



Althea

(ASX:AGH)

CAPITAL RAISING PRESENTATION

DECEMBER 2020



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An investment in shares in Althea is subject to known and unknown risks, some of which are beyond the control of Althea and its directors, including possible loss of income and principal invested. Althea does not guarantee any particular rate of return or the performance of Althea, nor does it guarantee any particular tax treatment. Investors should have regard to (amongst other things) the risk factors outlined in this document when making their investment decision. See "Key Risks" section of this document for certain risks relating to an investment in Althea shares.

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BUSINESS UPDATE



Revenue Increase

560%

From \$767k in FY19 to \$5.1m in FY20

Cash at 30 Sep '20

\$6.9m

Positioning the company for growth

Australian Patients

11,841

With a target of 30,000 patients by the end of 2021

Canadian Production



Canadian facility (Peak) received its standard processing licence from Health Canada in September '20 and is fully operational

UK Revenue

\$110K

November 2020 revenue (AUD) - up 48% MoM

Germany Launch

2,000

Initial order of 2,000 Althea products is expected to be delivered to Germany in December 2020

ANALYST COVERAGE



PUBLICATION 1 - FINANCIAL FORECASTS & VALUATION METRICS

Years ending June \$m	18(A)	19(A)	20(e)	21(e)	22(e)
Sales revenue	0.0	0.8	5.2	26.9	62.4
Sales growth	n/a	6873%	580%	416%	132%
Operating costs	-1.9	-7.9	-18.8	-20.1	-26.6
EBITDA	-1.9	-7.3	-15.4	-5.5	6.4
NPAT (reported)	-1.9	-8.7	-17.2	-7.4	4.4
NPAT (adjusted)	-1.9	-7.3	-17.2	-7.4	4.4
EPS (adjusted)	-0.9	-3.6	-7.4	-2.8	1.6
EPS growth	nm	292%	106%	-62%	-157%
DPS	0.0	0.0	0.0	0.0	0.0
P/E	-41.8	-10.7	-5.2	-13.6	24.1
EV / EBITDA	-46.8	-10.3	-5.0	-14.4	12.3
EV / Sales	nm	97.7	14.7	2.9	1.3

Source: Phillip Capital Estimates, Ground floor opportunity in Germany; Canada launch imminent, 7 May 2020, Wayne Sanderson, Phillip Capital, NB: FY18 & FY19 eps use post IPO share count

PUBLICATION 2 - RECOMMENDATIONS:

Company	Althea Group AGH:AU	Bod Australia BDA:AU	Cann Group CAN:AU
Recommendation	Spec Buy PT \$1.45	Spec Buy PT \$0.73	Spec Buy PT \$0.87
Revenue FY'21F	\$20.5m	\$15.6m	\$16.1m
Growth	305%	237%	2386%
Revenue FY'22F	\$45.1m	\$27.9m	\$24.8m
Growth	120%	79%	54%
EBITDA FY'21F	-\$4.0m	-\$1.9m	-\$2.7m
EBITDA FY'22F	\$7.9m	\$1.3m	-\$2.7m
EV / Revenue FY'21F	7.7x	3.1x	8.8x
EV / Revenue FY'22F	3.5x	1.7x	5.7x
EV / EBITDA FY'21F	-29x	-25x	-23x
EV / EBITDA FY'22F	19.9x	37.1x	-53x
Theme:	Patient Access	Patient Access: CBD	Cultivation & Production
Research:	FN AGH 14 09 20	FN BDA 3 12 20	FN CAN 26 11 2020

Source: Medicinal Cannabis | AGH | BDA | CAN. Domestic and Global Outlook 2021, 3 December 2020, Alex Smith, PAC Partners

2020 KEY ACHIEVEMENTS - ALTHEA



Australian market gaining momentum

- **Continued patient growth** - A total of 11,841 Althea patients to date
- **Althea Concierge™ driving HCP growth** - Over 810 prescribing Healthcare Professionals (HCPs)
- **Portfolio expansion** - Successful uptake of Althea CBD100 with further preparations under development
- **Proposed TGA reclassification may see CBD products become available over the counter** - Under proposed TGA reclassification of low-dose CBD products (schedule 3)

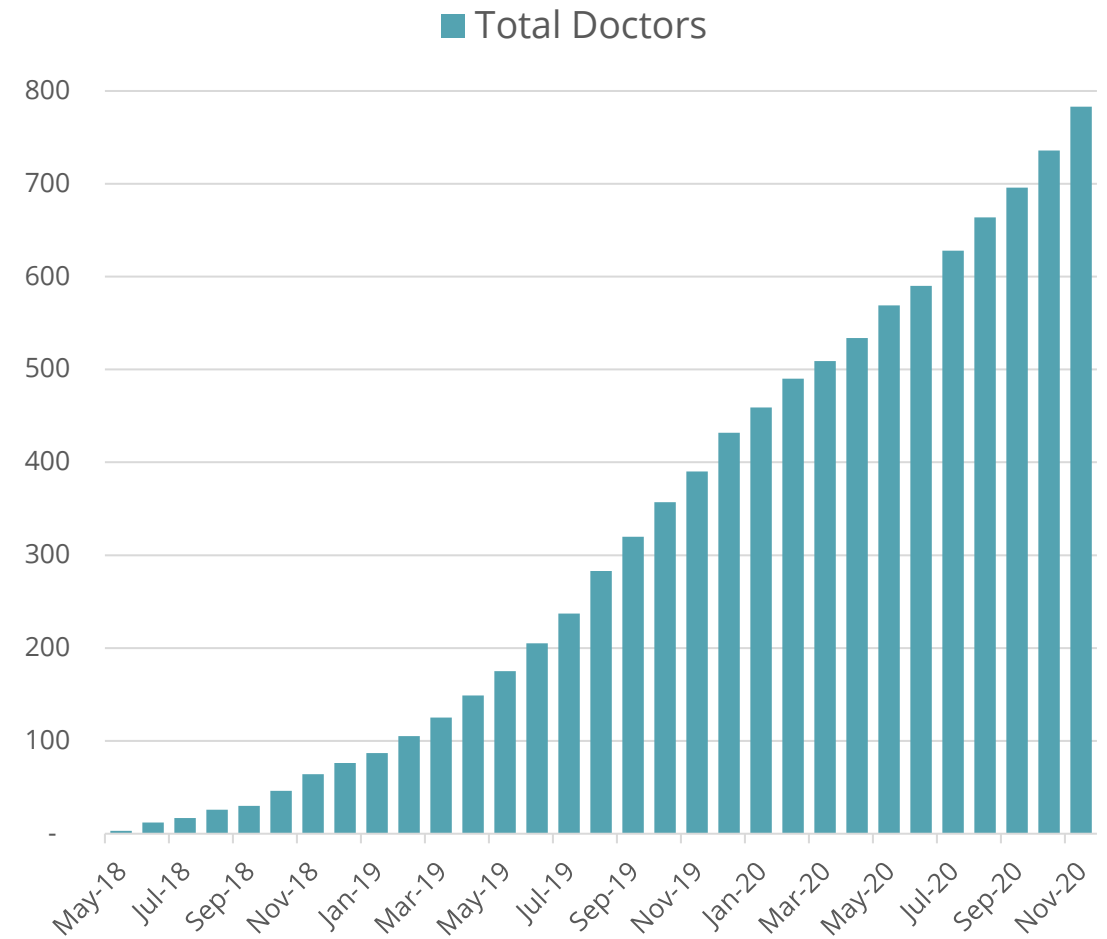
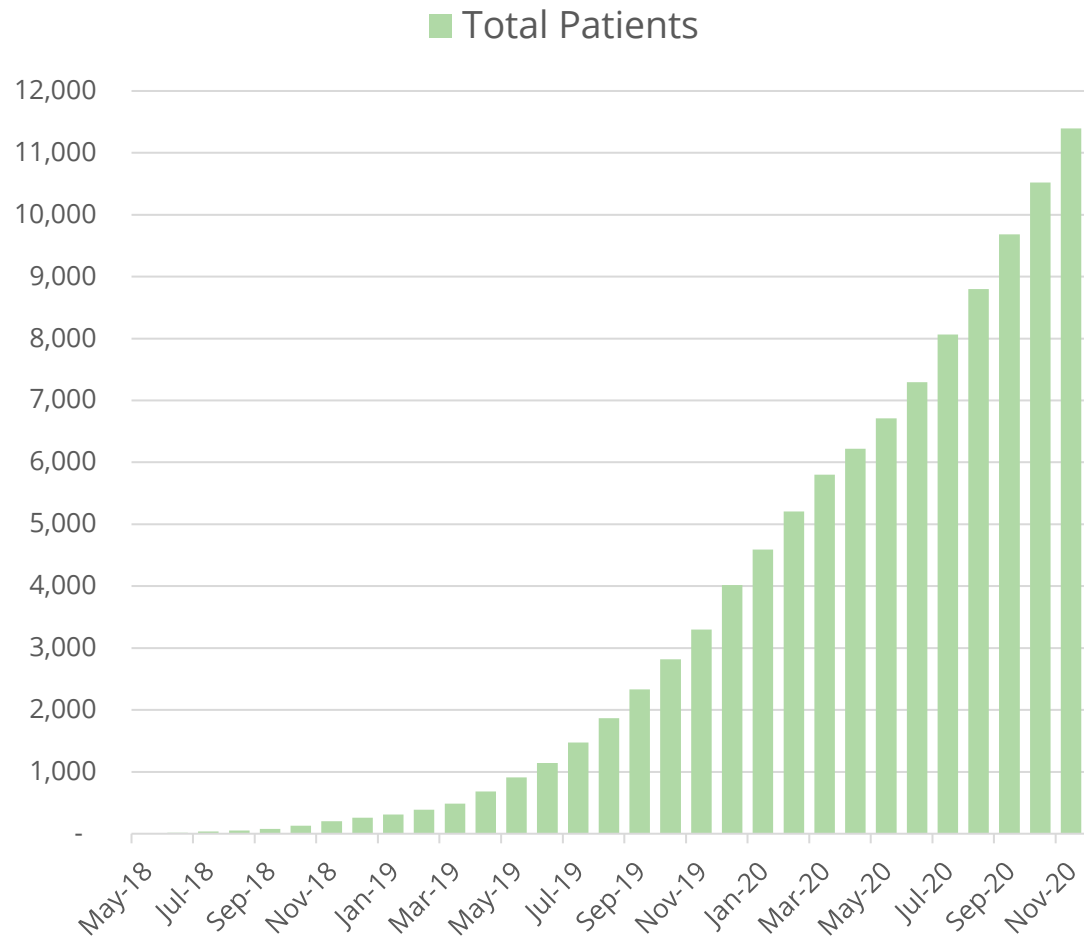
European market expansion

- **Increasing revenue** - November 2020 revenue of \$110,378 - up 48% MoM
- **Privately owned clinics** - MyAccess Clinics has over 500 patients in treatment
- **Encouraging patient trend** - Early prescription trends following similar pattern to Australia
- **Germany expansion** - Althea products approved for sale in Germany, initial shipment expected Dec 2020

Building a global brand through licensing opportunities

- **Brand recognition** - Althea is quickly becoming one of the medicinal cannabis brands of choice for doctors and patients globally
- **Unique Selling Proposition** - Althea's premium product quality, combined with registered medical device Althea Concierge™, enable the Company and its distribution partners to maintain healthy sales margins whilst increasing market share
- **South Africa** - The Company recently signed a wholesale supply agreement with South African cannabis company, AfriCann, to import a range of Althea branded finished products for sale and distribution in South Africa
- **Further licence agreements** - The Company is considering further distribution opportunities

AUSTRALIA - PATIENT AND HCP GROWTH



2021 KEY TARGETS - AUSTRALIA



One of Australia's Leading Providers

Solidify Althea's position as one of Australia's leading providers of medicinal cannabis

Patients Target

30,000

Targeting 30,000 total patients in Australia by the end of 2021

Althea Concierge™

20%

of customer sales to be facilitated online via Althea Concierge™ by the end of 2021

New Products

2021

Several prescription and non-prescription cannabis products currently in development for 2021

2021 KEY TARGETS - EUROPE



UNITED KINGDOM

**Scale Up
Operations**

2021

Increase size of in-field representative team and engage more doctors at wholly-owned medicinal cannabis clinic, MyAccess Clinics, in 2021

**Patients
Target**

10-15K

accumulated patients by the end of 2021, noting it's not always possible to measure the quantity of patients in the UK due to MHRA regulations

GERMANY

**Initial Product
Delivery Expected**

Dec '20

Althea cannabis oils are expected to resonate with German doctors and Althea Concierge™ is cornerstone to Althea's marketing strategy

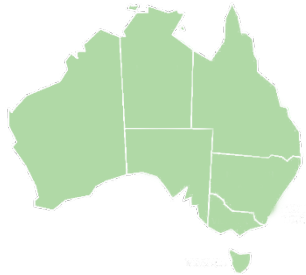
**Gap in
Education**

HCPs

In-field representatives currently in training and will commence interactions with German HCPs imminently

HIGH GROWTH MARKETS

Australia – Market Opportunity



25.4m

2019 Population

18,549

Patients estimated to have accessed medicinal cannabis products as at 31/12/2019 ¹

15 – 20%

Month-on-month patient growth ²

30k – 50k

Estimated active patients by the end of 2020 ²

UK – Market Opportunity



66.87m

2019 Population

2.9m

Potential medical cannabis patients ³

Up to 1%

Of the UK population could be medicinal cannabis patients by 2028 – Market Intelligence consultants 'Prohibition Partners' forecast ⁴

Germany – Market Opportunity



82.9m

2019 Population

60,000

Patients treated with medicinal cannabis in 2019 facilitated by insurance reimbursement ⁵

90%

Of the German population are covered by public health insurers ⁶



PEAK

Peak Processing Solutions

Peak is one of the industry leading manufacturers of cannabis 2.0 products for the Canadian recreational cannabis market. Peak work collaboratively with customers to develop their brand aspirations and deliver consumer products to market with a focus on:

Quality
Efficiency
Innovation

2020 Key Achievements

PEAK

- Althea's wholly-owned subsidiary Peak Processing Solutions commenced commercial operations in September 2020, having successfully obtained its Standard Processing Licence from Health Canada
- Peak will manufacture Cannabis 2.0 products on behalf of third parties, as well as supply medicinal products to Althea's pharmaceutical operations, greatly reducing Althea's cost of goods sold
- Agreements with multiple customers already in place, including the Collective Project (sister company of Collective Arts Brewing), Electric Brands, Earth Kisses Sky and US-based cannabis beverage brand, Tinley's™

Althea Products

Dec '20

Expected shipment of Althea products manufactured at Peak due December 2020

Cannabis 2.0 Market

\$2.7b

Edibles and alternative products Per Annum (USD) ¹



¹ Source: <https://www2.deloitte.com/content/dam/Deloitte/ca/Documents/c-and-ip/ca-en-consumer-nurturing-new-growth-en-aoda-may31.pdf>

2021 GROUP STRATEGY



AUSTRALIA Drive Further Growth

- **Solidify Althea's position** - As one of Australia's leading providers of medicinal cannabis
- **Upsize sales team** - To reach more Australian doctors, educating them about Althea medicinal cannabis
- **Incremental growth in patient numbers** - Increase patient base in 2021
- **Increase online sales** - Via Althea Concierge™
- **Develop new product offerings** - For the prescription cannabis and potential non-prescription cannabis market

UNITED KINGDOM Scale Operations

- **Scale up operations in 2021** - Including increasing in-field representative team and engaging more doctors at Althea's dedicated medicinal cannabis clinic, MyAccess Clinics
- **Accelerate patient growth** - Throughout 2021

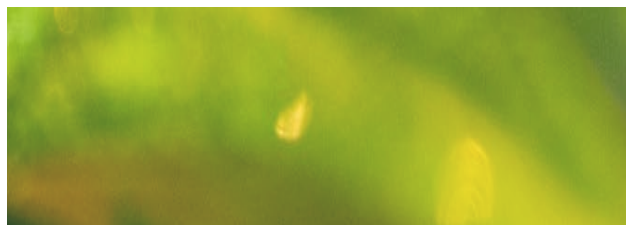
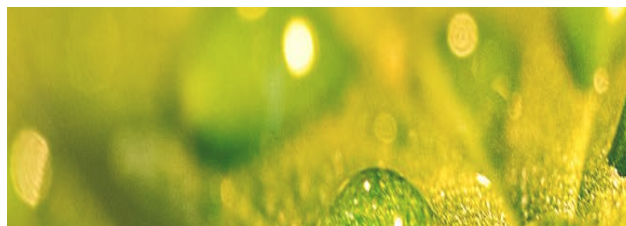
GERMANY Product Launch & Education

- **Imminent product launch** - Althea products expected to be delivered in December 2020, with in-field representatives currently undertaking product training and to commence interactions with HCPs imminently
- **Focus on HCP education** - Althea medicinal cannabis extract products are expected to resonate with the wider German medical community, with Althea Concierge™ the cornerstone to Althea's market access

CANADA Peak Processing Solutions

- **Onboard further customers** - Across a number of adult-use cannabis categories
- **Achieve revenue & EBITDA milestones** - Following the granting of Peak's Health Canada licence in September 2020
- **Shipping finished products to Althea expected in December 2020**

CAPITAL RAISE OVERVIEW



Offer Size & Structure

Institutional placement raising up to A\$6.0 million and an SPP to raise up to A\$3.0 million.

Placement

Placement will result in 13,636,364 new shares being issued, representing 5.2% of AGH's issued capital. The placement is not underwritten.

SPP¹

Althea will offer all shareholders with registered address in Australia or New Zealand an opportunity to participate in a non-underwritten SPP. Eligible shareholders will be able to apply for up to \$30,000 worth of new shares.

Ranking

New shares issued under the Placement and SPP will rank equally with existing AGH shares on issue.

Offer Price

The institutional placement and share purchase plan is priced at \$0.44 per share, representing:

- 10.2% discount to the last traded price on 10/12/2020 of \$0.4900 per share
- 20.2% discount to the 5-day VWAP to 10/12/2020 of \$0.5513 per share
- 17.5% discount to the 15-day VWAP to 10/12/2020 of \$0.5330 per share

Lead Manager

PAC Partners Securities Limited

¹ Althea reserves the right to increase or scale back the amount raised via the SPP

EQUITY RAISING OVERVIEW



Cash

Cash On Hand – 30 September 2020	A\$6.9 million
Funds Raised (Placement)	A\$6.0 million
Funds Raised (Share Purchase Plan)	A\$3.0 million ²
Cash On Hand Post Placement	A\$16.0 million

Key Terms

Offer price	A\$0.44
Number of placement shares to be issued	13,636,364
Number of shares issued under SPP ¹	6,818,182
Total shares on issue post-transaction ^{1,2}	260,380,404

Market capitalisation at the Offer price^{1,2} A\$114,567,377

¹ Assumes full take-up of \$3.0m Share Purchase Plan. Althea reserves the right to increase the amount raised via the SPP

² Excludes options and performance rights

USE OF FUNDS



Use of funds ¹	\$m	%
<p>Market Access:</p> <ul style="list-style-type: none"> Increase the number of in-field representatives educating doctors about Althea medicinal cannabis, resulting in more prescribers and incremental growth <p>Sales & Marketing</p> <p>MyAccess Clinics – UK:</p> <ul style="list-style-type: none"> Recruitment of further specialist prescribers 12-month advertising campaign - Drive patients to the clinic, maximise prescriber utilisation and generate growth in Althea prescriptions 	A\$2.0m	22.2%
<p>Incremental growth requires additional stock on hand. Althea’s aim is to consistently have 3-6 months’ worth of forecasted sales in inventory, in any territory, at any given time</p> <p>Inventory</p>	A\$2.0m	22.2%
<p>Further planned development including:</p> <ul style="list-style-type: none"> Online sales to be made available in UK and Germany Enhanced App features for patients App to be made available for HCPs (prescribers) Base version to be made available in French Seek medical device registration in UK, Germany (medical app), South Africa and France – to complement existing Therapeutic Goods Administration registration <p>Althea Concierge™</p>	A\$1.0m	11.1%
<ul style="list-style-type: none"> Research and development of several non-prescription cannabis products used for the treatment of minor ailments, including: (i) low-dose CBD products for sale under 'schedule 3' in Australia² and (ii) a range of Cannabis Health Products (CHPs) for sale in Canada. Non-prescription cannabis products would be available in pharmacies and specific health claims allowed following the product registration process, which will require clinical evidence³ Develop novel prescription cannabis preparations, which would be added to the existing Althea product range Cost of production for if and when new products are launched at market <p>Research & Development</p>	A\$3.7m	41.1%
<p>Fees associated with undertaking the capital raise</p> <p>Fees</p>	A\$0.3m	3.4%
Total¹	A\$9.0m	100%

¹ Assumes full take-up of \$3.0m Share Purchase Plan. Althea reserves the right to increase the amount raised via the SPP

² Subject to Therapeutic Goods Administration’s decision regarding the down scheduling of CBD. If CBD is not down scheduled, funds will be allocated to the remaining Research & Development items

³ In Australia, subject to Therapeutic Goods Administration’s decision regarding the down scheduling of CBD. If CBD is not down scheduled, funds will be allocated to the remaining Research & Development items

CAPITAL RAISING TIMETABLE



Capital Raising Timetable¹

Record Date for SPP	5.00pm (AEDT) Friday 11 December 2020
Trading Halt	Friday 11 December 2020
Bookbuild Conducted for Placement	Monday 14 December 2020
Announcement of Placement and SPP	Tuesday 15 December 2020
Settlement of Capital Raising	Friday 18 December 2020
Issue of New Shares	Monday 21 December 2020
SPP Offer Opens	Monday 21 December 2020
Trading of New Shares	Tuesday 22 December 2020
SPP Offer Closes	5.00pm (AEDT) Friday 15 January 2021
Announcement of SPP results	Wednesday 20 January 2021
Issue Date	Wednesday 27 January 2021
Quotation of New Shares on ASX	Monday 1 February 2021

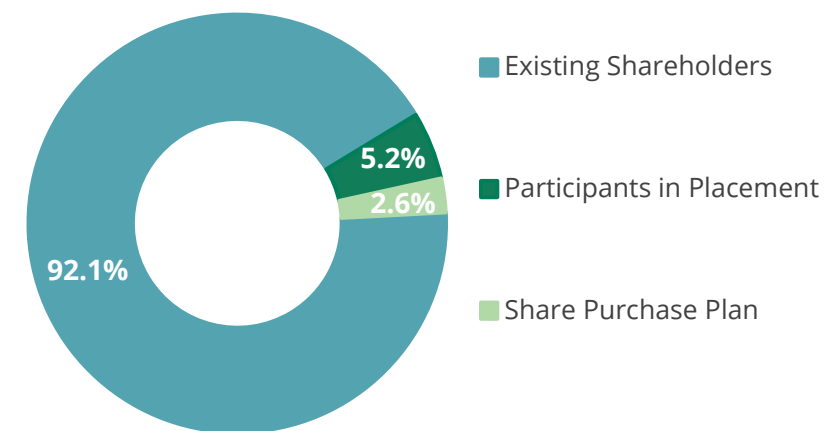
¹ All dates are indicative only and subject to change at the discretion of Althea Group Holdings Limited

INDICATIVE CAPITAL STRUCTURE



	Current Shareholdings	Shareholding post-Capital Raising	Shareholding post-SPP ¹
Existing Shareholders	239,925,859	239,925,859	239,925,859
Participants in Placement		13,636,364	13,636,364
Share Purchase Plan (SPP) ¹			6,818,182
Total	239,925,859	253,562,223	260,380,404

Capital Structure Post Capital Raising & SPP¹



¹ Assumes full take-up of \$3.0m Share Purchase Plan

KEY RISKS SPECIFIC TO ALTHEA



Overview of Risks

This section describes some of the potential risks associated with an investment in Althea. It does not list every risk that may be associated with Althea and the occurrence or consequences of some of the risks described in this section are partially or completely outside the control of Althea, its Directors and Management. The risks included in this section have been selected based on an assessment of a combination of the probability of the risk occurring and the consequences if that risk materialised. The assessment is based on the knowledge of the directors and management of Althea as at the date of this document. The risks may change or other risks may emerge after that date. The risks outlined in this section should be considered in conjunction with the other information disclosed in this document and in the company's periodic and continuous disclosure announcements disclosed via the ASX and available at www.asx.com.au (company code: AGH) or www.althea.life

Before investing or increasing your investment in Althea, you should consider whether this investment is suitable for you having regard to publicly available information and your personal circumstances and following consultation with your professional advisors. The risks identified in this section are general in nature and regard has not been had to the investment objectives, financial situation, tax position or particular needs of any investor.

Risks relating to the cannabis industry

- **Risks in relation to the cannabis industry generally:** There are no guarantees or assurances that Althea will achieve its business objectives, or that any products that Althea manufactures will be commercially exploitable
- **Uncertainties associated with production inputs:** The ability for Althea to operate is dependent on a number of key inputs and their related costs. These inputs include raw materials, electricity, water and skilled labour. As with any manufacturing operation, the availability of reputable suppliers of key inputs and any significant interruption or change in availability or costs of key inputs could materially impact Althea's operations and profitability

- In addition, the manufacture of cannabis products requires a deep understanding of cannabis specific techniques and technologies. The competitiveness and financial performance of Althea may be adversely affected if it fails to continue to invest in understanding and implementing manufacturing technologies and processes
- **Change to laws and regulations:** The operations of Althea are subject to a variety of laws, regulations and guidelines in Australia, Canada, the United Kingdom, Europe and South Africa. As the medicinal cannabis industry continues to evolve, it is likely that there will continue to be changes to existing legislation and/or the interpretation of the legal requirements which govern the operations and contractual obligations of Althea. This could impact adversely on the assets, operations and the financial performance of Althea, and the medicinal cannabis industry in general

Risk of adverse events, product liability or other safety issues

- There is a risk that the products sold by Althea may cause serious or unexpected side effects, including risk or injury to consumers. Should any of **Althea's** products be associated with safety risks such as misuse or abuse, inadvertent mislabelling, tampering by unauthorised third parties or product contamination or spoilage, a number of materially adverse outcomes could occur to Althea
- These adverse outcomes include the risk that regulatory authorities may revoke approvals that have been granted to Althea, impose more onerous facility standards or product labelling requirements or force Althea to conduct a product recall. Althea could also be subject to regulatory action or be sued and held liable for any harm caused to customers in those circumstances
- Althea maintains rigorous standards in respect of product safety and has insurance coverage to mitigate these risks in a manner customary with industry practice. However, Althea cannot guarantee that all such risks will be adequately managed through maintaining its rigorous standards or its insurance policies. These risks could result in the loss or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, damage to Althea's reputation and/or increased insurance costs

KEY RISKS SPECIFIC TO ALTHEA (CONTINUED)



General risks relevant to investing in Althea

- **Economic Conditions:** Althea's business is exposed to changes in general global economic conditions. For example, adverse macroeconomic conditions, such as economic recessions, downturns or extended periods of uncertainty or volatility, may influence pricing of cannabis products, thereby affecting Althea's future financial performance, operating performance and share price
- **Taxation risk:** There is the potential for changes to tax laws in Australia, Canada, the United Kingdom, Europe and South Africa. Any change to the current rates of taxes imposed on Althea is likely to affect returns to Althea's shareholders. An interpretation of taxation laws by a relevant tax authority that is contrary to the view of those laws adopted by Althea may lead to an increase in the amount of tax to be paid by Althea or cause changes in the carrying value of tax assets in Althea's financial statements. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend franking and shareholder returns
- **Market Conditions:** Stock market conditions may affect the value of Althea's quoted securities regardless of Althea's operating performance. Stock market conditions are affected by many factors such as:
 - general economic outlook;
 - introduction of tax reform or other new legislation;
 - interest rates and inflation rates;
 - change in investor sentiment toward particular market sectors;
 - the demand for, and supply of, capital; and
 - terrorism or other hostilities
- The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and industrial stocks in particular. Neither Althea nor its directors warrant the future performance of Althea, or any return on an investment in Althea
- **Shareholders may suffer dilution:** In the future, Althea may elect to issue shares or engage in fundraisings, including to fund acquisitions that Althea may decide to make. While Althea will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12-month period (other than where exceptions apply), shareholders may be diluted as a result of such future issues and fundraisings
- **Currency movements may be unfavourable:** Althea does not maintain a formal foreign currency hedging policy. Accordingly, adverse movements in the exchange rate between the Australian dollar and any other foreign currencies as a result of Althea's operations and any other future international expansion, may cause Althea to incur foreign currency losses. Such losses may impact and reduce Althea profitability and ability to pay dividends and fund its operations
- **Force majeure events may occur:** Events may occur within or outside Australia and Canada that could impact upon the Australian or global economy, Althea's operations and/or the price of Althea's shares. The events include, but are not limited to, acts of terrorism, outbreaks of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse effect on Althea's operations and its ability to conduct its business. Althea has only a limited ability to insure against some of these risks.
- **COVID-19 and long-term impacts:** The impact and ongoing implications of COVID-19 will continue to cause broader global economic impact with the threat of ongoing outbreaks. Given the high degree of uncertainty surrounding the extent and duration of COVID-19, it is not possible to assess the impact on Althea's business with certainty. However, preventative measures have affected, and can be expected to continue to adversely affect, consumer behaviour and business activity and precipitate sudden changes and volatility in regional and global economic conditions and financial markets.
- **Contractual risks:** Althea's ability to generate revenue from certain parts of its business is heavily reliant on customer contracts. There is also no guarantee or certainty that any agreement to which Althea is a party will be renewed or, if they are renewed, the terms that may apply to such renewal. There is a risk that actual or potential customers will be unable to obtain or retain all necessary licences and permits required to acquire and resell Althea's products. The ability of Althea to comply with its obligations under its future customer contracts may also be contingent on external factors, including but not limited to the uncertainties and changes associated with the medical cannabis legislative regime in Canada. If any of these agreements are terminated, Althea's revenue and profitability may be undermined and may have a material adverse impact on Althea's financial performance and prospects. While Althea may be able pursue a legal remedy in the event of any default or may be to negotiate alternate arrangements with third parties, these processes are likely to be time consuming, costly and disruptive to Althea and Peak's respective businesses

KEY RISKS SPECIFIC TO ALTHEA (CONTINUED)



General risks relevant to investing in Althea (continued)

- **General investment risks:** The price at which Althea's shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the shares to trade at prices below the price at which the shares are being offered under the Placement. There is no assurance that the price of the shares will increase following their issue and quotation on the ASX, even if Althea's earnings or sales increase. Some of the factors which may affect the price of the Shares include:
 - fluctuations in the domestic and international market for listed stocks;
 - general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices or changes to government fiscal, monetary or regulatory policies, legislation or regulation;
 - inclusion in or removal from market indices;
 - the nature of the markets in which Althea operates; and
 - general operational and business risks
- Other factors which may negatively affect investor sentiment and influence Althea's share price specifically or the stock market more generally, include acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events





FOREIGN SELLING RESTRICTIONS



International Offer Restrictions

This Presentation does not constitute an offer of shares of the Company in any jurisdiction in which it would be unlawful. The shares may not be offered or sold in any country outside Australia except to the extent permitted below:

United States

Neither the shares nor the entitlements have been, or will be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The shares will be offered and sold outside the United States in offshore transactions in accordance with Regulation S and in the United States under an available exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act. In addition, until 40 days after the commencement of the offering of any securities, an offer or sale of securities within the United States by a dealer, whether or not participating in this offering, may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from, or in transactions not subject to, the registration requirements of the U.S. Securities Act. Neither the U.S. Securities Exchange Commission, any state securities commission in the United States, nor any other United States or other regulatory authority has approved or disapproved of the Securities or passed upon the adequacy of this Presentation. Any representation to the contrary is a criminal offence in the United States

ALTHEA GROUP HOLDINGS LIMITED (ASX:AGH)



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