for The Hydroponics Company Limited to have regard to the investment objectives, financial situation and particular needs of each Recipient who reads or uses this Information. In all cases, before acting in reliance on any Information, the Recipient should conduct its own investigation and analysis in relation to the business opportunity, and should check the accuracy, reliability and completeness of the Information and obtain independent and specific advice from appropriate professional advisors.



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