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**ASX Announcement | 15 October 2020**
**Althea Group Holdings (ASX:AGH)**

# Quarterly Results and Review of Operations for the period ending 30 September 2020

*Althea sets new patients record – Revenue up 32% quarter on quarter*

**Investment Highlights:**

- Unaudited revenue for the September Quarter of $2,101,940 – a 32% increase from the previous quarter
- September 2020 was a record month in Australia with 943 new patients added – a 27% increase from the previous best
- UK revenue grew by 104% in September
- Peak Processing Solutions - Health Canada licence granted, and early commercial agreements executed, with more than $650,000 committed in customer sales
- Companywide break-even expected within the March 2021 quarter
- Therapeutic Goods Administration interim decision proposes an amendment to the current Poisons Standard to down schedule cannabidiol (CBD) allowing greater access through a new Schedule 3 entry

15 October 2020: **Australian pharmaceutical company Althea Group Holdings Limited (ASX:AGH) ('Althea'** or **'the Company')** is pleased to present its Appendix 4C cash flow statement and operational update for the quarter ended 30 September 2020 ('Quarter', 'Reporting Period').

## Financial update for the September Quarter

Althea continues to deliver strong results, despite COVID-19 restrictions remaining in place, with the Company achieving key milestones in all jurisdictions this Quarter:

- Althea reported unaudited revenue of $2,101,940 for the Quarter - a 32% increase from the June 20 quarter revenues of $1,594,297
- Cash receipts for the Quarter of $2,073,678 – a 36% increase from the June 2020 quarter
- September 2020 was the strongest month on record for new patients in Australia, with 943 added, taking the total number of patients to 9,683
- The number of healthcare professionals (HCPs) that have prescribed Althea's medicinal cannabis products increased to 696, up 18% on the prior quarter
- Infield sales team customer interactions increased to near normal levels in NSW and QLD, however VIC decreased due to the hard lockdown restrictions introduced in early August

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The charts below summarise patient growth and HCP growth in Australia for the Quarter.

**Chart 1: Patient growth as at 30 September 2020**

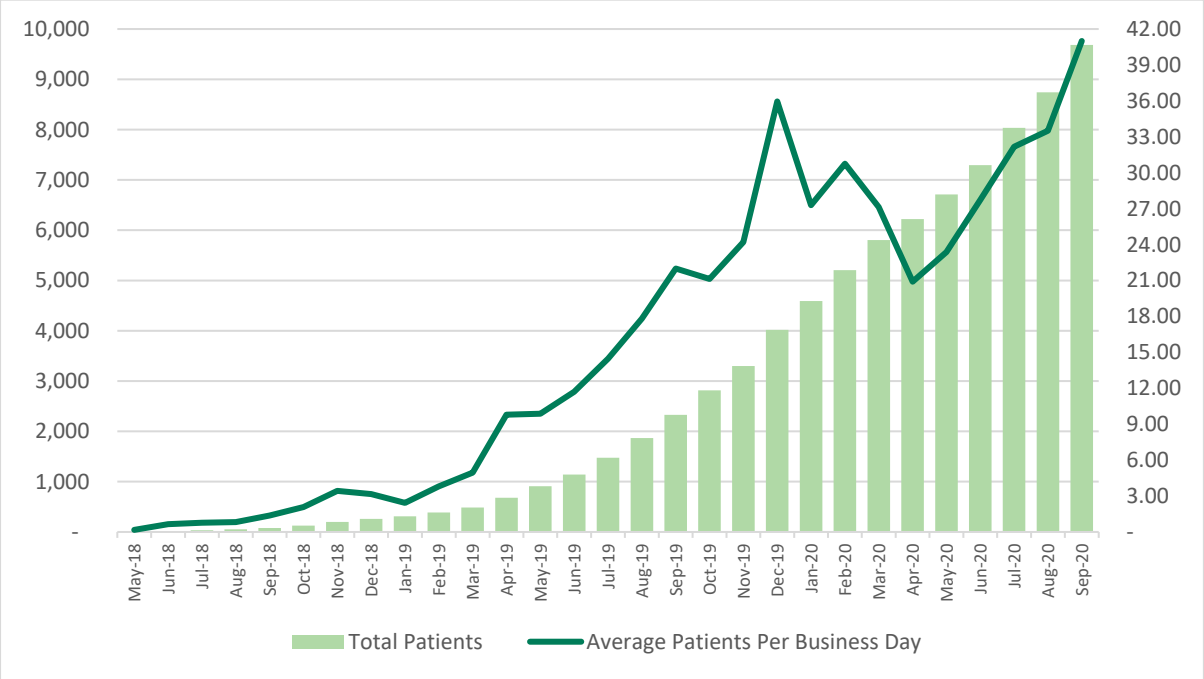
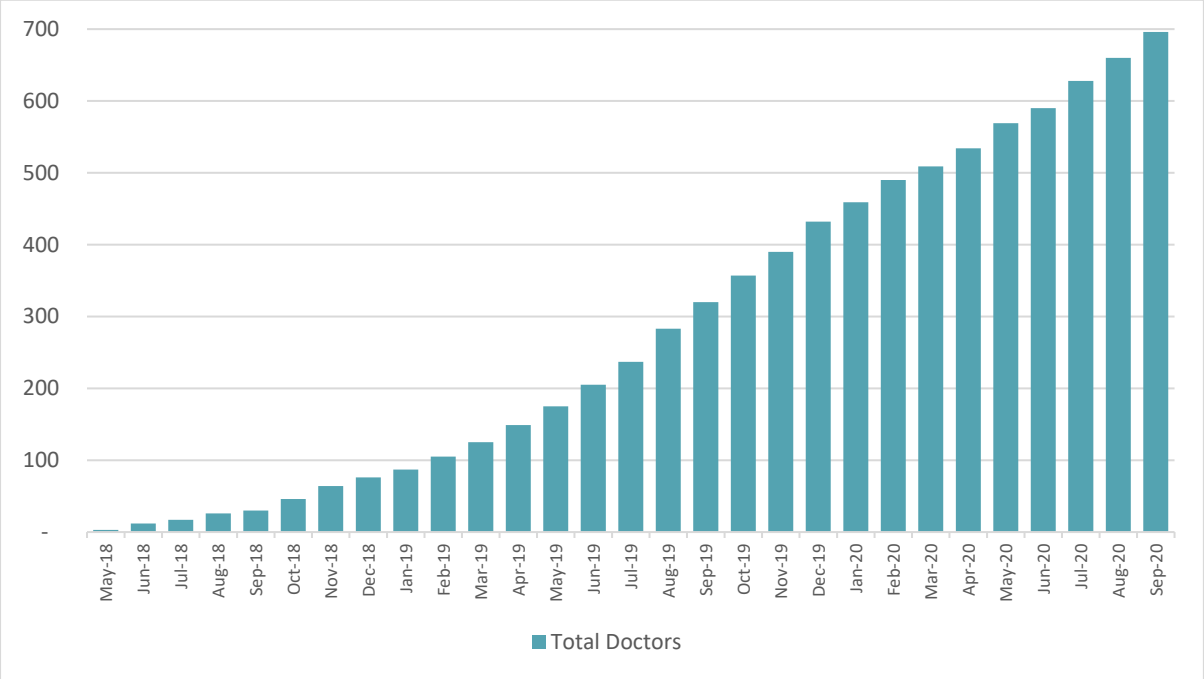



**Chart 2: HCP growth as at 30 September 2020**




**Althea Group Holdings Limited** | ABN 78 626 966 943

**A.** Level 37, 360 Elizabeth Street, Melbourne, 3000, Victoria, Australia

**E.** info@althea.life
**P.** 1300 70 20 20
**W.** althea.life

facebook.com/altheacompany linkedin.com/company/althea-health-and-wellbeing @altheacompany @altheacompany

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**Commenting on the Quarter Althea CEO, Josh Fegan, said:** "The September quarter has been an important period for the Company, as we have continued strong quarter on quarter growth, with a 32% increase in revenues from the previous reporting period. With Peak Processing Solutions having received its Standard Processing License from Health Canada last month and already entering into commercial agreements with customers, our shareholders can continue to expect strong revenue growth for the December 2020 quarter.

Our patient numbers have also continued to experience a strong increase in Australia and with revenue more than doubling in the UK in September, we anticipate companywide break-even within the March 2021 quarter. As we approach our 10,000 patient milestone, I would like to take this opportunity to thank shareholders for their ongoing support."

The Company holds a cash position of $6.98 million as at 30 September, strongly positioning it to continue to deliver on its growth strategies.

## Operational update for the September quarter

### Australia

During the Reporting Period, Althea launched online sales of its medicinal cannabis products through Althea Concierge™. The platform, which has been registered with the Therapeutic Goods Administration ('TGA'), now allows Althea patients to purchase products online with delivery directly to their door, eliminating the need to visit a doctor and pharmacy, when combined with telehealth consultations.

Althea Concierge™ online sales also continue to impress with the number of patients preferring to pay for their medication through the platform increasing.

During the Quarter, the Company announced the TGA's interim decision to amend the current Poisons Standard to down schedule cannabidiol ('CBD') allowing greater access through a new Schedule 3 entry. The proposed amendment would allow Australian patients to purchase CBD products upon consultation with a pharmacist, without the need for a prescription.

The TGA is expected to provide an update on the down schedule during the December 2020 quarter.

COVID-19 update:
Victorian growth has been impacted due to the state government's Stage 4 lockdown. With the state government's 'Third Step' restrictions proposed to come into effect from 19th October, the Company expects Victorian output to increase during the December 2020 quarter, fuelling further growth.

### United Kingdom

During the Reporting Period, the Company continued to grow the UK business with recorded revenue of $75,973 in September, an increase of 104% month on month.

MyAccess Clinics added 55 new patients in September 2020, up 67% on the previous month. MyAccess Clinics' capacity is expected to increase over the coming months, as more specialists are engaged and further operating efficiencies are implemented.

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Revenue growth in the UK is being driven by a combination of activity through MyAccess Clinics, as well as independent specialist prescribers increasingly utilising Althea medicinal cannabis products.

### Germany

The Company anticipates that Althea products will be launched during the December 2020 quarter, subject to German regulatory approvals.

### Canada – Peak Processing Solutions

Althea's Canadian based wholly-owned subsidiary Peak Processing Solutions ('Peak') continued to achieve company milestones during the Reporting Period.

On 22 June, the Company announced that Peak had signed a binding cannabis beverage production agreement with Collective Project Limited, the cannabis-focused sister company of Collective Arts Brewing Limited, with manufacturing expected to commence during the December 2020 quarter.



**Image 1 – Cannabis beverage manufacturing at the Peak Processing Solutions facility**

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**Image 2 – Peak Processing Solutions' beverage production area**

On 14 September, the Company also announced that Peak had obtained its Standard Processing Licence from Health Canada, which allows it to manufacture Cannabis 2.0 products.

With the Standard Processing Licence from Health Canada now granted, Peak's founders are now on the clock to deliver strict revenue and EBITA targets in order to achieve an allotment of performance rights the Company committed to as part of the Peak acquisition [ASX Announcement: 25 July 2019].

Peak founder's performance rights are contingent on the following revenue and EBITDA milestones:

- Peak must generate CAD$7M Revenue and CAD$2M EBITDA within 12 months of the Standard Processing Licence from Health Canada being granted
- Peak must generate CAD$25M Revenue and CAD$12.5M EBITDA within 18 months of the Standard Processing Licence from Health Canada being granted

In item 6 of the Appendix 4C cash flow report for the quarter, payments to Related Parties of ~ $149,000 comprised of salary paid to Chief Executive Officer and their associates and fees paid to Non-Executive Directors.

**-ENDS-**

*Authorised by: Robert Meissner, Company Secretary*

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**For further information, please contact:**


**Althea**
**Josh Fegan**
CEO & Managing Director
**M:** 1300 70 20 20
**E:** contact@althea.life

**Media Enquiries**
**Dan Francome**
Media Relations
**P:** +613 9650 5096
**E:** dfrancome@althea.life

**Investor Relations**
**Jane Morgan**
Investor Relations Partner
M: +61 405 555 618
**E:** jm@janemorganmanagement.com.au


## Althea Group Holdings Limited (ASX:AGH)

Althea Group Holdings Ltd (ASX:AGH) is a global pharmaceutical company and supplier of medicinal cannabis. Althea also offers a range of education, access and management services to support eligible patients and healthcare professionals in navigating medicinal cannabis treatment pathways.

Althea currently operates within highly regulated medicinal cannabis markets including Australia, United Kingdom and Germany, with plans to expand into emerging markets throughout Asia and Europe.

**To learn more, please visit: www.althea.life**

# Appendix 4C

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

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| **Name of entity** | |
|---|---|
| Althea Group Holdings Limited | |
| **ABN** | **Quarter ended ("current quarter")** |
| 786 269 669 43 | 30 September 2020 |

| **Consolidated statement of cash flows** | | **Current quarter $A'000** | **Year to date (3 months) $A'000** |
|---|---|---|---|
| **1.** | **Cash flows from operating activities** | | |
| 1.1 | Receipts from customers | 2,073 | 2,073 |
| 1.2 | Payments for | | |
| | (a) research and development | (30) | (30) |
| | (b) product manufacturing and operating costs | (1,189) | (1,189) |
| | (c) advertising and marketing | (255) | (255) |
| | (d) leased assets | (20) | (20) |
| | (e) staff costs | (2,022) | (2,022) |
| | (f) administration and corporate costs | (859) | (859) |
| 1.3 | Dividends received (see note 3) | | |
| 1.4 | Interest received | 3 | 3 |
| 1.5 | Interest and other costs of finance paid | (1) | (1) |
| 1.6 | Income taxes paid | | |
| 1.7 | Government grants and tax incentives | 409 | 409 |
| 1.8 | Other (provide details if material) | | |
| **1.9** | **Net cash from / (used in) operating activities** | **(1,891)** | **(1,891)** |

| | | | |
|---|---|---|---|
| **2.** | **Cash flows from investing activities** | | |
| 2.1 | Payments to acquire: | | |
| | (a) entities | | |
| | (b) businesses | | |
| | (c) property, plant and equipment | (1,156) | (1,156) |
| | (d) investments | | |
| | (e) intellectual property | (341) | (341) |
| | (f) other non-current assets | | |

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| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date (3 months) $A'000 |
|---|---|---|---|
| 2.2 | Proceeds from disposal of: | | |
| | (a) entities | | |
| | (b) businesses | | |
| | (c) property, plant and equipment | | |
| | (d) investments | | |
| | (e) intellectual property | | |
| | (f) other non-current assets | | |
| 2.3 | Cash flows from loans to other entities | | |
| 2.4 | Dividends received (see note 3) | | |
| 2.5 | Other (provide details if material) | | |
| **2.6** | **Net cash from / (used in) investing activities** | **(1,497)** | **(1,497)** |

| | | | |
|---|---|---|---|
| **3.** | **Cash flows from financing activities** | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | | |
| 3.2 | Proceeds from issue of convertible debt securities | | |
| 3.3 | Proceeds from exercise of options | | |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | | |
| 3.5 | Proceeds from borrowings | | |
| 3.6 | Repayment of borrowings | | |
| 3.7 | Transaction costs related to loans and borrowings | | |
| 3.8 | Dividends paid | | |
| 3.9 | Other (provide details if material) | | |
| **3.10** | **Net cash from / (used in) financing activities** | **0** | **0** |

| | | | |
|---|---|---|---|
| **4.** | **Net increase / (decrease) in cash and cash equivalents for the period** | | |
| 4.1 | Cash and cash equivalents at beginning of period | 10,397 | 10,397 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,891) | (1,891) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (1,497) | (1,497) |

| Consolidated statement of cash flows | | Current quarter $A'000 | Year to date (3 months) $A'000 |
|---|---|---|---|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | | |
| 4.5 | Effect of movement in exchange rates on cash held | (24) | (24) |
| **4.6** | **Cash and cash equivalents at end of period** | **6,985** | **6,985** |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter $A'000 | Previous quarter $A'000 |
|---|---|---|---|
| 5.1 | Bank balances | 6,677 | 10,143 |
| 5.2 | Call deposits | | |
| 5.3 | Bank overdrafts | | |
| 5.4 | Other (provide details) | 308 | 254 |
| **5.5** | **Cash and cash equivalents at end of quarter (should equal item 4.6 above)** | **6,985** | **10,397** |

| 6. | Payments to related parties of the entity and their associates | Current quarter $A'000 |
|---|---|---|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 149 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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| 7. | **Financing facilities**<br>*Note: the term "facility' includes all forms of financing arrangements available to the entity.*<br>*Add notes as necessary for an understanding of the sources of finance available to the entity.* | **Total facility amount at quarter end $A'000** | **Amount drawn at quarter end $A'000** |
|---|---|---|---|
| 7.1 | Loan facilities | | |
| 7.2 | Credit standby arrangements | | |
| 7.3 | Other (please specify) | | |
| 7.4 | **Total financing facilities** | | |

| | | |
|---|---|---|
| 7.5 | **Unused financing facilities available at quarter end** | |

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

| |
|---|
| |

| 8. | **Estimated cash available for future operating activities** | **$A'000** |
|---|---|---|
| 8.1 | Net cash from / (used in) operating activities (Item 1.9) | (1,891) |
| 8.2 | Cash and cash equivalents at quarter end (Item 4.6) | 6,985 |
| 8.3 | Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 | Total available funding (Item 8.2 + Item 8.3) | 6,985 |
| 8.5 | **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)** | 3.53 |

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

| |
|---|
| Answer: N/A |

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

| |
|---|
| Answer: N/A |

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

| |
|---|
| Answer: N/A |

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## Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 15 October 2020

Authorised by: Robert Meissner – Company Secretary
(Name of body or officer authorising release – see note 4)

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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