



ASX Announcement | 30 April 2021
Althea Group Holdings Limited (ASX:AGH)

Quarterly Results and Review of Operations for the period ending 31 March 2021

*Althea achieves 85% growth in cash receipts
on previous corresponding period*

Investment Highlights:

- Cash receipts of \$2,753,511 – an increase of 85% from the previous corresponding period
- Althea's Australian business achieved record monthly sales in March along with a record number of new patients
- Completed oversubscribed Share Purchase Plan, raising A\$3.78m (before costs)
- Completed first shipment of Althea products to Germany
- Canadian subsidiary Peak Processing Solutions received initial purchase orders from WeedMD and Cronos Group for the supply of adult-use cannabis products

30 April 2021: **Althea Group Holdings Limited (ASX:AGH) ('Althea', or 'the Company')**, a global leader in the manufacturing, sales, and distribution of pharmaceutical cannabis products and cannabis-based consumer packaged goods, is pleased to present its Appendix 4C cash flow statement and operational update for the quarter ended 31 March 2021 ('Quarter', 'Reporting Period').

Financial update for the March Quarter

Althea achieved \$2,753,511 in receipts from customers during a Reporting Period that was impacted by challenging global COVID-19 conditions, which included strict national lockdowns in multiple jurisdictions including the UK, Canada and Germany. The Company also had to navigate the traditional seasonality of the Australian summer, a time of year when many Healthcare Professionals ('HCPs') take extended holidays. Important objectives achieved during the Quarter include:

- Cash receipts of \$2,753,511 – an increase of 85% from the previous corresponding period and an increase of \$130,648 from the December quarter
- Althea's Australian business achieved record monthly sales in March along with a record number of new patients
- Staff costs decreased by \$238k due to COVID-19 cost control measures swiftly implemented by the Company, following national lockdowns imposed in the UK, Canada, and Germany

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Operational update for the March Quarter

Australia

During the Reporting Period, Althea's Australian operations experienced the usual seasonal effect over the summer holiday period and soon returned to growth, with March a particularly strong month, in which the business achieved record sales along with a record number of new patients.

Althea finished the Quarter with 14,592 patients, 884 of which were onboarded in March. The number of HCPs having prescribed Althea's medicinal cannabis products also increased to 929, as at 31 March 2021.

Chart 1: Australian Patient growth as at 31 March 2021

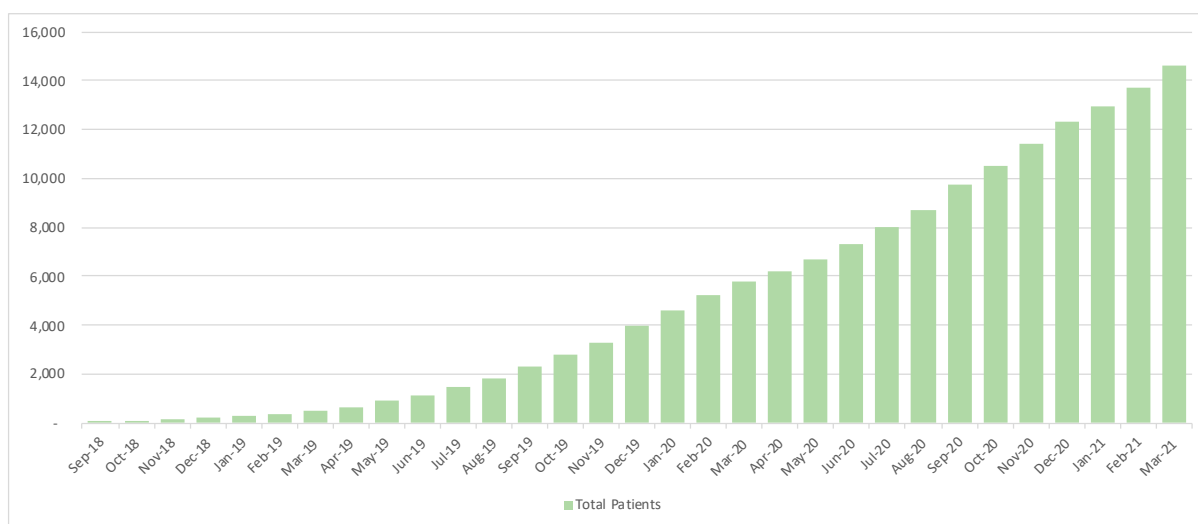
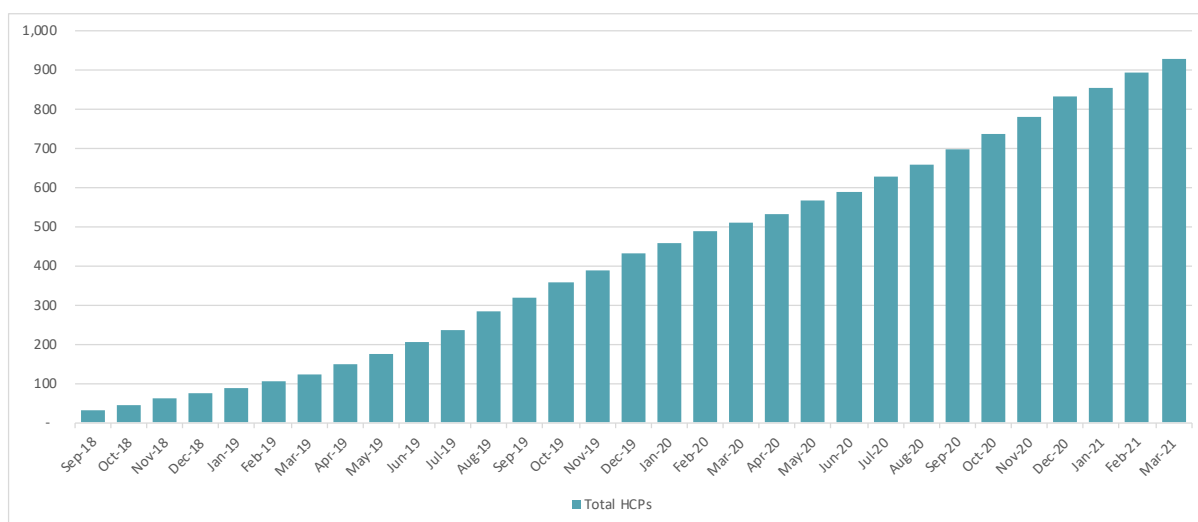


Chart 2: Australian HCP growth as at 31 March 2021





During the Quarter, Althea extended its Australian portfolio with a range of 20ml 'flexi' products. The new 20ml range enables Althea to strategically offer its product range in two sizes, thus providing HCPs with increased flexibility when it comes to prescribing Althea products.

European Expansion and Strategic Growth Plan

In March, Althea released a presentation outlining its European Expansion and Strategic Growth Plan [ASX Announcement: 15 March 2021].

The Quarter saw extensive national lockdowns as a result of COVID-19 across many countries in Europe and this did have an impact which was largely felt in January and February, with some significant improvement in March. This improvement continued into April and shows that very strong underlying demand remains intact. The Company has a significant early-mover advantage in Europe, with existing operations in its three largest economies: Germany, France and the UK. A summary of the Company's activities in each of these countries is provided below.

United Kingdom

The UK was in a strict national COVID-19 lockdown for the entirety of the Quarter, which was subsequently eased in April 2021. The Company is pleased to advise that the UK business experienced a strong rebound in March and in-market sales were only slightly down on December, the previous record month and also when the UK national lockdown was implemented.

Althea's UK operations have continued to expand steadily, underpinned by the Company's ongoing education of UK HCPs via its in-field Medical Science Liaisons team and *Althea Concierge*TM, an online platform that streamlines the prescription process.

Supporting this is the Company's wholly-owned subsidiary, MyAccess Clinics, a leading UK healthcare provider specialising in medicinal cannabis treatments and assessments. MyAccess Clinics ended the Quarter with more than 700 patients in treatment.

In February, Althea completed its first commercial shipment of Althea products to UK-based medicinal cannabis distributor Grow Pharma Group ('Grow Pharma') [ASX Announcement: 11 February 2021].

The shipment followed a medicinal cannabis supply agreement signed by Althea and Grow Pharma in 2020. Under the agreement, Grow Pharma is able to distribute Althea products in the UK in parallel with the Company's existing sales channel. During the Quarter, Althea expanded its agreement with Grow Pharma to include two additional jurisdictions, the Isle of Man and Guernsey.

Germany

Germany is the largest medicinal cannabis market in Europe, expected to reach \$2.7 billion by 2023¹, and has a favourable regulatory and reimbursement environment.

Althea officially commenced its expansion into Germany during the Reporting Period, with the completion of its first shipment of medicinal cannabis products in February [ASX Announcement: 10 February 2021].

¹ <https://internationalcbc.com/germany-europes-biggest-medical-cannabis-market-expected-to-top-cbd-sales-by-2023/#:~:text=Germany%2C%20Europe%E2%80%99s%20biggest%20Medical%20Cannabis%20Market%2C%20Expected%20to,Europe%20in%202023%20will%20be%20in%20Germany.%20>



The Company shipped the products to its partner Nimbus Health GmbH ('Nimbus'), a leading German pharmaceutical wholesaler specialising in the importation and distribution of medicinal cannabis products throughout Germany.

The initial shipment, which had a value of approximately A\$1m, is being distributed via Nimbus' large network of partner pharmacies. In conjunction with Nimbus, Althea will generate its own sales in Germany by working closely with new and existing medicinal cannabis prescribers. To support the launch of the Althea brand in Germany, Althea is also developing a German specific version of its industry-leading medical app, *Althea Concierge™*.

COVID-19 in Germany forced the Company and its local partner Nimbus to delay implementing its in-field sales team until April.

France

During the Reporting Period, the Company began preparations for its entry into its next European target market, France.

Although France has historically had some of the strictest cannabis policies in Western Europe, a pilot scheme is now underway to evaluate the feasibility of making medicinal cannabis available in France, and to produce initial data related to safety and efficacy. Althea has been selected to supply the French National Agency for Medicines and Health Products Safety (ANSM) with second-source medicinal cannabis products for the scheme.

Under the scheme, a maximum of 3,000 patients will be prescribed cannabis-based products for medicinal use. Althea and its French partner in the pilot scheme, Laboratoires Bouchara-Recordati, are exploring further commercial opportunities together.

Canada – Peak Processing Solutions

The Company's Canadian based subsidiary, Peak Processing Solutions ('Peak'), is a leading contract manufacturer of recreational cannabis products in Canada.

Canada was subject to a strict national COVID-19 lockdown during the Quarter, however, the Company expects trading conditions to significantly improve in the June quarter for cannabis 2.0 products, as the summer approaches and Canada's COVID-19 vaccination rollout continues.

Despite the national lockdowns experienced during the Quarter, Peak continued to gather momentum with the signing of two significant production agreements. With these agreements Peak is establishing itself as a leading contract manufacturer of adult-use cannabis products in Canada.

In February, Peak received its first purchase order from WeedMD Rx, a subsidiary of Canadian publicly-listed cannabis producer WeedMD Inc. (TSX-V:WMD, CVE: WMD, OTCQX: WDDMF) ('WeedMD') [ASX Announcement: 22 February 2021].

The order, valued at approximately CAD\$130k, is part of a one-year commercial services agreement which will see Peak perform a range of services for WeedMD including the hydrocarbon extraction of fresh-frozen cannabis biomass used to produce live resin cannabis concentrate products for sale in the Canadian adult-use cannabis market.

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The following month, Peak received a purchase order from Peace Naturals Project Inc. ('Peace Naturals'), a subsidiary of Canadian publicly listed cannabis company Cronos Group Inc. (NASDAQ: CRON, TSX: CRON) ('Cronos') [ASX Announcement: 5 March 2021].

The order, valued at CAD\$134k, is also part of a broader one-year commercial services agreement whereby Peak will perform similar extraction services for Cronos.

Peak made significant commercial progress during the Quarter, receiving multiple purchase orders from customers, and is positioning itself as a key player in the USD\$2.7b Canadian legal cannabis market².

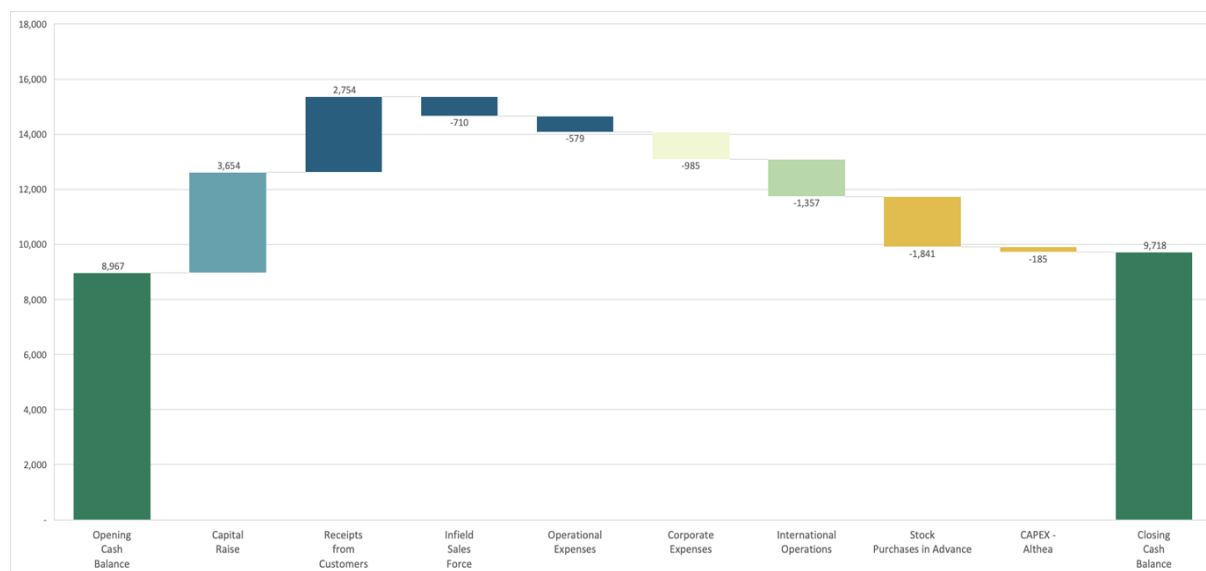
Peak's nearest rival in the cannabis 2.0 manufacturing sector, The Valens Company (TSX: VLNS), has a market capitalisation of approximately US\$370m.

Strong balance sheet

Following a A\$6m placement in the December 2020 quarter, Althea further strengthened its balance sheet with the completion of a Share Purchase Plan ('SPP') during the Reporting Period. The Company raised a total of A\$3.78m (before costs) from the SPP, which was oversubscribed. The Company is using the combined A\$9.78m raised (before costs) to further accelerate growth across all strategic business units and support its European expansion.

The chart below summarises cash inflows and outflows for the Quarter.

Chart 3: Bridging chart for Quarter ended 31 March 2021 ('000)



² https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/c-and-ip/ca-en-consumer-nurturing-new-growth-en-aoda-may31.pdf?mod=article_inline



Below is a summary of the notable movement in expenses in the Quarter.

- Finished goods inventory – Althea continues to invest in purchasing stock to support the future growth in sales over the coming months
- CAPEX – significant reduction in CAPEX spend from prior quarter and Althea expects this reduced CAPEX spend to continue moving forward
- International Operations – reduction of AUD\$306,000 from previous quarter due to reduced activities and the introduction of cost controls, a result of the strict COVID-19 national lockdowns in place in both Canada and the United Kingdom

Althea CEO, Joshua Fegan said: “We faced significant challenges in the March quarter due to the ongoing impacts of the COVID-19 pandemic, along with seasonality brought about by the Christmas holiday period. Pleasingly, April has seen a strong opening to the current quarter with average sales (per business day) in Australia up 9% over March and the UK up 16%, with the latter approaching pre-lockdown highs.

We are very excited about our European expansion, which is initially focussing on our two key target markets, the United Kingdom and Germany. We see both markets as the key drivers of our pharmaceutical cannabis products business, and despite COVID-19 the underlying demand for medicinal cannabis treatment remains intact.

In Canada, Peak is progressing nicely as it continues to attract strong interest from leading North American consumer goods companies looking to enter the recreational cannabis market.”

In item 6 of the Appendix 4C cash flow report for the Quarter, payments to Related Parties of \$185,004 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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Althea Group Holdings Limited (ASX:AGH)

Althea Group Holdings Ltd (ASX:AGH) is a global leader in the manufacturing, sales and distribution of pharmaceutical cannabis products and cannabis-based consumer packaged goods. Althea also offers a range of education, access and management services to support eligible patients and Healthcare Professionals in navigating medicinal cannabis treatment pathways.

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Althea operates in highly regulated and legal cannabis markets across the world with burgeoning operations in Europe, North America, Australia and Africa.

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

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Appendix 4C

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

Name of entity

Althea Group Holdings

ABN

78 626 966 943

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		2,754	7,450
1.2 Payments for			
(a) research and development			(49)
(b) product manufacturing and operating costs		(1,841)	(4,801)
(c) advertising and marketing		(294)	(771)
(d) leased assets		(123)	(279)
(e) staff costs		(2,558)	(7,376)
(f) administration and corporate costs		(657)	(2,792)
1.3 Dividends received (see note 3)			
1.4 Interest received			5
1.5 Interest and other costs of finance paid		(1)	(8)
1.6 Income taxes paid			
1.7 Government grants and tax incentives		8	1,211
1.8 Other (provide details if material)			
1.9 Net cash from / (used in) operating activities		(2,712)	(7,410)
2. Cash flows from investing activities			
2.1 Payments to acquire or for:			
(a) entities			
(b) businesses			
(c) property, plant and equipment		(138)	(2,065)
(d) investments			
(e) intellectual property		(47)	(459)
(f) other non-current assets			

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	(185)	(2,524)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,781	9,781
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	(216)	(549)
3.5	Proceeds from borrowings	89	89
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	3,654	9,321

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	8,967	10,397
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,712)	(7,410)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(185)	(2,524)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,654	9,321
4.5	Effect of movement in exchange rates on cash held	(6)	(66)
4.6	Cash and cash equivalents at end of period	9,718	9,718

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	9,337	8,642
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Term Deposits)	381	325
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	9,718	8,967

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	(185)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	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)	(2,712)
8.2	Cash and cash equivalents at quarter end (item 4.6)	9,718
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	9,718
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.58
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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	
8.6.2	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	
8.6.3	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	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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: 30 March 2021

Authorised by: ROBERT MEISSNER

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.